

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from to  
Commission File Number: 000-20728



**QUMU CORPORATION**

(Exact name of registrant as specified in its charter)

**Minnesota**  
(State or other jurisdiction of  
incorporation or organization)  
**400 S. 4th Street, Suite 401-412**  
**Minneapolis, Minnesota**  
(Address of principal executive offices)

**41-1577970**  
(I.R.S. Employer  
Identification No.)

**55415**  
(Zip Code)

**(612) 638-9100**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	QUMU	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of August 8, 2022, the registrant had 17,919,761 outstanding shares of \$.01 par value common stock.

**QUMU CORPORATION**  
**FORM 10-Q**  
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**PART 1 – FINANCIAL INFORMATION**  
**Item 1. Financial Statements (unaudited)**

**QUMU CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	June 30, 2022	December 31, 2021
	(unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,435	\$ 20,563
Receivables, net of allowance for credit losses of \$41 and \$42, respectively	3,467	3,709
Contract assets	676	446
Income tax receivable	658	556
Other receivable	649	—
Prepaid expenses and other current assets	2,094	2,184
Total current assets	13,979	27,458
Property and equipment, net of accumulated depreciation of \$1,640 and \$1,544, respectively	222	337
Right of use assets – operating leases	45	146
Intangible assets, net	1,049	1,388
Goodwill	6,639	7,388
Deferred income taxes, non-current	17	17
Other assets, non-current	320	362
Total assets	\$ 22,271	\$ 37,096
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 3,521	\$ 2,742
Accrued compensation	1,380	1,725
Deferred revenue	9,604	10,862
Operating lease liabilities	192	597
Financing obligations	152	5,502
Warrant liability	684	801
Total current liabilities	15,533	22,229
<b>Long-term liabilities:</b>		
Deferred revenue, non-current	1,102	1,507
Income taxes payable, non-current	641	630
Operating lease liabilities, non-current	—	21
Financing obligations, non-current	87	113
Total long-term liabilities	1,830	2,271
Total liabilities	17,363	24,500
<b>Commitments and contingencies (Note 3)</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value, authorized 250,000 shares, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, authorized 29,750,000 shares, issued and outstanding 17,904,854 and 17,786,959, respectively	179	178
Additional paid-in capital	105,785	105,655
Accumulated deficit	(97,955)	(90,693)
Accumulated other comprehensive loss	(3,101)	(2,544)
Total stockholders' equity	4,908	12,596
Total liabilities and stockholders' equity	\$ 22,271	\$ 37,096

See accompanying notes to unaudited condensed consolidated financial statements.

**QUMU CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited – in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Software licenses and appliances	\$ 278	\$ 138	\$ 389	\$ 246
Service	4,853	5,729	9,682	11,441
Total revenues	5,131	5,867	10,071	11,687
<b>Cost of revenues:</b>				
Software licenses and appliances	48	63	79	127
Service	1,212	1,486	2,591	2,989
Total cost of revenues	1,260	1,549	2,670	3,116
Gross profit	3,871	4,318	7,401	8,571
<b>Operating expenses:</b>				
Research and development	1,930	2,184	3,755	4,214
Sales and marketing	2,687	5,173	6,495	9,649
General and administrative	2,251	2,142	4,694	4,669
Amortization of purchased intangibles	153	163	309	325
Total operating expenses	7,021	9,662	15,253	18,857
Operating loss	(3,150)	(5,344)	(7,852)	(10,286)
<b>Other income (expense):</b>				
Employee Retention Credit income	649	—	649	—
Interest expense, net	(39)	(15)	(109)	(69)
Decrease in fair value of derivative liability	—	—	—	37
Decrease in fair value of warrant liability	51	1,018	117	1,375
Other, net	(156)	(89)	(184)	(27)
Total other income (expense), net	505	914	473	1,316
Loss before income taxes	(2,645)	(4,430)	(7,379)	(8,970)
Income tax benefit	(23)	(109)	(117)	(199)
Net loss	\$ (2,622)	\$ (4,321)	\$ (7,262)	\$ (8,771)
<b>Net loss per share – basic:</b>				
Net loss per share – basic	\$ (0.15)	\$ (0.24)	\$ (0.40)	\$ (0.51)
Weighted average shares outstanding – basic	18,072	17,741	18,042	17,096
<b>Net loss per share – diluted:</b>				
Loss attributable to common shareholders	\$ (2,622)	\$ (5,339)	\$ (7,262)	\$ (10,146)
Net loss per share – diluted	\$ (0.15)	\$ (0.30)	\$ (0.40)	\$ (0.59)
Weighted average shares outstanding – diluted	18,072	17,899	18,042	17,299

See accompanying notes to unaudited condensed consolidated financial statements.

**QUMU CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(unaudited - in thousands)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net loss	\$ (2,622)	\$ (4,321)	\$ (7,262)	\$ (8,771)
Other comprehensive income (loss):				
Net change in foreign currency translation adjustments	(373)	144	(557)	123
Total other comprehensive income (loss)	(373)	144	(557)	123
Total comprehensive loss	<u>\$ (2,995)</u>	<u>\$ (4,177)</u>	<u>\$ (7,819)</u>	<u>\$ (8,648)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**QUMU CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited – in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2020	13,780	\$ 138	\$ 79,489	\$ (74,328)	\$ (2,414)	\$ 2,885
Net loss	—	—	—	(4,450)	—	(4,450)
Other comprehensive loss, net of taxes	—	—	—	—	(21)	(21)
Issuance of common stock	3,709	37	23,048	—	—	23,085
Warrant exercise	50	—	560	—	—	560
Issuance of stock under employee stock plan, net of forfeitures	52	1	141	—	—	142
Redemption of stock related to tax withholdings on employee stock plan issuances	—	—	(3)	—	—	(3)
Stock-based compensation	—	—	589	—	—	589
Balance at March 31, 2021	17,591	\$ 176	\$ 103,824	\$ (78,778)	\$ (2,435)	\$ 22,787
Net loss	—	—	—	(4,321)	—	(4,321)
Other comprehensive loss, net of taxes	—	—	—	—	144	144
Issuance of stock under employee stock plan, net of forfeitures	34	—	85	—	—	85
Redemption of stock related to tax withholdings on employee stock plan issuances	(1)	—	(3)	—	—	(3)
Stock-based compensation	—	—	566	—	—	566
Balance at June 30, 2021	17,624	\$ 176	\$ 104,472	\$ (83,099)	\$ (2,291)	\$ 19,258

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2021	17,787	\$ 178	\$ 105,655	\$ (90,693)	\$ (2,544)	\$ 12,596
Net loss	—	—	—	(4,640)	—	(4,640)
Other comprehensive loss, net of taxes	—	—	—	—	(184)	(184)
Issuance of stock under employee stock plan, net of forfeitures	87	1	(1)	—	—	—
Redemption of stock related to tax withholdings on employee stock plan issuances	(9)	—	(17)	—	—	(17)
Stock-based compensation	—	—	356	—	—	356
Balance at March 31, 2022	17,865	\$ 179	\$ 105,993	\$ (95,333)	\$ (2,728)	\$ 8,111
Net loss	—	—	—	(2,622)	—	(2,622)
Other comprehensive loss, net of taxes	—	—	—	—	(373)	(373)
Issuance of stock under employee stock plan, net of forfeitures	42	—	—	—	—	—
Redemption of stock related to tax withholdings on employee stock plan issuances	(2)	—	(2)	—	—	(2)
Stock-based compensation	—	—	(206)	—	—	(206)
Balance at June 30, 2022	17,905	\$ 179	\$ 105,785	\$ (97,955)	\$ (3,101)	\$ 4,908

See accompanying notes to unaudited condensed consolidated financial statements.

**QUMU CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited – in thousands)

	Six Months Ended June 30,	
	2022	2021
<b>Operating activities:</b>		
Net loss	\$ (7,262)	\$ (8,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	427	492
Loss on disposal of property and equipment	—	3
Stock-based compensation	150	1,155
Accretion of debt discount and issuance costs	27	33
Decrease in fair value of derivative liability	—	(37)
Decrease in fair value of warrant liability	(117)	(1,375)
Changes in operating assets and liabilities:		
Receivables	138	1,802
Contract assets	(230)	238
Income taxes receivable / payable	(152)	221
Other receivable	(649)	—
Prepaid expenses and other assets	151	(105)
Accounts payable and other accrued liabilities	658	(242)
Accrued compensation	(322)	(1,305)
Deferred revenue	(1,360)	(3,724)
Net cash used in operating activities	<u>(8,541)</u>	<u>(11,615)</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(8)	(216)
Net cash used in investing activities	<u>(8)</u>	<u>(216)</u>
<b>Financing activities:</b>		
Principal payments on line of credit	(5,000)	(1,840)
Proceeds from line of credit	—	1,840
Principal payment on term loan	—	(1,833)
Payment for line of credit issuance costs	(86)	—
Principal payments on financing obligations	(376)	(219)
Net proceeds from common stock issuance	—	23,085
Proceeds from issuance of common stock under employee stock plans	—	226
Common stock repurchases to settle employee withholding liability	(19)	(6)
Net cash provided by (used in) financing activities	<u>(5,481)</u>	<u>21,253</u>
Effect of exchange rate changes on cash	(98)	28
Net increase (decrease) in cash and cash equivalents	(14,128)	9,450
Cash and cash equivalents, beginning of period	20,563	11,878
Cash and cash equivalents, end of period	<u>\$ 6,435</u>	<u>\$ 21,328</u>
<b>Supplemental disclosures of net cash paid (received) during the period:</b>		
Income taxes, net	\$ 17	\$ (413)
Interest, net	\$ 86	\$ 31
<b>Non-cash financing activity:</b>		
Reclassification from warrant liability to additional paid-in capital for non-cash exercise	\$ —	\$ 560

See accompanying notes to unaudited condensed consolidated financial statements.

**QUMU CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**(1) Nature of Business and Basis of Presentation**

Qumu Corporation ("Qumu" or the "Company") provides the tools to create, manage, secure, distribute and measure the success of live and on-demand video for enterprises. The Qumu platform enables global organizations to drive employee engagement, increase access to video, and modernize the future workplace by providing a more efficient and effective way to share knowledge. Qumu's customers, which include some of the world's largest organizations, leverage the Qumu platform for a variety of cloud, on-premise and hybrid deployments. Use cases include, but are not limited to, CEO and executive town halls, self-service webcasting, sales enablement, training, employee onboarding, internal communications, product releases and training, regulatory compliance and customer engagement. The Company and its channel partners market Qumu's products to customers primarily in North America, Europe and Asia.

The Company views its operations and manages its business as one segment and one reporting unit. Factors used to identify the Company's single operating segment and reporting unit include the financial information available for evaluation by the chief operating decision maker in making decisions about how to allocate resources and assess performance. The Company markets its products and services through regional sales representatives and independent distributors in the United States and international markets.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in a complete set of financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2021.

**Liquidity and Going Concern Considerations**

At June 30, 2022, the Company's principal source of liquidity consists of cash and cash equivalents and potential availability under its revolving line of credit with Silicon Valley Bank ("SVB"). As disclosed in the Company's consolidated financial statements for the year ended December 31, 2021, management concluded that the Company's history of losses and its cash resources available to execute its business plan over the twelve months following the release of its audited financial statements raised substantial doubt about the Company's ability to continue as a going concern. While management continues to execute the plans noted below, the execution of those plans has not yielded sufficient results for management to conclude that substantial doubt has been alleviated.

Management's plans to address the doubt regarding the Company's ability to continue as a going concern include positioning the targeted channel-led strategy for success through efforts to expand the number of high quality channel partners, educating channel partners on the Company's platform, tools and differentiated features, and providing performance-based incentives to channel partners to accelerate customer deals, as well as continuous assessment of the sales pipeline to forecast SaaS revenue growth driven by new customer and expansion bookings sourced through the channel. Additionally, management will actively monitor eligible accounts for the purposes of the SVB Agreement borrowing base calculation and monitor doubtful accounts and write-offs of accounts receivable, which have historically been minimal. Management continues to manage costs to align with its operating plan. To the extent that increasing traction in the channel-led strategy is not realized, management may implement additional cost optimization plans to further align expenditures with the timing and amount of cash receipts from new sales and renewals of existing sales contracts. These cost optimization measures may include reductions in the Company's personnel, reduced utilization of contractors, and decreases in other discretionary spend.

The Company may also increase its cash resources by drawing on the SVB line of credit to the extent of any availability. To the extent the Company requires additional capital, it may seek capital by refinancing its existing line of credit or from offering of the Company's equity securities or both. If the Company experiences a significant shortfall in performance as compared to plan and also is unable to secure additional capital in a sufficient amount or on acceptable terms, management may be required to implement more significant cost reduction and other cash-focused measures to manage liquidity and the Company may have to significantly delay, scale back, or cease operations, in part or in full.

As of June 30, 2022, management continues to realize positive results from the execution of its plans. Regarding its channel-led strategy, the Company met its new logo growth targets for both the first and second quarters of 2022, with over 80% of the new logos associated with channel partners. Additionally, net cash used in operating activities improved to \$3.7 million in the second quarter 2022, compared to \$4.9 million in first quarter 2022 and \$6.1 million in the second quarter 2021. As a result, as of June 30, 2022 and through the filing date of this Form 10-Q, management has not initiated new cost optimization or headcount reduction measures beyond those initially planned to alleviate substantial doubt regarding the Company's ability to continue as a going concern. Following the end of the quarter, the Company drew \$2.0 million on the SVB line of credit on August 12, 2022.

These condensed consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty. If the Company cannot continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities and the reported amounts of income and expenses could be required and could be material.

#### **Employee Retention Credit**

During the three months ended June 30, 2022, the Company completed its analysis of its eligibility for the Employee Retention Credit under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") for qualified wages paid during the second quarter of 2021. During the three months ended June 30, 2022, the Company submitted for a refund of \$649,000 for the second quarter 2021 reporting period and recorded the amount as Other Income (Expense) on the Company's condensed consolidated statements of operations and as Other Receivable on the Company's condensed consolidated balance sheet as of June 30, 2022. The Company believes the relevant conditions of the Employee Retention Credit provision of the CARES Act have been substantially met for the second quarter 2021 reporting period and that it will receive the credit, although there can be no assurance regarding timing of the receipt of the credit. The Company expects to recognize additional amounts under the Employee Retention Credit in future reporting periods as it completes further analyses and submits for refunds for other historical quarters for which it determines the Company has eligible wages. Subsequent to June 30, 2022, the Company completed additional analyses and submitted a refund of \$623,000 for the third quarter 2021.

#### **Recently Adopted Accounting Standards**

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*. This update amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity and improves and amends the related earnings per share guidance for both Subtopics. This standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company adopted this standard effective January 1, 2022. The adoption of this standard did not materially impact the Company's condensed consolidated financial statements and related disclosures.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. The objective of ASU 2021-10 is to increase the transparency of government assistance including the disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. ASU 2021-10 is effective for all entities for annual periods beginning after December 15, 2021. The Company adopted this standard effective January 1, 2022. The adoption of this standard did not materially impact the Company's financial statements disclosures.

**(2) Intangible Assets and Goodwill**

**Intangible Assets**

The Company's amortizable intangible assets consisted of the following (in thousands):

	June 30, 2022		
	Customer Relationships	Trademarks / Trade Names	Total
Original cost	\$ 4,730	\$ 2,121	\$ 6,851
Accumulated amortization	(4,423)	(1,379)	(5,802)
Intangibles assets, net	\$ 307	\$ 742	\$ 1,049

  

	December 31, 2021		
	Customer Relationships	Trademarks / Trade Names	Total
Original cost	\$ 4,927	\$ 2,121	\$ 7,048
Accumulated amortization	(4,352)	(1,308)	(5,660)
Intangibles assets, net	\$ 575	\$ 813	\$ 1,388

Balances as of December 31, 2021 exclude intangible assets fully amortized as of that date having an original cost as follows:

	December 31, 2021		
	Developed Technology	Trademarks / Trade Names	Total
Original cost	\$ 8,224	\$ 62	\$ 8,286

Changes to the carrying amount of net amortizable intangible assets consisted of the following (in thousands):

	Six Months Ended June 30, 2022
Balance, beginning of period	\$ 1,388
Amortization expense	(309)
Currency translation	(30)
Balance, end of period	\$ 1,049

Amortization expense of intangible assets consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Amortization expense associated with the developed technology included in cost of revenues	\$ —	\$ 27	\$ —	\$ 54
Amortization expense associated with other acquired intangible assets included in operating expenses	153	163	309	325
Total amortization expense	\$ 153	\$ 190	\$ 309	\$ 379

**Goodwill**

The goodwill balance of \$6.6 million at June 30, 2022 reflects the impact of foreign currency exchange rate fluctuations since the acquisition date.

**(3) Commitments and Contingencies**

**Leases**

The Company is obligated under finance leases covering certain IT equipment that expire at various dates over the next three years. The Company also has non-cancellable operating leases, primarily for office space that was surrendered, that expire at various dates over the next 7 months.

The components of lease cost were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 51	\$ 46	\$ 101	\$ 91
Finance lease cost:				
Amortization of right of use assets	26	26	52	55
Interest on lease liabilities	2	3	4	5
Total finance cost	28	29	56	60
Total lease cost	\$ 79	\$ 75	\$ 157	\$ 151

Future payments used in the measurement of lease liabilities on the condensed consolidated balance sheet as of June 30, 2022 are as follows (in thousands):

	Operating leases	Finance leases
Remainder of 2022	\$ 237	\$ 29
2023	21	58
2024	—	58
2025	—	4
2026	—	—
Total undiscounted lease payments	258	149
Less amount representing interest	(8)	(10)
Present value of lease liabilities	\$ 250	\$ 139

#### Wells Fargo Credit Facility

On January 15, 2021, the Company entered into a Loan and Security Agreement (the “Wells Fargo line of credit”) with Wells Fargo Bank, National Association providing for a revolving line of credit. Pursuant to the Wells Fargo line of credit, the Company granted a security interest in substantially all of its properties, right and assets (including certain equity interest of the Company’s subsidiaries). As of March 31, 2022, the Company maintained an outstanding principal balance on the revolving line of \$5.0 million and was in compliance with its covenants. On April 12, 2022, the Company repaid the outstanding balance on the revolving line and terminated its Loan and Security Agreement with Wells Fargo.

#### Silicon Valley Bank Credit Facility

On April 15, 2022, the Company entered into a Loan and Security Agreement (the “SVB Agreement”) with Silicon Valley Bank providing for a \$7.5 million revolving line of credit. The maximum availability for borrowing under the SVB Agreement is the lesser of \$7.5 million or the sum of a defined borrowing base of 85% of eligible accounts receivable plus a non-formula amount of \$2.5 million. The non-formula amount will be eliminated from availability under the line of credit at the earlier of April 30, 2023 or the date on which the Company's net cash, as defined, is less than \$5.0 million. The maturity of the SVB Agreement is April 15, 2024. No amounts were outstanding under the SVB Agreement as of June 30, 2022. Subsequent to June 30, 2022, the Company drew \$2.0 million on the line of credit on August 12, 2022.

Any borrowings under the SVB Agreement bear interest, based on an interest rate that is dependent upon whether Net Cash is above or below \$0.0 million. Net Cash is defined as (a) the Company's cash maintained with Silicon Valley Bank less (b) the outstanding line of credit balance. If Net Cash is greater than \$5.0 million, then the interest rate is the "prime rate" as published in The Wall Street Journal ("WSJ") for the relevant period plus 1.50%. If cash liquidity is less than \$5.0 million, then the interest rate is the WSJ prime rate plus 2.00%. The SVB Agreement contains certain reporting requirements, conditions, and covenants, including a covenant requiring the Company to maintain an adjusted quick ratio greater than or equal to 1.25 to 1.00. The adjusted quick ratio is the ratio of (a) unrestricted cash and cash equivalents in SVB deposit accounts or securities accounts plus net billed accounts receivable and (b) the sum of current liabilities less the current portion of deferred revenue.

Pursuant to the SVB Agreement, the Company granted a security interest in substantially all of its properties, rights and assets (including certain equity interests of the Company’s subsidiaries). The SVB Agreement contains customary events of default, upon the occurrence of which, the lender may accelerate repayment of any outstanding balance. Additionally, the line of credit contains various provisions that limit our ability to, among other things, incur, create or assume certain indebtedness; create, incur or assume certain liens; make certain investments; make sales, transfers and dispositions of certain property; undergo certain fundamental changes, including certain mergers, liquidations and consolidations; purchase, hold or acquire certain investments; and declare or make certain dividends and distributions.

## Contingencies

The Company is exposed to asserted and unasserted claims encountered in the normal course of business. Legal costs related to loss contingencies are expensed as incurred. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

The Company's standard arrangements include provisions indemnifying customers against liabilities if the Company's products infringe a third-party's intellectual property rights. The Company has not incurred any costs in its continuing operations as a result of such indemnifications and has not accrued any liabilities related to such contingent obligations in the accompanying condensed consolidated financial statements.

### (4) Fair Value Measurements

Assets and liabilities measured at fair value are classified into the following categories:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect an entity's own estimates of assumptions that market participants would use in pricing the asset or liability.

As of June 30, 2022, the following warrants for the purchase of Qumu's common stock were outstanding and exercisable:

Description	Number of underlying warrant shares	Warrant exercise price (per share)	Warrant expiration date
Warrant issued in conjunction with October 2016 debt financing ("Hale warrant")	238,583	\$ 2.80	October 21, 2026
Warrant issued to sales partner, iStudy Co., Ltd. ("iStudy warrant")	100,000	\$ 2.43	August 31, 2028
Total warrants outstanding	338,583		

The warrant liability was recorded in the Company's consolidated balance sheets at its fair value on the respective dates of issuance of the warrants and is revalued on each subsequent balance sheet date until such instrument is exercised or expires, with any changes in the fair value between reporting periods recorded in other income (expense) of the condensed consolidated statement of operations as "decrease (increase) in fair value of warrant liability." The Company recorded non-cash income of \$51,000 and \$1.0 million for the three months ended June 30, 2022 and 2021, respectively, and \$117,000 and \$1.4 million for the six months ended June 30, 2022 and 2021, respectively, resulting from the decrease in fair value of the warrant liability.

The Company has historically estimated the fair value of this liability using option pricing models that are based on the individual characteristics of the warrants on the valuation date, which include the Company's stock price and assumptions for expected volatility, expected life and risk-free interest rate, as well as the present value of the minimum cash payment component of the instrument for the warrants, when applicable. During the three months ended June 30, 2022, the Company began estimating the fair value of the Hale warrant using a Monte Carlo simulation performed by a third-party valuation firm, as the Company considers the simulation to better capture the potential range of future cash flows, particularly cash flows from scenarios in which the minimum cash payment is triggered.

Changes in the assumptions used could have a material impact on the resulting fair value of each warrant. The primary inputs affecting the value of the warrant liability are the Company's stock price and volatility in the Company's stock price, as well as assumptions about the probability and timing of certain events, such as a change in control or future equity offerings. Increases in the fair value of the underlying stock or increases in the volatility of the stock price generally contribute to an increase in the fair value of the warrant liability; conversely, decreases in the fair value of the underlying stock or decreases in the volatility of the stock price generally contribute to a decrease in the fair value of the warrant liability.

The Company's liabilities measured at fair value on a recurring basis and the fair value hierarchy utilized to determine such fair values were as follows at June 30, 2022 and December 31, 2021 (in thousands):

	Total Fair Value at June 30, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Liabilities:</b>				
Warrant liability - Hale	\$ 661	\$ —	\$ —	\$ 661
Warrant liability - iStudy	23	—	—	23
Warrant liability	\$ 684	\$ —	\$ —	\$ 684

	Total Fair Value at December 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Liabilities:</b>				
Warrant liability - Hale	\$ 685	\$ —	\$ —	\$ 685
Warrant liability - iStudy	116	—	—	116
Warrant liability	\$ 801	\$ —	\$ —	\$ 801

The Company's evaluation of the probability and timing of a change in control represents an unobservable input (Level 3) that shortens or lengthens the expected term input of the option pricing model for all warrants, and generally correspondingly increases or decreases, respectively, the present value of the minimum cash payment component of the Hale warrant. Consequently, as of June 30, 2022 and December 31, 2021, the liability related to each warrant was classified as a Level 3 warrant liability.

The following table represents the significant unobservable input used in the fair value measurement of Level 3 warrant liability instruments:

	June 30, 2022	December 31, 2021
Probability-weighted timing of change in control	2.7 years	3.7 years

The following table summarizes the changes in Level 3 fair value measurements for the six months ended June 30, 2022:

	Total
Balance at December 31, 2021	\$ 801
Change in fair value	(117)
Balance at June 30, 2022	\$ 684

## (5) Revenue

The Company generates revenue through the sale of enterprise video content management software, hardware, maintenance and support, and professional and other services. Software sales may take the form of a cloud-hosted software as a service (SaaS), term software license or perpetual software license. Software licenses and appliances revenue includes sales of perpetual

software licenses, term software licenses and hardware. Service revenue includes SaaS, maintenance and support, and professional and other services.

### Revenues by product category and geography

The Company combines its products and services into four product categories and three geographic regions, based on customer location, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Software licenses and appliances	\$ 278	\$ 138	\$ 389	\$ 246
Service				
Subscription and support	2,764	2,512	5,419	4,827
Maintenance and support	1,769	2,570	3,562	5,234
Subscription, maintenance and support	4,533	5,082	8,981	10,061
Professional services and other	320	647	701	1,380
Total service	4,853	5,729	9,682	11,441
Total revenues	\$ 5,131	\$ 5,867	\$ 10,071	\$ 11,687

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
North America	\$ 3,385	\$ 3,710	\$ 6,663	\$ 7,648
Europe	1,365	303	2,743	1,924
Asia	381	1,854	665	2,115
Total	\$ 5,131	\$ 5,867	\$ 10,071	\$ 11,687

### Contract Balances

The Company's balances for contract assets totaled \$676,000 and \$446,000 as of June 30, 2022 and December 31, 2021, respectively. The Company's balances for contract liabilities, which are included in deferred revenue, totaled \$10.7 million and \$12.4 million as of June 30, 2022 and December 31, 2021, respectively.

During the three months ended June 30, 2022 and 2021, the Company recognized \$4.7 million and \$4.6 million, respectively, of revenue that was included in the deferred revenue balance at the beginning of each respective period. During the six months ended June 30, 2022 and 2021, the Company recognized \$8.3 million and \$8.3 million, respectively, of revenue that was included in the deferred revenue balance at the beginning of each respective period. All other activity in deferred revenue is due to the timing of invoices in relation to the timing of recognizable revenue as described above.

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately \$23.8 million as of June 30, 2022, of which the Company expects to recognize \$11.9 million of revenue over the next 12 months and the remainder thereafter. During the six months ended June 30, 2022 and 2021, no revenue was recognized from performance obligations satisfied in previous periods.

### (6) Stock-Based Compensation

The Company granted the following stock-based awards in the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock options	50,000	—	50,000	—
Restricted stock units	746,400	253,802	821,195	352,302
Performance stock units	—	140,060	320,755	303,700

The restricted stock units and performance stock units granted during the three and six months ended June 30, 2022 and 2021 were granted under the Company's Second Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"), a shareholder approved plan.

The Company recognized the following expense (benefit) related to its share-based payment arrangements (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Stock-based compensation cost, before income tax benefit:</b>				
Stock options	\$ (283)	\$ 182	\$ (171)	\$ 353
Restricted stock awards and restricted stock units	159	384	398	802
Performance stock units	(82)	—	(77)	—
<b>Total stock-based compensation</b>	<b>\$ (206)</b>	<b>\$ 566</b>	<b>\$ 150</b>	<b>\$ 1,155</b>
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Stock-based compensation cost included in:</b>				
Cost of revenues	\$ 17	\$ 17	\$ 36	\$ 32
Operating expenses	(223)	549	114	1,123
<b>Total stock-based compensation</b>	<b>\$ (206)</b>	<b>\$ 566</b>	<b>\$ 150</b>	<b>\$ 1,155</b>

## (7) Income Taxes

As of both June 30, 2022 and December 31, 2021, the Company's liability for gross unrecognized tax benefits (excluding interest and penalties) totaled \$0.9 million. The Company had accrued interest and penalties relating to unrecognized tax benefits of \$84,000 and \$72,000 on a gross basis at June 30, 2022 and December 31, 2021, respectively. The change in the liability for gross unrecognized tax benefits reflects an increase in reserves established for federal and state uncertain tax positions. The Company does not currently expect significant changes in the amount of unrecognized tax benefits during the next twelve months.

## (8) Computation of Net Loss Per Share of Common Stock

The following table identifies the components of net loss per basic and diluted share (in thousands, except for per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Net loss per share – basic</b>				
Net loss	\$ (2,622)	\$ (4,321)	\$ (7,262)	\$ (8,771)
Weighted average shares outstanding	18,072	17,741	18,042	17,096
<b>Net loss per share – basic</b>	<b>\$ (0.15)</b>	<b>\$ (0.24)</b>	<b>\$ (0.40)</b>	<b>\$ (0.51)</b>
<b>Net loss per share – diluted</b>				
Loss attributable to common shareholders:				
Net loss	\$ (2,622)	\$ (4,321)	\$ (7,262)	\$ (8,771)
Numerator effect of dilutive securities				
Warrants	—	(1,018)	—	(1,375)
<b>Loss attributable to common shareholders</b>	<b>\$ (2,622)</b>	<b>\$ (5,339)</b>	<b>\$ (7,262)</b>	<b>\$ (10,146)</b>
Weighted average shares outstanding – diluted:				
Weighted average shares outstanding – basic	18,072	17,741	18,042	17,096
Denominator effect of dilutive securities				
Warrants	—	158	—	203
<b>Diluted potential common shares</b>	<b>—</b>	<b>158</b>	<b>—</b>	<b>203</b>
<b>Weighted average shares outstanding – diluted</b>	<b>18,072</b>	<b>17,899</b>	<b>18,042</b>	<b>17,299</b>
<b>Net loss per share – diluted</b>	<b>\$ (0.15)</b>	<b>\$ (0.30)</b>	<b>\$ (0.40)</b>	<b>\$ (0.59)</b>

Stock options, warrants and restricted stock units to acquire common shares that were excluded from the computation of diluted weighted-average common shares as their effect is anti-dilutive were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock options	681	1,174	858	1,199
Warrants	339	—	339	—
Restricted stock units	769	476	627	505
Total anti-dilutive	1,789	1,650	1,824	1,704

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

*The following discussion and analysis of our financial condition and results of operations should be read together with the section titled "Financial Information" and our audited financial statements and related notes which are included in our most recent Annual Report on Form 10-K. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in "Risk Factors" included in our most recent Annual Report on Form 10-K.*

### Overview

Qumu Corporation ("Qumu", "Company" or "we") generates revenue through the sale of enterprise video content management software, hardware, maintenance and support, and professional and services. Software sales may take the form of a cloud-hosted software as a service (SaaS) license, recurring term software license or perpetual software license. Software licenses and appliances revenue includes sales of perpetual software licenses, recurring term software licenses and hardware. Service revenue includes SaaS subscriptions and support, maintenance and support, and professional services.

### Impact of COVID-19

Qumu expects to capture additional revenue opportunities presented by the widespread adoption and use of video in the enterprise. Widespread adoption and use of video in the enterprise is critical to our future growth and success. Qumu believes that the COVID-19 crisis is a tipping point for the use and acceptance of video as a primary communication channel within the enterprise. As video content and software to manage video content achieve high levels of acceptance within the enterprise, management believes this will drive demand and market adoption for Qumu's video platform and tools, with product development, sales and marketing, and engineering resources increasingly focused on delivering cloud-based solutions over on-premises solutions, consistent with our strategic plan and customer preferences.

We expect that even as some businesses return to conducting some portion of their work in-person, many businesses will continue long-term remote and flexible work models including hybrid work in which video is a business-critical communication tool. We believe that enterprises are accelerating their cloud and technology plans to address the challenges and complexities of these mixed work environments. With more companies transitioning to either a complete remote or hybrid work environment, having employees working in different location at different times, we foresee enterprises leveraging large-scale synchronous and asynchronous video. However, these trends in distributed remote and hybrid work have had varying impacts on enterprise technology adoption and procurement timeframes due in part to uncertainty and lack of definitive decisions on when and if our customers' workforce may return to the office. This uncertainty in the timing and extent of transition to video in the enterprise contributes to our currently limited visibility to our sales pipeline and creates additional challenges in forecasting timing and extent of customer sales in any particular quarter. Qumu believes the increase in hybrid and remote work due to COVID-19 is going to remain permanent for many enterprises, driving a large amount of future usage in the cloud.

### Critical Accounting Estimates and Significant Accounting Policies

There have been no material changes to our discussion of critical accounting estimates and significant accounting policies from those set forth in our 2021 Annual Report on Form 10-K for the year ended December 31, 2021. See Note 1 "Nature of Business and Basis of Presentation" of the accompanying condensed consolidated financial statements for a discussion of the impact of the adoption of ASU 2020-06 and ASU 2021-10 on our unaudited condensed financial statements.

## Results of Operations

The percentage relationships to revenues of certain income and expense items for the three and six months ended June 30, 2022 and 2021, and the percentage changes in these income and expense items relative to the prior year periods, are contained in the following table:

	Three Months Ended June 30,			Six Months Ended June 30,		
	Percentage of Revenues		Percent Increase (Decrease) 2021 to 2022	Percentage of Revenues		Percent Increase (Decrease) 2021 to 2022
	2022	2021		2022	2021	
Revenues	100.0 %	100.0 %	(13) %	100.0 %	100.0 %	(14) %
Cost of revenues	(24.6)	(26.4)	(19)	(26.5)	(26.7)	(14)
Gross profit	75.4	73.6	(10)	73.5	73.3	(14)
Operating expenses:						
Research and development	37.6	37.2	(12)	37.3	36.1	(11)
Sales and marketing	52.3	88.2	(48)	64.5	82.5	(33)
General and administrative	43.9	36.5	5	46.6	39.9	1
Amortization of purchased intangibles	3.0	2.8	(6)	3.1	2.8	(5)
Total operating expenses	136.8	164.7	(27)	151.5	161.3	(19)
Operating loss	(61.4)	(91.1)	(41)	(78.0)	(88.0)	(24)
Other income (expense), net	9.9	15.6	(45)	4.7	11.3	(64)
Loss before income taxes	(51.5)	(75.5)	(40)	(73.3)	(76.7)	(18)
Income tax benefit	(0.4)	(1.9)	(79)	(1.2)	(1.7)	(41)
Net loss	(51.1)%	(73.6)%	(39) %	(72.1)%	(75.0)%	(17) %

## Revenues

The Company generates revenue through the sale of enterprise video content management software, hardware, maintenance and support, and professional and services. Software sales may take the form of a cloud-hosted SaaS license, recurring term software license or perpetual software license. Software licenses and appliances revenue includes sales of perpetual software licenses, recurring term software licenses and hardware. Service revenue includes SaaS subscriptions and support, maintenance and support, and professional services.

The table below describes Qumu's revenues by product category (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022
Software licenses and appliances	\$ 278	\$ 138	\$ 140	101 %	\$ 389	\$ 246	\$ 143	58 %
Service								
Subscription and support	2,764	2,512	252	10	5,419	4,827	592	12
Maintenance and support	1,769	2,570	(801)	(31)	3,562	5,234	(1,672)	(32)
Subscription, maintenance and support	4,533	5,082	(549)	(11)	8,981	10,061	(1,080)	(11)
Professional services and other	320	647	(327)	(51)	701	1,380	(679)	(49)
Total service	4,853	5,729	(876)	(15)	9,682	11,441	(1,759)	(15)
Total revenues	\$ 5,131	\$ 5,867	\$ (736)	(13) %	\$ 10,071	\$ 11,687	\$ (1,616)	(14) %

Revenues can vary period to period based on the type of contract the Company enters into with each customer. The decrease in total revenue of \$736,000 and \$1.6 million, for the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, was primarily driven by the Company's accelerated shift to a SaaS-first revenue model initiated in late 2020 and the expected end of certain on-premise customer relationships, primarily impacting maintenance and support revenue. The increase in subscription and support revenues of \$252,000, or 10%, and \$592,000, or 12%, for the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, was due to on-premise to cloud conversions, incremental cloud customer expansion, new customers, and recurring revenue attributable to SaaS sales orders in recent quarters. The decrease in maintenance and support revenue for the three and six months ended June 30, 2022 was primarily due to the expected end of certain on-premise customer relationships. The 51% and 49% decrease in professional

services revenues for the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, was related lower beginning of period backlog and lower utilization of personnel on billable projects in the three and six months ended June 30, 2022.

For the three months ended June 30, 2022, SaaS recurring revenue, which is comprised of subscription and support revenue, was approximately 61% of overall recurring revenue, which is comprised of total subscription, maintenance and support revenue, as compared to 49% for the three months ended June 30, 2021. For the six months ended June 30, 2022, SaaS recurring revenue was approximately 60% of overall recurring revenue, as compared to 48% for the six months ended June 30, 2021. The improvement in SaaS recurring revenue as a percentage of total recurring revenue is due to higher SaaS recurring revenue resulting from new cloud customers, incremental cloud customer expansion, and customer on-premise to cloud conversions consistent with the Company's implementation of its SaaS-first strategic plan, as well as to lower overall recurring revenue due to the expected end of certain on-premise customer relationships.

Future consolidated revenues will be dependent upon many factors, including the rate of adoption of the Company's software solutions in its targeted markets and whether arrangements with customers are structured as a perpetual, term or SaaS licenses, which impacts the timing of revenue recognition. Qumu's management currently anticipates SaaS recurring revenue to comprise approximately 65% of its overall recurring revenue mix by the end of 2022, with targeted growth to approximately 75% by the end of 2023. Other factors that will influence future consolidated revenues include the timing of customer orders and renewals, the product and service mix of customer orders, the impact of changes in economic conditions and the impact of foreign currency exchange rate fluctuations.

### Gross Profit and Gross Margin

A comparison of gross profit and gross margin by revenue category is as follows (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Increase (decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022
<b>Gross profit:</b>								
Software licenses and appliances	\$ 230	\$ 75	\$ 155	207 %	\$ 310	\$ 119	\$ 191	161 %
Service	3,641	4,243	(602)	(14)	7,091	8,452	(1,361)	(16)
Total gross profit	<u>\$ 3,871</u>	<u>\$ 4,318</u>	<u>\$ (447)</u>	(10) %	<u>\$ 7,401</u>	<u>\$ 8,571</u>	<u>\$ (1,170)</u>	(14) %
<b>Gross margin:</b>								
Software licenses and appliances	82.7 %	54.3 %	28.4 %		79.7 %	48.4 %	31.3 %	
Service	75.0 %	74.1 %	0.9 %		73.2 %	73.9 %	(0.7)%	
Total gross margin	75.4 %	73.6 %	1.8 %		73.5 %	73.3 %	0.2 %	

Total gross margin was 75.4% and 73.6% for the three months ended June 30, 2022 and 2021, respectively, and 73.5% and 73.3% for the six months ended June 30, 2022 and 2021, respectively. The decrease in gross profit on services was partially offset by increased gross profit relating to software licenses and appliances in the three and six months ended June 30, 2022. Services margin varied slightly in the three and six months ended June 30, 2022, as decreases in services gross profit generally aligned with decreases in services revenue. Software licenses and appliances margins are expected to fluctuate as the Company is not strategically focused on software licenses and appliances deals.

Included in cost of revenues are the costs related to the third-party managed hosting services and costs related to the Company's service personnel, of which there were 20 and 24 at June 30, 2022 and 2021, respectively. Gross profit for the three and six months ended June 30, 2021 includes \$27,000 and \$54,000, respective for the amortization of intangible assets. No amortization expense is included in cost of revenues for the three and six months ended June 30, 2022, as intangible assets related to cost of revenues were fully amortized in 2021.

Future gross profit margins will fluctuate quarter to quarter and will be impacted by the Company's continued expansion into new market opportunities as well as the utilization of personnel on billable projects, the rate of growth and mix of the Company's product and service offerings, and foreign currency exchange rate fluctuations.

### Operating Expenses

The following is a summary of operating expenses (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022
Operating expenses:								
Research and development	\$ 1,930	\$ 2,184	\$ (254)	(12) %	\$ 3,755	\$ 4,214	\$ (459)	(11) %
Sales and marketing	2,687	5,173	(2,486)	(48)	6,495	9,649	(3,154)	(33)
General and administrative	2,251	2,142	109	5	4,694	4,669	25	1
Amortization of purchased intangibles	153	163	(10)	(6)	309	325	(16)	(5)
Total operating expenses	<u>\$ 7,021</u>	<u>\$ 9,662</u>	<u>\$ (2,641)</u>	<u>(27) %</u>	<u>\$ 15,253</u>	<u>\$ 18,857</u>	<u>\$ (3,604)</u>	<u>(19) %</u>

Total operating expenses decreased \$2.6 million, or 27%, and \$3.6 million, or 19%, for the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, as a result of the Company's cost-optimization program initiated in the third quarter 2021 to reduce the Company's cash burn rate. As a percent of revenues, expenses were 137% and 165% for the three months ended June 30, 2022 and 2021, respectively, and 152% and 161% for the six months ended June 30, 2022 and 2021, respectively. The decrease as a percent of revenues for the three months ended June 30, 2022 was due to the Company's recent cost-control initiatives. The Company had 77 and 127 personnel in operating activities at June 30, 2022 and 2021, respectively, and incurred severance expense within operating expenses of \$95,000 and \$100,000 for the three months ended June 30, 2022 and 2021, respectively, and \$468,000 and \$202,000 for the six months ended June 30, 2022 and 2021, respectively.

### Research and development

Research and development expenses were as follows (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022
Compensation and employee-related	\$ 1,056	\$ 1,335	\$ (279)	(21) %	\$ 2,173	\$ 2,603	\$ (430)	(17) %
Overhead and other expenses	500	542	(42)	(8)	976	1,006	(30)	(3)
Outside services and consulting	346	278	68	24	551	552	(1)	—
Depreciation and amortization	—	1	(1)	(100)	—	2	(2)	(100)
Equity-based compensation	28	28	—	—	55	51	4	8
Total research and development expenses	<u>\$ 1,930</u>	<u>\$ 2,184</u>	<u>\$ (254)</u>	<u>(12) %</u>	<u>\$ 3,755</u>	<u>\$ 4,214</u>	<u>\$ (459)</u>	<u>(11) %</u>

Total research and development expenses as a percent of revenues were 38% and 37% for the three months ended June 30, 2022 and 2021, respectively, and 37% and 36% for the six months ended June 30, 2022 and 2021, respectively. The Company had 24 and 37 research and development personnel as of June 30, 2022 and 2021, respectively.

The decrease in total research and development expenses of \$254,000 and \$459,000 in the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, was primarily due to decreased compensation and employee-related costs due to lower headcount.

### Sales and marketing

Sales and marketing expenses were as follows (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022
Compensation and employee-related	\$ 1,922	\$ 3,538	\$ (1,616)	(46) %	\$ 4,727	\$ 6,193	\$ (1,466)	(24) %
Overhead and other expenses	297	322	(25)	(8)	593	564	29	5
Outside services and consulting	432	1,148	(716)	(62)	1,084	2,633	(1,549)	(59)
Depreciation and amortization	14	9	5	56	28	16	12	75
Equity-based compensation	22	156	(134)	(86)	63	243	(180)	(74)
Total sales and marketing expenses	<u>\$ 2,687</u>	<u>\$ 5,173</u>	<u>\$ (2,486)</u>	<u>(48) %</u>	<u>\$ 6,495</u>	<u>\$ 9,649</u>	<u>\$ (3,154)</u>	<u>(33) %</u>

Total sales and marketing expense as a percent of revenues was 52% and 88% for the three months ended June 30, 2022 and 2021, respectively, and 65% and 83% for the six months ended June 30, 2022 and 2021, respectively. The Company had 36 and 66 sales and marketing personnel at June 30, 2022 and 2021, respectively.

Sales and marketing expenses decreased \$2.5 million and \$3.2 million in the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, as the 2021 periods included outside services and consulting expenses associated with the continued implementation of the Company's strategic plan, which included costs the Company incurred honing its updated sales enablement and messaging, launching new products and expanding its go-to-market motions. Reduction of sales and marketing expenses in the three and six months ended June 30, 2022 is also attributable to the targeted channel-led strategy. Also contributing to the decrease in sales and marketing expense was a decrease in compensation costs of \$1.6 million and \$1.5 million in the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods.

### General and administrative

General and administrative expenses were as follows (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022	2022	2021	Increase (Decrease) 2021 to 2022	Percent Increase (Decrease) 2021 to 2022
Compensation and employee-related	\$ 954	\$ 979	\$ (25)	(3) %	\$ 1,850	\$ 1,892	\$ (42)	(2) %
Overhead and other expenses	372	354	18	5	770	659	111	17
Outside services and consulting	1,154	395	759	192	1,988	1,194	794	66
Depreciation and amortization	44	49	(5)	(10)	90	95	(5)	(5)
Equity-based compensation	(273)	365	(638)	(175)	(4)	829	(833)	(100)
Total general and administrative expenses	<u>\$ 2,251</u>	<u>\$ 2,142</u>	<u>\$ 109</u>	<u>5 %</u>	<u>\$ 4,694</u>	<u>\$ 4,669</u>	<u>\$ 25</u>	<u>1 %</u>

Total general and administrative expenses as a percent of revenues were 44% and 37% for the three months ended June 30, 2022 and 2021, respectively, and 47% and 40% for the six months ended June 30, 2022 and 2021, respectively. The Company had 17 and 24 general and administrative personnel at June 30, 2022 and 2021, respectively.

The increase in general and administrative expenses of \$109,000 and \$25,000 in the three and six months ended June 30, 2022, respectively, compared to the corresponding 2021 periods, was primarily driven by increased costs for outside services and consulting associated with the continued implementation of the Company's strategic plan, as well as overhead and other expenses related to additional software licenses. These increases were partially offset by a decrease in equity compensation costs resulting from equity award forfeitures related to the departure of the Company's prior chief executive officer during the three months ended June 30, 2022.

### Amortization of purchased intangibles

Operating expenses include \$153,000 and \$163,000 for the three months ended June 30, 2022 and 2021, respectively, and \$309,000 and \$325,000 for six months ended June 30, 2022 and 2021, respectively, for the amortization of intangible assets.

Operating expenses for the full year 2022 associated with purchased intangibles, are expected to include approximately \$0.6 million of amortization expense associated with purchased intangibles.

**Other Income (Expense), Net**

Other income (expense), net, was as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Employee Retention Credit income	\$ 649	\$ —	\$ 649	\$ —
Interest expense, net	(39)	(15)	(109)	(69)
Decrease in fair value of derivative liability	—	—	—	37
Decrease in fair value of warrant liability	51	1,018	117	1,375
Other, net	(156)	(89)	(184)	(27)
Total other income (expense), net	\$ 505	\$ 914	\$ 473	\$ 1,316

The Company recorded non-cash income of \$51,000 and \$1.0 million for the three months ended June 30, 2022 and 2021, respectively, and \$117,000 and \$1.4 million for the six months ended June 30, 2022 and 2021, respectively, resulting from the decrease in fair value of the warrant liability.

Other income (expense) included a net loss on foreign currency transactions (included in "Other, net") of \$156,000 and \$89,000 for the three months ended June 30, 2022 and 2021, respectively, and a net loss on foreign currency transactions of \$184,000 and \$27,000 for the six months ended June 30, 2022 and 2021, respectively. See "Liquidity and Capital Resources" below for a discussion of changes in cash and cash equivalents.

**Income Taxes**

The provision for income taxes represents federal, state, and foreign income taxes or income tax benefit on income or loss. Net income tax benefit was \$23,000 and \$109,000 for the three months ended June 30, 2022 and 2021, respectively, and \$117,000 and \$199,000 for the six months ended June 30, 2022 and 2021, respectively. The net income tax benefit for the three and six months ended June 30, 2022 and 2021, was impacted by the tax benefit for refundable research credits from United Kingdom operations.

**Liquidity and Capital Resources**

The following table sets forth certain relevant measures of the Company's liquidity and capital resources (in thousands):

	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 6,435	\$ 20,563
Working capital	\$ (1,554)	\$ 5,229
Line of credit	\$ —	\$ 5,000
Other financing obligations	239	615
Operating lease liabilities	192	618
Line of credit, other financing obligations and operating lease liabilities	\$ 431	\$ 6,233

**Going concern considerations**

At June 30, 2022, the Company's principal source of liquidity consists of cash and cash equivalents and potential availability under its revolving line of credit with Silicon Valley Bank ("SVB Agreement"). As disclosed in the Company's consolidated financial statements for the year ended December 31, 2021, management concluded that the Company's history of losses and its cash resources available to execute its business plan over the twelve months following the release of its audited financial statements raised substantial doubt about the Company's ability to continue as a going concern. While management continues to execute the plans noted below, the execution of those plans has not yielded sufficient results for management to conclude that substantial doubt has been alleviated.

Management's plans to address the doubt regarding the Company's ability to continue as a going concern include positioning the targeted channel-led strategy for success through efforts to expand the number of high quality channel partners, educating channel partners on the Company's platform, tools and differentiated features, and providing performance-based incentives to channel partners to accelerate customer deals, as well as continuous assessment of the sales pipeline to forecast SaaS revenue

growth driven by new customer and expansion bookings sourced through the channel. Additionally, management will actively monitor eligible accounts for the purposes of the SVB Agreement borrowing base calculation and monitor doubtful accounts and write-offs of accounts receivable, which have historically been minimal. Management continues to manage costs to align with its operating plan. To the extent that increasing traction in the channel-led strategy is not realized, management may implement additional cost optimization plans to further align expenditures with the timing and amount of cash receipts from new sales and renewals of existing sales contracts. These cost optimization measures may include reductions in the Company's personnel, reduced utilization of contractors, and decreases in other discretionary spend.

The Company may also increase its cash resources by drawing on the SVB line of credit to the extent of any availability. To the extent the Company requires additional capital, it may seek capital by refinancing its existing line of credit or from offering of the Company's equity securities or both. If the Company experiences a significant shortfall in performance as compared to plan and also is unable to secure additional capital in a sufficient amount or on acceptable terms, management may be required to implement more significant cost reduction and other cash-focused measures to manage liquidity and the Company may have to significantly delay, scale back, or cease operations, in part or in full.

As of June 30, 2022, management continues to realize positive results from the execution of its plans. Regarding its channel-led strategy, the Company met its new logo growth targets for both the first and second quarters of 2022, with over 80% of the new logos associated with channel partners. Additionally, net cash used in operating activities improved to \$3.7 million in the second quarter 2022, compared to \$4.9 million in first quarter 2022 and \$6.1 million in the second quarter 2021. As a result, as of June 30, 2022 and through the filing date of this Form 10-Q, management has not initiated new cost optimization or headcount reduction measures beyond those initially planned to alleviate substantial doubt regarding the Company's ability to continue as a going concern. Following the end of the quarter, the Company drew \$2.0 million on the SVB line of credit on August 12, 2022.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty. If the Company cannot continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities and the reported amounts of income and expenses could be required and could be material.

#### *Cash and cash equivalents*

The Company's primary sources of cash and cash equivalents during the six months ended June 30, 2022 were cash generated from operations. The Company's cash generated from operations has been cash collections from sales of products and services to customers. The Company expects cash inflows from operations to be affected by increases or decreases in sales and timing of collections.

The Company's primary use of cash has been for personnel costs and outside service providers, including third-party managed hosting services. The Company expects its use of cash to be affected by fluctuations in revenues, personnel costs and outside service providers as the Company continues to support the growth of the business, which is expected to be positively impacted in the future by the Company's cost-optimization program initiated in the third quarter 2021. The Company additionally expects to use cash to renew internal-use software subscriptions of approximately \$682,000 in 2022 as well as to remit in the fourth quarter of 2022 approximately \$160,000 of payroll tax withholdings deferred under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act").

The amount of cash and cash equivalents held by the Company's international subsidiaries that is available to fund domestic operations upon repatriation was \$819,000 as of June 30, 2022. The repatriation of cash and cash equivalents held by the Company's international subsidiaries would not result in an adverse tax impact on cash given that the future tax consequences of repatriation are expected to be insignificant.

#### *Working capital*

At June 30, 2022, the Company had aggregate negative working capital of \$1.6 million, compared to positive working capital of \$5.2 million at December 31, 2021. Working capital includes current deferred revenue of \$9.6 million and \$10.9 million at June 30, 2022 and December 31, 2021, respectively. The decrease in working capital as of June 30, 2022, as compared to December 31, 2021, is primarily due to cash used to fund the Company's operations during the six months ended June 30, 2022.

*Line of credit, other financing obligations and operating lease liabilities*

As of March 31, 2022 and December 31, 2021, the Company maintained an outstanding principal balance on its revolving line of \$5.0 million with Wells Fargo and was in compliance with its covenants. On April 12, 2022, the Company repaid the outstanding balance on the revolving line and terminated its Loan and Security Agreement with Wells Fargo. On April 15, 2022, the Company entered into a Loan and Security Agreement with Silicon Valley Bank providing for a \$7.5 million revolving line of credit as described in Note 3—"Commitments and Contingencies" of the accompanying condensed consolidated financial statements. No amounts were outstanding under the SVB line of credit as of June 30, 2022, and the Company was in compliance with all covenants. Subsequent to June 30, 2022, the Company drew \$2.0 million on the line of credit on August 12, 2022.

Financing obligations as of June 30, 2022 and December 31, 2021 primarily consist of finance leases related to the acquisition of computer and network equipment. Operating lease liabilities consists of liabilities the Company is still contractually obligated to pay despite the surrender of the office leases.

**Summary of Cash Flows**

A summary of cash flows is as follows (in thousands):

	Six Months Ended June 30,	
	2022	2021
Cash flows provided by (used in):		
Operating activities	\$ (8,541)	\$ (11,615)
Investing activities	(8)	(216)
Financing activities	(5,481)	21,253
Effect of exchange rate changes on cash	(98)	28
Net change in cash and cash equivalents	\$ (14,128)	\$ 9,450

*Operating activities*

Operating activities used net cash of \$8.5 million and \$11.6 million for the six months ended June 30, 2022 and 2021, respectively. The operating cash flows for the 2022 period were impacted by investments associated with the Company's strategic plan, the net loss and the decrease in deferred revenue for the six months ended June 30, 2022. The decrease in cash used in operating activities was the result of the Company's cost-optimization program initiated in the third quarter 2021 to reduce the Company's cash burn rate.

*Investing activities*

Net cash used in investing activities for the purchases of property and equipment totaled \$8,000 for the six months ended June 30, 2022 compared to \$216,000 in the corresponding 2021 period.

*Financing activities*

Financing activities used net cash of \$5.5 million for the six months ended June 30, 2022 and provided net cash of \$21.3 million in the comparable 2021 period. Primarily impacting the current period change in cash were principal payments on the Company's line of credit, finance leases and financing obligations. Primarily impacting the prior period change in cash were the net proceeds from the public offering of the Company's common stock of \$23.1 million, offset by principal payments on the Company's note payable, line of credit, finance leases and other financing obligations.

**Other Factors Affecting Liquidity and Capital Resources***Silicon Valley Bank credit facility*

On April 15, 2022, the Company entered into a Loan and Security Agreement (the "SVB Agreement") with Silicon Valley Bank providing for a \$7.5 million revolving line of credit. The maximum availability for borrowing under the SVB Agreement is the lesser of \$7.5 million or the sum of a defined borrowing base of 85% of eligible accounts receivable plus a non-formula amount of \$2.5 million. The non-formula amount will be eliminated from availability under the line of credit at the earlier of April 30, 2023 or the date on which the Company's net cash, as defined, is less than \$5.0 million. The maturity of the SVB Agreement is April 15, 2024. No amounts were outstanding under the SVB Agreement as of June 30, 2022. Subsequent to June 30, 2022, the Company drew \$2.0 million on the line of credit on August 12, 2022.

Any borrowings under the SVB Agreement bear interest, based on an interest rate that is dependent upon whether Net Cash is above or below \$5.0 million. Net Cash is defined as (a) the Company's cash maintained with Silicon Valley Bank less (b) the outstanding line of credit balance. If Net Cash is greater than \$5.0 million, then the interest rate is the "prime rate" as published in The Wall Street Journal ("WSJ") for the relevant period plus 1.5%. If cash liquidity is less than \$5.0 million, then the interest rate is the WSJ prime rate plus 2.0%. The SVB Agreement contains certain reporting requirements, conditions, and covenants, including a covenant requiring the Company to maintain an adjusted quick ratio greater than or equal to 1.25 to 1.00. The adjusted quick ratio is the ratio of (a) unrestricted cash and cash equivalents in SVB deposit accounts or securities accounts plus net billed accounts receivable and (b) the sum of current liabilities less the current portion of deferred revenue. As of June 30, 2022, the Company was in compliance with its covenants.

#### *Employee Retention Credit*

During the three months ended June 30, 2022, the Company completed its analysis of its eligibility for the Employee Retention Credit under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") for qualified wages paid during the second quarter of 2021. During the three months ended June 30, 2022, the Company submitted for a refund of \$649,000 for the second quarter 2021 reporting period and recorded the amount as Other Income (Expense) on the Company's condensed consolidated statements of operations and as Other Receivable on the Company's condensed consolidated balance sheet as of June 30, 2022. The Company believes the relevant conditions of the Employee Retention Credit provision of the CARES Act have been substantially met for the second quarter 2021 reporting period and that it will receive the credit, although there can be no assurance regarding timing of the receipt of the credit. The Company expects to recognize additional amounts under the Employee Retention Credit in future reporting periods as it completes further analyses and submits for refunds for other historical quarters for which it determines the Company has eligible wages. Subsequent to June 30, 2022, the Company completed additional analyses and submitted a refund of \$623,000 for the third quarter 2021.

#### *Stock repurchase program*

In October 2010, the Company's Board of Directors approved a common stock repurchase program of up to 3,500,000 shares if permitted by our line of credit agreement with Silicon Valley Bank. Shares may be purchased at prevailing market prices in the open market or in private transactions, subject to market conditions, share price, trading volume and other factors. The repurchase program has been funded to date using cash on hand and may be discontinued at any time. The Company did not repurchase any shares of its common stock under the repurchase program during the six months ended June 30, 2022 and 2021. As of June 30, 2022, the Company had 778,365 shares available for repurchase under the authorizations. While the current authorization remains in effect, the Company expects its primary use of cash will be to fund operations in support of the Company's goals for revenue growth and operating margin improvement associated with the Company's transition to a SaaS-first company.

#### **Cautionary Note Regarding Forward-Looking Statements**

This report contains forward-looking statements that involve risks and uncertainties. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties. The Company's actual results could differ significantly from those discussed in the forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to, the following, as well as other factors not now identified: we may not be successful at implementing our long-term strategic plan; our history of losses and our cash resources available to execute our business plan over the next twelve months raise substantial doubt about our ability to continue as a going concern; competition for highly skilled personnel is intense and if we fail to attract and retain talented employees, we may fail to compete effectively; if we are unable to attract new customers, retain existing customers and sell additional products and services to our existing and new customers, our revenue growth and profitability will be adversely affected; we may need additional capital to support the execution of our strategic plan or to fund operations and any additional capital we seek may not be available in the amount or at the time we need it; while we are investing heavily in sales, marketing and research and development to enhance revenue growth and become cash flow positive, we may not achieve those goals or achieve or sustain cash flows or profitability in the future; the markets for video content and software to manage video content are each in early stages of development, and if these markets do not develop or develop more slowly than we expect, including as a result of COVID-19 impacts, our revenues may decline or fail to grow; we encounter long sales cycles with our Qumu enterprise video solutions, which could adversely affect our operating results in a given period; we are subject to financial and other covenants related to our debt financing and if we fail to meet such covenants, it could have a material adverse impact on our business; to compete effectively, we must continually improve existing products and introduce new products that achieve market acceptance; we face intense competition and such competition may result in price reductions, lower gross profits and

loss of market share; economic and market conditions, particularly those affecting our customers, have harmed and may continue to harm our business; our sales will decline, and our business will be materially harmed, if our sales and marketing efforts are not effective; we sell a significant portion of our products internationally, which exposes us to risks associated with international operations; the COVID-19 pandemic has significantly impacted worldwide business practices and economic conditions and could have a material effect on Qumu's business, financial condition and operating results; our enterprise video content management software products must be successfully integrated into our customers' information technology environments and workflows and changes to these environments, workflows or unforeseen combinations of technologies may harm our customers' experience in using our software products; the growth and functionality of our enterprise video content management software products depend upon the solution's effective operation with mobile operating systems and computer networks; computer malware, viruses, hacking, phishing attacks, spamming, and other cyber-threats could harm our business and cause customers to lose confidence in us and our products, which could significantly impact our business and results of operations; expanding laws, regulations and customer requirements relating to data security and privacy may adversely affect sales of our products and result in increased compliance costs; any failure of major elements of our products could lead to significant disruptions in the ability to serve customers, which could damage our reputation, reduce our revenues or otherwise harm our business; if we are unable to maintain compliance with Nasdaq's listing requirements, our common stock may be delisted from The Nasdaq Stock Market, which could have a material adverse effect on the Company's financial condition and could make it more difficult for holders of the Company's common stock to sell their shares; if we lose access to third-party licenses, our software product development and production may be delayed or we may incur additional expense to modify our products or products in development; if the limited amount of open source software that is incorporated into our products were to become unavailable or if we violate the terms of open source licenses, it could adversely affect sales of our products, which could disrupt our business and harm our financial results; if our domestic or international intellectual property rights are not adequately protected, others may offer products similar to ours or independently develop the same or similar technologies or otherwise obtain access to our technology and trade secrets which could depress our product selling prices and gross profit or result in loss of market share; changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our products, and could have a negative impact on our business; we may experience significant quarterly and annual fluctuations in our results of operations due to a number of factors and these fluctuations may negatively impact the market price of our common stock; the limited liquidity for our common stock could affect your ability to sell your shares at a satisfactory price; and provisions of Minnesota law, our bylaws and other agreements may deter a change of control of our company and may have a possible negative effect on our stock price. These forward-looking statements are made as of the date of this report and the Company assumes no obligation to update such forward-looking statements, or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

The Company's Chief Executive Officer, Rose Bentley, and the Company's Chief Financial Officer, Thomas A. Krueger, have evaluated the Company's disclosure controls and procedures as of June 30, 2022. Based upon such evaluation, they have concluded that these disclosure controls and procedures are effective. The Company's Chief Executive Officer and Chief Financial Officer used the definition of "disclosure controls and procedures" as set forth in Rule 13a-15(e) under the Exchange Act in making their conclusion as to the effectiveness of such controls and procedures.

#### **Changes in Internal Control Over Financial Reporting**

No changes in internal controls over financial reporting have occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

Not Applicable.

### Item 1A. Risk Factors

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes from the risk factors previously disclosed except as set forth below:

**If we are unable to maintain compliance with Nasdaq's listing requirements, our common stock may be delisted from The Nasdaq Stock Market, which could have a material adverse effect on the Company's financial condition and could make it more difficult for holders of the Company's common stock to sell their shares.**

Qumu's common stock is listed on the Nasdaq Capital Market and we are therefore subject to its continued listing requirements, including requirements with respect to the market value of publicly-held shares, market value of listed shares, minimum bid price per share, and minimum stockholder's equity, among others, and requirements relating to board and committee independence. If we fail to satisfy one or more of these continued listing requirements, our common stock may be delisted from the Nasdaq Capital Market. On July 26, 2022, we received a written notice from the staff of The Nasdaq Stock Market LLC that we are not in compliance with the requirement to maintain a minimum closing bid price of \$1.00 per share, as set forth in Nasdaq Listing Rule 5450(a)(1), because the closing bid price of our common stock was below \$1.00 per share for 30 consecutive business days.

Delisting from Nasdaq may adversely affect our ability to raise additional financing through the public or private sale of equity securities, may significantly affect the ability of investors to trade our securities and may negatively affect the value and liquidity of our common stock. Delisting also could have other negative results, including the potential loss of investor confidence or interest in strategic transactions or opportunities, as well as negatively impact our ability to recruit and retain personnel through equity incentive awards.

The notice provided that we have a period of 180 calendar days, or until January 23, 2023, to regain compliance with the minimum bid price requirement. During this period, our common stock will continue to trade on the Nasdaq Capital Market.

We intend to actively monitor the closing bid price of our common stock and will evaluate available options to regain compliance with the minimum bid price requirement. However, there can be no assurance that the Company will be able to regain compliance with the minimum bid price requirement or maintain compliance with any of the other Nasdaq continued listing requirements.

The Qumu board may determine to implement a reverse stock split to attempt to regain compliance with the minimum bid price requirement. However, there can be no assurance that the reverse stock split, if implemented, will increase the market price of our common stock in proportion to the reverse split ratio or result in a sustained increase in the market price of our common stock. In addition, it is possible that the reduced number of issued shares of common stock resulting from a reverse stock split could adversely affect the liquidity of our common stock.

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

#### Issuer Purchases of Equity Securities

In addition to shares that may be purchased under the Board common stock repurchase program adopted in 2010 if permitted by our line of credit agreement with Silicon Valley Bank, the Company purchases shares of common stock held by employees who wish to tender owned shares to satisfy the exercise price or tax withholding on stock option exercises or vesting of restricted awards and performance stock units. All of the share repurchase activity included in the table below for the three months ended June 30, 2022 was associated with satisfaction of employee tax withholding requirements on vesting of restricted stock units.

Information on the Company's repurchases of its common stock during each month of the quarter ended June 30, 2022 is as follows:

Monthly Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (at end of period)
April 2022	1,128	\$1.58	—	778,365
May 2022	125	\$0.93	—	778,365
June 2022	—	\$—	—	778,365

### Item 3. Defaults Upon Senior Securities

Not Applicable.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

On August 12, 2022, the Company received a \$2.0 million advance under the Loan and Security Agreement dated April 15, 2022 by and among Qumu Corporation, Qumu, Inc. and Silicon Valley Bank, a copy of which is attached hereto as Exhibit 10.1. The terms of the Loan and Security Agreement are summarized in [Item 9B. Other Information](#) of the Company's Annual Report on Form 10-K for the year ended December 31, 2021, which is incorporated herein by reference.

### Item 6. Exhibits

(a) The following exhibits are included herein:

[10.1†](#) [Loan and Security Agreement dated April 15, 2022 by and among Qumu Corporation, Qumu Inc. and Silicon Valley Bank.](#)

[31.1‡](#) [Certificate of Chief Executive Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) of the Exchange Act.](#)

[31.2‡](#) [Certificate of Chief Financial Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) of the Exchange Act.](#)

[32†](#) [Certifications pursuant to 18 U.S.C. §1350.](#)

[101‡](#) Interactive Data Files Pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2022 and 2021, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2022 and 2021, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2022 and 2021, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2021 and (vi) Notes to Condensed Consolidated Financial Statements

[104‡](#) The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL

† Filed herewith.

‡ Furnished herewith.

**SIGNATURES**

In accordance with the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

		<u>QUMU CORPORATION</u> Registrant
Date: <u>August 15, 2022</u>	By:	<u>/s/ Rose Bentley</u> Rose Bentley President and Chief Executive Officer (Principal Executive Officer)
Date: <u>August 15, 2022</u>	By:	<u>/s/ Thomas A. Krueger</u> Thomas A. Krueger Chief Financial Officer (Principal Financial Officer, Principal Accounting Officer)

## LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement") is dated as of the Effective Date between SILICON VALLEY BANK, a California corporation ("Bank"), and the borrowers listed on Schedule I hereto (each and together, jointly and severally, "Borrower"). The parties agree as follows:

**1 LOAN AND TERMS OF PAYMENT****1.1 Revolving Line.**

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank may, in its commercially reasonable discretion, make Advances not exceeding the Availability Amount. Amounts borrowed under the Revolving Line may be prepaid or repaid and reborrowed as set forth on Schedule I hereto.

(b) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the outstanding principal amount of all Advances, the accrued and unpaid interest thereon, and all other outstanding Obligations relating to the Revolving Line shall be immediately due and payable.

**1.2 Overadvances.** If, at any time, the aggregate outstanding principal amount of any Advances, exceeds the lesser of (i) the Revolving Line or (ii) the sum of (x) the Borrowing Base plus (y) the Non-Formula Amount, Borrower shall immediately pay to Bank in cash the amount of such excess (such excess, the "Overadvance"). Without limiting Borrower's obligation to repay Bank any Overadvance, Borrower shall pay Bank interest on the outstanding amount of any Overadvance, on demand, at a rate per annum equal to the rate that is otherwise applicable to Advances plus three percent (3.0%).

**1.3 Payment of Interest on the Credit Extensions.**

(a) Interest Payments. Interest on the principal amount of each Advance is payable as set forth on Schedule I hereto.

(b) Interest Rate.

(i) Advances. Subject to Section 1.3(c), the outstanding principal amount of any Advance shall accrue interest as set forth on Schedule I hereto.

(ii) All-In Rate. Notwithstanding any terms in this Agreement to the contrary, if at any time the interest rate applicable to any Obligations is less than zero percent (0.0%), such interest rate shall be deemed to be zero percent (0.0%) for all purposes of this Agreement.

(c) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, the outstanding Obligations shall bear interest at a rate per annum which is five percent (5.0%) above the rate that is otherwise applicable thereto (the "Default Rate"). Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 1.3(c) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(d) Adjustment to Interest Rate. Each change in the interest rate applicable to any amounts payable under the Loan Documents based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of such change.

(e) Interest Computation. Interest shall be computed as set forth on Schedule I hereto. In computing interest, the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

**1.4 Fees.** Borrower shall pay to Bank:

(a) Revolving Line Commitment Fee. A fully earned, non-refundable commitment fee as set forth on Schedule I hereto.

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(b) Termination Fee. Upon termination of this Agreement or the termination of the Revolving Line for any reason prior to the Revolving Line Maturity Date, in addition to the payment of any other amounts then- owing, a termination fee in an amount equal to two percent (2.00%) of the Revolving Line, which shall be fully earned and non-refundable as of such date; provided that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from Bank.

(c) Unused Revolving Line Facility Fee. Payable quarterly in arrears on June 30, 2022, on the last calendar day of each calendar quarter occurring thereafter prior to the Revolving Line Maturity Date, and on the Revolving Line Maturity Date, a fee (the "**Unused Revolving Line Facility Fee**") in an amount equal to one-quarter of one percent (0.25%) per annum of the average unused portion of the Revolving Line, as determined by Bank, computed on the basis of a year with the applicable number of days as set forth in Section 1.3(e), which shall be fully earned and non-refundable as of such date. The unused portion of the Revolving Line, for purposes of this calculation, shall be calculated on a calendar year basis and shall equal the difference between (i) the Revolving Line, and (ii) the average for the period of the daily closing balance of the Revolving Line outstanding.

(d) Bank Expenses. All Bank Expenses incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank).

Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 1.4 pursuant to the terms of Section 1.5(c). Bank shall provide Borrower written notice of deductions made pursuant to the terms of the clauses of this Section 1.4.

### **1.5 Payments; Application of Payments; Debit of Accounts.**

(a) All payments (including prepayments) to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff, counterclaim, or deduction, before 2:00 p.m. Eastern time on the date when due. Payments of principal and/or interest received after 2:00 p.m. Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit any of Borrower's deposit accounts maintained with Bank, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due under the Loan Documents. These debits shall not constitute a set-off.

### **1.6 Change in Circumstances.**

(a) Increased Costs. If any Change in Law shall: (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or

for the account of, or advances, loans or other credit extended or participated in by, Bank, (ii) subject Bank to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitment, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, or (iii) impose on Bank any other condition, cost or expense (other than Taxes) affecting this Agreement or Credit Extensions made by Bank, and the result of any of the foregoing shall be to increase the cost to Bank of making, converting to, continuing or maintaining any Credit Extension (or of maintaining its obligation to make any such Credit Extension), or to reduce the amount of any sum received or receivable by Bank hereunder (whether of principal, interest or any other amount) then, upon written request of Bank, Borrower shall promptly pay to Bank such additional amount or amounts as will compensate Bank for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If Bank determines that any Change in Law affecting Bank regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on Bank's capital as a consequence of this Agreement or the Credit Extensions made by Bank to a level below that which Bank could have achieved but for such Change in Law (taking into consideration Bank's policies with respect to capital adequacy and liquidity), then from time to time upon written request of Bank, Borrower shall promptly pay to Bank such additional amount or amounts as will compensate Bank for any such reduction suffered.

(c) Delay in Requests. Failure or delay on the part of Bank to demand compensation pursuant to this Section 1.4 shall not constitute a waiver of Bank's right to demand such compensation; provided that Borrower shall not be required to compensate Bank pursuant to subsection (a) for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that Bank notifies Borrower of the Change in Law giving rise to such increased costs or reductions (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period shall be extended to include the period of retroactive effect).

### 1.7 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of Borrower) requires the deduction or withholding of any Tax from any such payment by Borrower, then (i) Borrower shall be entitled to make such deduction or withholding, (ii) Borrower shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law, and (iii) if such Tax is an Indemnified Tax, the sum payable by Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 1.7) Bank receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by Borrower. Without limiting the provisions of subsection (a) above, Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) Tax Indemnification. Without limiting the provisions of subsections (a) and (b) above, Borrower shall, and does hereby, indemnify Bank, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 1.7) payable or paid by Bank or required to be withheld or deducted from a payment to Bank and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrower by Bank shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by Borrower to a Governmental Authority pursuant to this Section 1.7, Borrower shall deliver to Bank a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Bank.

(e) Status of Bank. If Bank (including any assignee or successor) is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document, it shall deliver to

Borrower, at the time or times reasonably requested by Borrower, such properly completed and executed documentation reasonably requested by Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, Bank, if reasonably requested by Borrower, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by Borrower as will enable Borrower to determine whether or not Bank is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, Bank shall deliver whichever of IRS Form W-9, IRS Form W-8BEN-E, IRS Form W-8ECI or W-8IMY is applicable, as well as any applicable supporting documentation or certifications.

### **1.8 Procedures for Borrowing.**

(a) Advances. Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement (which must be satisfied no later than 2:00 p.m. Eastern time on the applicable Funding Date), to obtain an Advance, Borrower (via an individual duly authorized by an Administrator) shall notify Bank (which notice shall be irrevocable) by 2:00 p.m. Eastern time on the Funding Date of the Advance. Such notice shall be made through Bank's online banking program, provided, however, if Borrower is not utilizing Bank's online banking program, then such notice shall be in a written format acceptable to Bank that is executed by an Authorized Signer. In connection with any such notification, Borrower shall deliver to Bank by electronic mail or through Bank's online banking program such reports and information, including without limitation, sales journals, cash receipts journals, accounts receivable aging reports, as Bank may reasonably request. Bank shall have received satisfactory evidence that the Board has approved that such Authorized Signer may provide such notices and request Advances (which requirement may be deemed satisfied by the prior delivery of Borrowing Resolutions or a secretary's certificate that certifies as to such Board approval).

(b) Bank shall credit proceeds of a Credit Extension to the Designated Deposit Account. Bank may make Advances under this Agreement based on instructions from an Authorized Signer or without instructions if such Advances are necessary to meet Obligations which have become due.

## **2 CONDITIONS OF CREDIT EXTENSIONS**

**2.1 Conditions Precedent to Initial Credit Extension.** Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

- (a) duly executed Loan Documents;
- (b) the Operating Documents of Borrower and long-form good standing certificates of Borrower certified by the Secretary of State of the State of formation, and the Secretary of State (or equivalent agency) in which Borrower is qualified to conduct business, as follows: (i) for Qumu, Inc., the jurisdictions of Minnesota and Florida, and (ii) for Parent, the three (3) jurisdictions in which Parent has the most employees, in each case as of a date no earlier than 30 days prior to the Effective Date;
- (c) certificate duly executed by a Responsible Officer or secretary of Borrower with respect to Borrower's (i) Operating Documents and (ii) Borrowing Resolutions;
- (d) duly executed payoff letter from Wells Fargo Bank, N.A.;
- (e) certified copies, dated as of a recent date, of searches for financing statements, as Bank may request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;
- (f) duly executed Perfection Certificate of Borrower;
- (g) Intellectual Property search results and completed exhibits to the IP Agreement;

- (h) evidence satisfactory to Bank that the insurance policies required by Section 5.8 hereof are in full force and effect;
- (i) the completion of the Initial Audit;
- (j) with respect to the initial Advance, a completed Borrowing Base Report (and any schedules related thereto and including any other information requested by Bank in its reasonable discretion with respect to Borrower's Accounts); and
- (k) payment of the fees and Bank Expenses then due as specified in Section 1.4 hereof.

**2.2 Conditions Precedent to all Credit Extensions.** Bank's obligation to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

- (a) receipt of Borrower's Credit Extension request and the related materials and documents as required by and in accordance with Section 1.8;
- (b) the representations and warranties in this Agreement shall be true and correct in all material respects as of the date of any Credit Extension request and as of the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true and correct in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date; and
- (c) a Material Adverse Change shall not have occurred and be continuing.

**2.3 Covenant to Deliver.** Borrower shall deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. A Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

### **3 CREATION OF SECURITY INTEREST**

#### **3.1 Grant of Security Interest.**

- (a) Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.
- (b) Borrower acknowledges that it previously has entered, or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein (subject to Permitted Liens).

**3.2 Authorization to File Financing Statements.** Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all jurisdictions deemed necessary or appropriate by Bank to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect.

**3.3 Termination.** If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations and Bank Services cash collateralized pursuant to this Section 3.3) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations and Bank Services cash collateralized pursuant to this Section 3.3) and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall, at Borrower's sole cost and expense, terminate its security interest in the Collateral and all rights therein shall revert to Borrower. In the event (a) all Obligations (other than inchoate indemnity obligations and Bank Services cash collateralized pursuant to this Section 3.3), are satisfied in full, and (b) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its sole discretion for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to at least (x) 105.0% of the face amount of all such Letters of Credit denominated in Dollars and (y) 110.0% of the Dollar Equivalent of the face amount of all such Letters of Credit denominated in a Foreign Currency, plus, in each case, all interest, fees, and costs due or estimated by Bank to become due in connection therewith, to secure all of the Obligations relating to such Letters of Credit.

#### **4 REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants as follows:

##### **4.1 Due Organization, Authorization; Power and Authority.**

(a) Borrower and each of its Subsidiaries are each duly existing and in good standing as a Registered Organization in their respective jurisdiction of formation and are qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of their respective business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business or operations.

(b) All information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is true and correct in all material respects (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement and the Perfection Certificate shall be deemed to be updated to the extent such notice is provided to Bank of such permitted update).

(c) The execution, delivery and performance by Borrower and each of its Subsidiaries of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's or any such Subsidiary's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Applicable Law, (iii) contravene, conflict with or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Borrower or any of its Subsidiaries is bound. Neither Borrower nor any of its Subsidiaries are in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's or any of its Subsidiary's business or operations.

##### **4.2 Collateral.**

(a) The security interest granted herein is and shall at all times continue to be a first priority perfected (subject only to the filing of financing statements in the appropriate filing offices and other than with respect to (i) equity interests in foreign subsidiaries not subject to a local law pledge agreement and (ii) Collateral Accounts not subject to a Control Agreement to the extent permitted by Section 5.9) security interest in the Collateral (subject to Permitted Liens). Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens.

(b) Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith and which Borrower has taken such actions as are necessary to give Bank a perfected security interest therein, pursuant to the terms of Section 5.9(c). The Accounts are bona fide, existing obligations of the Account Debtors.

(c) The Collateral is not in the possession of any third party bailee (such as a warehouse) except (i) Collateral out for repair, (ii) as otherwise provided in the Perfection Certificate or as permitted pursuant to Section 6.2, and (iii) other locations where not more than \$250,000 of Collateral may be located at any time. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 6.2.

(d) All Inventory is in all material respects of good and marketable quality, free from material defects.

(e) Borrower owns, or possesses the right to use to the extent necessary in its business, all Intellectual Property, licenses and other intangible assets that are used in the conduct of its business as now operated, except to the extent that such failure to own or possess the right to use such asset would not reasonably be expected to have a material adverse effect on Borrower's business or operations, and no such asset, to the knowledge of Borrower, conflicts with the valid Intellectual Property, license, or intangible asset of any other Person to the extent that such conflict could reasonably be expected to have a material adverse effect on Borrower's business or operations.

(f) Except as noted on the Perfection Certificate or for which notice has been given to Bank pursuant to and in accordance with Section 5.11(c), Borrower is not a party to, nor is it bound by, any Restricted License.

#### **4.3 Accounts Receivable.**

(a) For each Account included in the most recent Borrowing Base Report, on the date each Advance is requested and made, such Account shall be an Eligible Account.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Eligible Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. All sales and other transactions underlying or giving rise to each Eligible Account shall comply in all material respects with all Applicable Law. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are Eligible Accounts in any Borrowing Base Report. To Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Eligible Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

**4.4 Litigation.** There are no actions, investigations or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, \$250,000 not covered by independent third party insurance as to which liability has been accepted by the carrier providing such insurance.

**4.5 Financial Statements; Financial Condition.** All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations for the periods covered thereby, subject, in the case of unaudited financial statements, to normal year-end adjustments and the absence of footnote disclosures. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

**4.6 Solvency.** The fair salable value of Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Borrower's liabilities; Borrower is not left with unreasonably small capital

after the transactions in this Agreement; and Borrower and each of its Subsidiaries are able to pay their debts (including trade debts) as they mature.

**4.7 Regulatory Compliance.** Borrower is not an “investment company” or a company “controlled” by an “investment company” under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries (a) have complied in all material respects with all Applicable Law, and (b) have not violated any Applicable Law the violation of which could reasonably be expected to have a material adverse effect on Borrower’s business or operations. Borrower and each of its Subsidiaries have duly complied with, and their respective facilities, business, assets, property, leaseholds, real property and Equipment are in compliance with, Environmental Laws, except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower’s business or operations; there have been no outstanding citations, notices or orders of non-compliance issued to Borrower or any of its Subsidiaries or relating to their respective facilities, businesses, assets, property, leaseholds, real property or Equipment under such Environmental Laws, except as could not reasonably be expected to have a material adverse effect on Borrower’s business or operations. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted, except where the failure to obtain or make or file the same would not reasonably be expected to have a material adverse effect on Borrower’s business or operations.

**4.8 Subsidiaries; Investments.** Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

**4.9 Tax Returns and Payments; Pension Contributions.**

(a) Borrower and each of its Subsidiaries have timely filed, or submitted extensions for, all required tax returns and reports, and Borrower and each of its Subsidiaries have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries except (a) to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor, or (b) if such taxes, assessments, deposits and contributions do not, individually or in the aggregate, exceed \$25,000. Borrower is unaware of any claims or adjustments proposed for any of Borrower’s or any of its Subsidiary’s prior tax years which could result in additional taxes becoming due and payable by Borrower or any of its Subsidiaries in excess of \$25,000 in the aggregate.

(b) Borrower and each of its Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and neither Borrower nor any of its Subsidiaries has withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

**4.10 Full Disclosure.** No written representation, warranty or other statement of Borrower or any of its Subsidiaries in any report, certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such reports, certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the reports, certificates or written statements not misleading in light of the circumstances under which they were made (it being recognized by Bank that the projections and forecasts provided by Borrower or any of its Subsidiaries in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

**4.11 Sanctions.** Neither Borrower nor any of its Subsidiaries is: (a) in violation of any Sanctions; or (b) a Sanctioned Person. Neither Borrower nor any of its Subsidiaries, directors, officers, employees, or, to its knowledge, agents or Affiliates: (i) conducts any business or engages in any transaction or dealing with any Sanctioned Person, including making or receiving any contribution of funds, goods or services to or for the benefit of any Sanctioned Person; (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked

pursuant to any Sanctions; (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Sanctions; or (iv) otherwise engages in any transaction that could cause Bank to violate any Sanctions.

## **5 AFFIRMATIVE COVENANTS**

Borrower shall do all of the following:

**5.1 Use of Proceeds.** Cause the proceeds of the Credit Extensions to be used solely (a) as working capital or (b) to fund its general business purposes, and not for personal, family, household or agricultural purposes.

### **5.2 Government Compliance.**

(a) Maintain its and all of its Subsidiaries' legal existence (except as permitted under Section 6.3 with respect to Subsidiaries only) and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances and regulations to which it is subject, the noncompliance with which could reasonably be expected to have a material adverse effect on Borrower's business.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower and each of its Subsidiaries of their obligations under the Loan Documents to which it is a party, including any grant of a security interest to Bank. Upon request by Bank, Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

### **5.3 Financial Statements, Reports, Certificates.** Deliver to Bank:

(a) Borrowing Base Report A Borrowing Base Report (and any schedules related thereto and including any other information requested by Bank with respect to Borrower's Accounts) (i) no later than Friday of each week when a Streamline Period is not in effect and (ii) within 7 days after the end of each month when a Streamline Period is in effect;

(b) Accounts Receivable Information. Within 30 days after the end of each month, (A) monthly accounts receivable agings, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date, and (C) Deferred Revenue report, operating KPI dashboard (provided on a quarterly basis and in the form of and as prepared and shared with Bank prior to the Effective Date), and general ledger;

(c) Monthly Financial Statements. As soon as available, but no later than 30 days after the last day of each month, a company prepared consolidating balance sheet and income statement covering Parent's and each of its Subsidiary's operations for such month certified by a Responsible Officer and in a form reasonably acceptable to Bank;

(d) Compliance Certificate. Within 30 days after the last day of each month and together with the statements set forth in Section 5.3(c), a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank may reasonably request, including, without limitation, a statement that at the end of such month there were no held checks;

(e) Annual Operating Budget and Financial Projections Within 60 days after the end of each fiscal year of Borrower, and contemporaneously with any updates or amendments thereto, (A) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the then-current fiscal year of Borrower, and (B) annual financial projections for the following fiscal year (on a quarterly basis), in each case as approved by the Board, together with any related business forecasts used in the preparation of such annual financial projections;

(f) Annual Audited Financial Statements. As soon as available, and in any event within 180 days following the end of Parent's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank;

(g) Board and Investor Presentations. Promptly following Bank's reasonable request, copies of all statements, reports, financial information and notices (including, without limitation, any board packages) made available to the Board or Borrower's investors, including key performance indicator reports detailing any performance indicators reasonably requested by Bank;

(h) SEC Filings. In the event that Borrower or any of its Subsidiaries becomes subject to the reporting requirements under the Exchange Act within five (5) days of filing, notification of the filing and copies of all periodic and other reports, proxy statements and other materials filed by Borrower and/or any of its Subsidiaries or any Guarantor with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower or any of its Subsidiaries posts such documents, or provides a link thereto, on Borrower's or any of its Subsidiaries' website on the internet at Borrower's or any of its Subsidiaries' website address; provided, however, Borrower shall promptly notify Bank in writing (which may be by electronic mail) of the posting of any such documents;

(i) Security Holder and Subordinated Debt Holder Reports. Within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or to any holders of Subordinated Debt (solely in their capacities as security holders or holders of Subordinated Debt and not in any other role) (which may be by electronic mail);

(j) Beneficial Ownership Information. Prompt written notice of any changes to the beneficial ownership information set out in Section 14 of the Perfection Certificate. Borrower understands and acknowledges that Bank relies on such true, accurate and up-to-date beneficial ownership information to meet Bank's regulatory obligations to obtain, verify and record information about the beneficial owners of its legal entity customers;

(k) Legal Action Notice. Prompt written notice of any legal actions, investigations or proceedings pending or threatened in writing against Borrower or any of its Subsidiaries that could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, \$250,000 or more;

(l) Tort Claim Notice. If Borrower shall acquire a commercial tort claim in excess of \$200,000, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest in all commercial tort claims, regardless of value, and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank;

(m) Government Filings. Within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings by Borrower or any of its Subsidiaries with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Applicable Law or that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals or otherwise on the business of Borrower or any of its Subsidiaries (which may be by electronic mail);

(n) Registered Organization. If Borrower is not a Registered Organization as of the Effective Date but later becomes one, promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number;

(o) Default. Prompt written notice of the occurrence of a Default or Event of Default; and

(p) Other Information. Promptly, from time to time, such other information regarding Borrower or any of its Subsidiaries or compliance with the terms of any Loan Documents as reasonably requested by Bank.

#### 5.4 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 5.3, on Bank's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Bank's Lien and other rights in all of Borrower's Accounts, nor shall Bank's failure to advance or lend against a specific Account affect or limit Bank's Lien and other rights therein. If requested by Bank, Borrower shall furnish Bank with copies (or, at Bank's request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary indorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts involving amounts, individually or in the aggregate, in excess of \$50,000. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm's-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Event of Default has occurred and is continuing; and (iii) there shall not be an Overadvance after taking into account all such discounts, settlements and forgiveness.

(c) Collection of Accounts. Borrower shall direct Account Debtors to deliver or transmit all proceeds of Accounts into a lockbox account, or such other "blocked account" as specified by Bank (either such account, the "**Cash Collateral Account**"), which proceeds of Accounts shall be delivered to the Cash Collateral Account within ninety (90) days after the Effective Date. Whether or not an Event of Default has occurred and is continuing, Borrower shall immediately deliver all payments on and proceeds of Accounts to the Cash Collateral Account. Subject to Bank's right to maintain a reserve pursuant to Section 5.4(d), all amounts received in the Cash Collateral Account shall be (i) when a Streamline Period is not in effect, applied to immediately reduce the Obligations under the Revolving Line (unless Bank, in its sole discretion, at times when an Event of Default exists, elects not to so apply such amounts), or (ii) when a Streamline Period is in effect, transferred on a daily basis to Borrower's operating account with Bank. Borrower hereby authorizes Bank to transfer to the Cash Collateral Account any amounts that Bank reasonably determines are proceeds of the Accounts (provided that Bank is under no obligation to do so and this allowance shall in no event relieve Borrower of its obligations hereunder).

(d) Reserves. Notwithstanding any terms in this Agreement to the contrary, at times when a Default or an Event of Default exists, Bank may hold any proceeds of the Accounts and any amounts in the Cash Collateral Account that are not applied to the Obligations pursuant to Section 5.4(c) above (including amounts otherwise required to be transferred to Borrower's operating account with Bank) as a reserve to be applied to any Obligations regardless of whether such Obligations are then due and payable.

(e) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower in an amount in excess of \$50,000, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount in accordance with Borrower's customary business practices, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall hold the returned Inventory in trust for Bank, and immediately notify Bank of the return of the Inventory.

(f) Verifications; Confirmations; Credit Quality; Notifications. Bank may, from time to time, upon prior consultation with Borrower, (i) verify and confirm directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose, and notify any Account Debtor of Bank's security interest in such Account and/or (ii)

conduct a credit check of any Account Debtor to approve any such Account Debtor's credit. In addition, upon prior consultation with Borrower, Bank may notify Account Debtors to make payments in respect of Accounts directly to Bank.

(g) **No Liability.** Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

**5.5 Remittance of Proceeds.** Except as otherwise provided in Section 5.4(c), deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations (a) prior to an Event of Default, pursuant to the terms of Section 5.4(c) hereof, and (b) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 8.4 hereof; provided that, if no Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of Equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of \$250,000 or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Bank. Nothing in this Section 5.5 limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

#### **5.6 Taxes; Pensions.**

(a) Timely file, and require each of its Subsidiaries to timely file (in each case, unless subject to a valid extension), all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 4.9(a) hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay, and require each of its Subsidiaries to pay, all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

(b) To the extent Borrower or any of its Subsidiaries defers payment of any contested taxes, (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien."

**5.7 Access to Collateral; Books and Records.** At reasonable times, on one (1) Business Day's notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right to inspect the Collateral and the right to audit and copy Borrower's Books. Such inspections and audits shall be conducted no more often than once every twelve (12) months (or more frequently as Bank in its reasonable discretion determines that conditions warrant), unless an Event of Default has occurred and is continuing, in which case such inspections and audits shall occur as often as Bank shall determine is necessary. The foregoing inspections and audits shall be conducted at Borrower's expense and the charge therefor shall be \$1,000.00 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than eight (8) days in advance, and Borrower cancels or seeks to or reschedules the audit with less than eight (8) days written notice to Bank, then (without limiting any of Bank's rights or remedies) Borrower shall pay Bank a fee of \$2,000.00 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

#### **5.8 Insurance.**

(a) Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a

form, with financially sound and reputable insurance companies that are not Affiliates of Borrower, and in amounts that are satisfactory to Bank in its reasonable discretion.

(b) Subject to Section 5.19, all property policies shall have a lender's loss payable endorsement showing Bank as lender loss payee. All liability policies shall show, or have endorsements showing, Bank as an additional insured. Bank shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral.

(c) Ensure that proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations.

(d) At Bank's request, Borrower shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 5.8 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Bank, that it will give Bank 30 days prior written notice before any such policy or policies shall be canceled or altered in any material respect. If Borrower fails to obtain insurance as required under this Section 5.8 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 5.8, and take any action under the policies Bank deems prudent.

#### **5.9 Accounts.**

(a) Subject to Section 5.19, maintain account balances in Borrower's, any of its Subsidiaries', and any Guarantor's Deposit Accounts and Securities Accounts at or through Bank or Bank's Affiliates representing at least eighty-five percent (85%) of the Dollar Equivalent value of all Deposit Account and Securities Account balances of Borrower, such Subsidiary and such Guarantor at all financial institutions. Subject to the foregoing limitation, (i) Qumu UK and its Subsidiaries shall not maintain more than Two Million Dollars (\$2,000,000) in the aggregate for three (3) consecutive Business Days in their Collateral Accounts and (ii) Qumu Japan shall not maintain more than Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate for three (3) consecutive Business Days in its Collateral Accounts.

(b) In addition to the foregoing, except as permitted in clause (j) of the definition of Permitted Indebtedness, Borrower, any Subsidiary of Borrower and any Guarantor, shall obtain any business credit card, letter of credit and cash management services exclusively from Bank.

(c) In addition to and without limiting the restrictions in (a), Borrower shall provide Bank five (5) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

**5.10 Financial Covenants.** Maintain at all times, to be certified to Bank as of the last day of each month, an Adjusted Quick Ratio of at least 1.25 to 1.00.

#### **5.11 Protection and Registration of Intellectual Property Rights.**

(a) (i) Protect, defend and maintain the validity and enforceability of Borrower's and each Subsidiary's Intellectual Property, except to the extent that such failure to do so would not reasonably be expected to have a material adverse effect on Borrower's business or operations; (ii) promptly advise Bank in writing of infringements or any other event that could reasonably be expected to materially and adversely affect the value Borrower's and each Subsidiary's Intellectual Property; and (iii) not allow any Intellectual Property material to

Borrower's or any Subsidiary's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) If Borrower (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (ii) applies for any Patent or the registration of any Trademark, then Borrower shall provide written notice thereof to Bank within five (5) Business Days and shall execute such intellectual property security agreements and other documents and take such other actions as Bank may request in its commercially reasonable discretion to perfect and maintain a first priority perfected security interest in favor of Bank in such property within five (5) days of such request. If Borrower intends to register any Copyrights or mask works in the United States Copyright Office, Borrower shall: (x) provide Bank with at least 15 days prior written notice of Borrower's registration of such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) prior to the date of registration of the Copyrights or mask works described in (x), execute an intellectual property security agreement and such other documents and take such other actions as Bank may request in its commercially reasonable discretion to perfect and maintain a first priority perfected security interest in favor of Bank in such Copyrights or mask works; and (z) record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. Borrower shall promptly provide to Bank copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for Bank to perfect and maintain a first priority perfected security interest in such property.

(c) Provide written notice to Bank within 10 days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any such Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

**5.12 Litigation Cooperation.** From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

### **5.13 Online Banking.**

(a) Utilize Bank's online banking platform for all matters requested by Bank which shall include, without limitation (and without request by Bank for the following matters), uploading information pertaining to Accounts and Account Debtors, requesting approval for exceptions, requesting Credit Extensions, and uploading financial statements and other reports required to be delivered by this Agreement (including, without limitation, those described in Section 5.3 of this Agreement).

(b) Comply with the terms of Bank's Online Banking Agreement as in effect from time to time and ensure that all persons utilizing Bank's online banking platform are duly authorized to do so by an Administrator. Bank shall be entitled to assume the authenticity, accuracy and completeness of any information, instruction or request for a Credit Extension submitted via Bank's online banking platform and to further assume that any submissions or requests made via Bank's online banking platform have been duly authorized by an Administrator.

**5.14 Formation or Acquisition of Subsidiaries.** Notwithstanding and without limiting the negative covenants contained in Sections 6.3 and 6.7 hereof, at the time that Borrower or any Guarantor forms any Subsidiary or acquires any Subsidiary after the Effective Date (including, without limitation, pursuant to a Division), Borrower and such Guarantor shall (a) cause such new Subsidiary to provide to Bank a joinder to this Agreement to become a co-borrower hereunder or a guaranty to become a Guarantor hereunder (as determined by Bank in its sole discretion), together with documentation, all in form and substance satisfactory to Bank (including being sufficient to grant Bank

a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank; and (c) provide to Bank all other documentation in form and substance satisfactory to Bank, including one or more opinions of counsel satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 5.14 shall be a Loan Document.

**5.15 Inventory; Returns.** Keep all Inventory in good and marketable condition in all material respects, free from material defects. Returns and allowances between Borrower and its Account Debtors shall follow Borrower's customary practices as they exist at the Effective Date. Borrower shall promptly notify Bank of all returns, recoveries, disputes and claims that involve more than \$200,000.

**5.16 Further Assurances.** Execute any further instruments and take such further action as Bank reasonably requests to perfect, protect, ensure the priority of or continue Bank's Lien on the Collateral or to effect the purposes of this Agreement.

**5.17 Sanctions.** (a) Not, and not permit any of its Subsidiaries to, engage in any of the activities described in Section 4.11 in the future; (b) not, and not permit any of its Subsidiaries to, become a Sanctioned Person; (c) ensure that the proceeds of the Obligations are not used to violate any Sanctions; and (d) deliver to Bank any certification or other evidence requested from time to time by Bank in its sole discretion, confirming each such Person's compliance with this Section 5.19. In addition, have implemented, and will consistently apply while this Agreement is in effect, procedures to ensure that the representations and warranties in Section 4.11 remain true and correct while this Agreement is in effect.

**5.18 Immaterial Subsidiaries.** Each of Qumu Middle East FZ-LLC and Qumu (Singapore) Pte. Ltd are dormant entities and do not own any assets or receive any revenue in excess of \$20,000.

**5.19 Post-Closing Requirements.**

(a) As soon as possible following the Effective Date, Borrower shall deliver to Bank evidence that (i) the Liens securing Indebtedness owed by Borrower to Wells Fargo Bank, N.A. will be terminated and (ii) the documents and/or filings evidencing the perfection of such Liens, including without limitation any financing statements and/or control agreements, have or will, concurrently with the initial Credit Extension, be terminated; provided, however, prior to the receipt thereof, Borrower may not request, and Bank shall have no obligation to make, any Credit Extensions under this Agreement.

(b) Within thirty (30) days after the Effective Date, Borrower shall deliver to Bank evidence satisfactory to Bank showing notice of cancellation, lender loss payable and additional insured clauses or endorsements in favor of Bank.

(c) Within forty-five (45) days after the Effective Date, Borrower shall deliver to Bank evidence that the Liens filed by the San Mateo County Tax Collector have been terminated.

(d) Within ninety (90) days after the Effective Date, Borrower shall deliver to Bank a Control Agreement from Wells Fargo Bank, N.A. or its Affiliates in respect of each Collateral Account maintained by Borrower.

**6 NEGATIVE COVENANTS**

Borrower shall not do any of the following without Bank's prior written consent:

**6.1 Dispositions.** Convey, sell, lease, transfer, assign, or otherwise dispose of (including, without limitation, pursuant to a Division) (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-

out or obsolete Equipment that is, in the reasonable judgment of Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) consisting of the sale or issuance of any stock, partnership, membership, or other ownership interest or other equity securities of Borrower permitted under Section 6.2 of this Agreement; (e) consisting of Borrower's or its Subsidiaries' use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; (f) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; and (g) by a Borrower or Guarantor to any other Borrower or Guarantor.

**6.2 Changes in Business, Management, Control, or Business Locations.** (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related or incidental thereto; (b) liquidate or dissolve or permit any of its Subsidiaries to liquidate or dissolve; (c) fail to provide notice to Bank of any Key Person departing from or ceasing to be employed by Borrower within five (5) days after such Key Person's departure from Borrower; (d) permit, allow or suffer to occur any Change in Control; or (e) without at least 30 days prior written notice to Bank, (i) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than \$250,000 in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of \$250,000 to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (ii) change its jurisdiction of organization, (iii) change its organizational structure or type, (iv) change its legal name, or (v) change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to add any new offices or business locations, including warehouses, containing in excess of \$250,000 of Borrower's assets or property, then Borrower will use commercially reasonable efforts to cause the landlord of any such new offices or business locations, including warehouses, to execute and deliver a landlord consent in form and substance satisfactory to Bank. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of \$250,000 to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Borrower intends to deliver the Collateral, then Borrower will use commercially reasonable efforts to cause such bailee to execute and deliver a bailee agreement in form and substance satisfactory to Bank.

**6.3 Mergers or Acquisitions.** Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the stock, partnership, membership, or other ownership interest or other equity securities or property of another Person (including, without limitation, by the formation of any Subsidiary or pursuant to a Division). A Subsidiary may merge or consolidate into another Subsidiary or into Borrower and a Borrower may merge or consolidate into any other Borrower.

**6.4 Indebtedness.** Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

**6.5 Encumbrance.** Create, incur, allow, or suffer to exist any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as is otherwise permitted in Section 6.1 hereof and the definition of "Permitted Liens" herein and customary restrictions on assignment, transfer and encumbrance in license agreements under which Borrower is the licensee.

**6.6 Maintenance of Collateral Accounts.** Maintain any Collateral Account except pursuant to the terms of Section 5.9(c).

**6.7 Distributions; Investments.** (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any stock, partnership, membership, or other ownership interest or other equity securities; provided that Borrower may (i) convert any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, (ii) pay dividends solely in common stock, and (iii) repurchase

the stock, partnership, membership, or other ownership interest or other equity securities of former employees or consultants pursuant to stock repurchase agreements so long as an Event of Default does not exist at the time of any such repurchase and would not exist after giving effect to any such repurchase, provided that the aggregate amount of all such repurchases does not exceed \$250,000 per fiscal year; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.

**6.8 Transactions with Affiliates.** Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

**6.9 Subordinated Debt.** Except as expressly permitted under the terms of the subordination, intercreditor, or other similar agreement to which any Subordinated Debt is subject: (a) make or permit any payment on such Subordinated Debt; or (b) amend any provision in any document relating to such Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

**6.10 Compliance.** (a) Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; (b)(i) fail to meet the minimum funding requirements of ERISA, (ii) permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur, (iii) fail to comply with the Federal Fair Labor Standards Act or (iv) violate any other law or regulation, if the foregoing subclauses (i) through (iv), individually or in the aggregate, could reasonably be expected to have a material adverse effect on Borrower's business or operations, or permit any of its Subsidiaries to do so; or (c) withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

**6.11 Immaterial Subsidiaries.** Permit either of Qumu Middle East FZ-LLC or Qumu (Singapore) Pte. Ltd to own any assets or receive any revenue in excess of \$20,000.

## **7 EVENTS OF DEFAULT**

Any one of the following shall constitute an event of default (an "Event of Default") under this Agreement:

**7.1 Payment Default.** Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

### **7.2 Covenant Default.**

(a) Borrower fails or neglects to perform any obligation in Section 5 or violates any covenant in Section 6; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 7) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to

financial covenants or any other covenants that are required to be satisfied, completed or tested by a date certain or any covenants set forth in clause (a) above;

**7.3 Material Adverse Change.** A Material Adverse Change occurs;

**7.4 Attachment; Levy; Restraint on Business.**

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or any Subsidiary, or (ii) a notice of lien or levy is filed against any of Borrower's or any of its Subsidiaries' assets by any Governmental Authority, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of Borrower's or any of its Subsidiaries' assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower or any of its Subsidiaries from conducting all or any material part of its business;

**7.5 Insolvency.** (a) Borrower or any of its Subsidiaries is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower or any of its Subsidiaries and is not dismissed or stayed within 45 days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist or until any Insolvency Proceeding is dismissed);

**7.6 Other Agreements.** There is, under any agreement to which Borrower, any of Borrower's Subsidiaries, or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of \$100,000; or (b) any breach or default by Borrower, any of Borrower's Subsidiaries, or Guarantor, the result of which shall have a material adverse effect on Borrower's, any of Borrower's Subsidiaries', or any Guarantor's business or operations;

**7.7 Judgments; Penalties; Litigation Expense.** If one or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least \$250,000 (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower or any of its Subsidiaries by any Governmental Authority, and the same are not, within ten (10) days after the entry, assessment or issuance thereof, discharged, or after execution thereof, or stayed pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the discharge, or stay of such fine, penalty, judgment, order or decree);

**7.8 Misrepresentations.** Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made (it being agreed and acknowledged by Bank that the projections and forecasts provided by Borrower or any of its Subsidiaries in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results);

**7.9 Subordinated Debt.** If: (a) any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, or any Person (other than Bank) shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder; (b) a default or event of default (however defined) has occurred under any document, instrument, or agreement evidencing any Subordinated Debt, which default shall not have been cured or waived within any applicable grace period; or (c) the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

**7.10 Lien Priority.** There is a material impairment in the perfection or priority of Bank's security interest in the Collateral;

**7.11 Guaranty.** (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 7.3, 7.4, 7.5, 7.6, 7.7, or 7.8 of this Agreement occurs with respect to any Guarantor, (d) the death, liquidation, winding up, or termination of existence of any Guarantor; or (e)(i) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral or (ii) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations occurs with respect to any Guarantor; or

**7.12 Governmental Approvals.** Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal causes, or could reasonably be expected to cause, a Material Adverse Change.

## **8 BANK'S RIGHTS AND REMEDIES**

**8.1 Rights and Remedies.** Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 7.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) demand that Borrower (i) deposit cash with Bank in an amount equal to at least (A) 105.0% of the aggregate face amount of any Letters of Credit denominated in Dollars remaining undrawn, and (B) 110.0% of the Dollar Equivalent of the aggregate face amount of any Letters of Credit denominated in a Foreign Currency remaining undrawn (plus, in each case, all interest, fees, and costs due or estimated by Bank to become due in connection therewith), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts (it being understood and agreed that (i) Bank is not obligated to deliver the currency which Borrower has contracted to receive under any FX Contract, and Bank may cover its exposure for any FX Contracts by purchasing or selling currency in the interbank market as Bank deems appropriate;(ii) Borrower shall be liable for all losses, damages, costs, margin obligations and expenses incurred by Bank arising from Borrower's failure to satisfy its obligations under any FX Contract or the execution of any FX Contract; and (iii) Bank shall not be liable to Borrower for any gain in value of a FX Contract that Bank may obtain in covering Borrower's breach);

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, and notify any Person owing Borrower money of Bank's security interest in such funds. Borrower shall collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the Account Debtor, with proper endorsements for deposit;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain

possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. For use solely upon the occurrence and during the continuation of an Event of Default, Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 8.1, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code or any Applicable Law (including disposal of the Collateral pursuant to the terms thereof).

**8.2 Power of Attorney.** Borrower hereby irrevocably appoints Bank as its true and lawful attorney-in- fact, (a) exercisable upon the occurrence and during the continuance of an Event of Default, to: (i) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (ii) demand, collect, sue, and give releases to any Account Debtor for monies due, settle and adjust disputes and claims about the Accounts directly with Account Debtors, and compromise, prosecute, or defend any action, claim, case, or proceeding about any Collateral (including filing a claim or voting a claim in any bankruptcy case in Bank's or Borrower's name, as Bank chooses); (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) pay, contest or settle any Lien, charge, encumbrance, security interest, or other claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (v) transfer the Collateral into the name of Bank or a third party as the Code permits; and (vi) receive, open and dispose of mail addressed to Borrower; and (b) regardless of whether an Event of Default has occurred, to: (i) endorse Borrower's name on any checks, payment instruments, or other forms of payment or security; (ii) notify all Account Debtors to pay Bank directly; and (iii) sign Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until such time as all Obligations (other than inchoate indemnity obligations and Bank Services cash collateralized pursuant to Section 3.3) have been satisfied in full, Bank is under no further obligation to make Credit Extensions and the Loan Documents have been terminated. Bank shall not incur any liability in connection with or arising from the exercise of such power of attorney (except in the case of gross negligence or willful misconduct of Bank as determined by a court of competent jurisdiction in a final, non-appealable judgment) and shall have no obligation to exercise any of the foregoing rights and remedies.

**8.3 Protective Payments.** If Borrower fails to obtain the insurance called for by Section 5.8 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

**8.4 Application of Payments and Proceeds.** Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its commercially reasonable discretion, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

**8.5 Bank's Liability for Collateral.** Bank's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession or under its control, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as Bank deals with its own property consisting of similar instruments or interests. Borrower bears all risk of loss, damage or destruction of the Collateral.

**8.6 No Waiver; Remedies Cumulative.** Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

**8.7 Demand Waiver.** Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

**8.8 Borrower Liability.** Any Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints each other as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be liable for the Credit Extensions and Obligations as set forth on Schedule I hereto. Each Borrower waives (a) any suretyship defenses available to it under the Code or any other Applicable Law, and (b) any right to require Bank to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Bank under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 8.8 shall be null and void. If any payment is made to a Borrower in contravention of this Section 8.8, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

## **9 NOTICES**

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or email address indicated below; provided that, for clause (b), if such notice, consent, request, approval,

demand or other communication is not sent during the normal business hours of the recipient, it shall be deemed to have been sent at the opening of business on the next Business Day of the recipient. Bank or Borrower may change its mailing or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 9.

If to Borrower: c/o Qumu Corporation  
400 S. 4<sup>th</sup> Street, Suite 401-412  
Minneapolis, Minnesota 55415 Attn: Thomas A. Krueger Email:  
[tom.krueger@qumu.com](mailto:tom.krueger@qumu.com)

with a copy to (which shall not constitute  
notice): Ballard Spahr LLP  
80 South 8<sup>th</sup> Street, Suite 2000  
Minneapolis, Minnesota 55402-3808  
Attn: Mark C. Dietzen, Esq. and April Hamlin, Esq.  
Email: [dietzenm@ballardspahr.com](mailto:dietzenm@ballardspahr.com) and [hamlina@ballardspahr.com](mailto:hamlina@ballardspahr.com)

If to Bank: Silicon Valley Bank  
222 West Adams Street, Suite 260  
Chicago, Illinois 60606 Attn: Garon Patterson Email:  
[gpatters@svb.com](mailto:gpatters@svb.com)

with a copy to (which shall not constitute  
notice): DLA Piper LLP (US)  
33 Arch Street, 26<sup>th</sup> Floor Boston, Massachusetts 02110 Attn: Seth M.  
Bonneau, Esq.  
Email: [Seth.Bonneau@us.dlapiper.com](mailto:Seth.Bonneau@us.dlapiper.com)

#### **10 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER**

Except as otherwise expressly provided in any of the Loan Documents, New York law governs the Loan Documents without regard to principles of conflicts of law that would require the application of the laws of another jurisdiction. Borrower and Bank each irrevocably and unconditionally submit to the exclusive jurisdiction of the State and Federal courts in New York, New York; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction with respect to the Loan Documents or to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly, irrevocably and unconditionally submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby irrevocably and unconditionally consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 9 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

**TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS.**

**THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT. EACH PARTY HERETO HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.**

This Section 10 shall survive the termination of this Agreement and the repayment of all Obligations.

**11 GENERAL PROVISIONS**

**11.1 Termination Prior to Maturity Date; Survival.** All covenants, representations and warranties made in this Agreement shall continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and Bank Services cash collateralized pursuant to Section 3.3) have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations and Bank Services cash collateralized pursuant to Section 3.3, and any other obligations which, by their terms, are to survive the termination of this Agreement and the repayment of all Obligations, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 3.3 of this Agreement), this Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination and the repayment of all Obligations shall continue to survive notwithstanding this Agreement's termination and the repayment of all Obligations.

**11.2 Successors and Assigns.** This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign or transfer this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's sole discretion) and any other attempted assignment or transfer by Borrower shall be null and void. Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents.

**11.3 Indemnification.**

(a) **General Indemnification.** Borrower shall indemnify, defend and hold Bank and its Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of Bank and its Affiliates (each, an "**Indemnified Person**") harmless against: (i) all losses, claims, damages, liabilities and related expenses (including Bank Expenses and the reasonable and documented out-of-pocket fees, charges and disbursements of any counsel for any Indemnified Person) (collectively, "**Claims**") arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Credit Extension or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of hazardous materials on or from any property owned or operated by Borrower or any of its Subsidiaries, or any environmental liability related in any way to Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person. All amounts due under this Section 11.3 shall be payable promptly after demand therefor.

(b) **Waiver of Consequential Damages, Etc.** To the fullest extent permitted by Applicable Law, Borrower shall not assert, and hereby waives, any claim against any Indemnified Person, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) or any loss of profits arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Credit Extension, or the use of the proceeds thereof. No Indemnified Person shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

This Section 11.3 shall survive the termination of this Agreement and the repayment of all Obligations until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

**11.4 Time of Essence.** Time is of the essence for the performance of all Obligations in this Agreement.

**11.5 Severability of Provisions.** Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

**11.6 Amendments in Writing; Waiver; Integration.** No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be effective unless, and only to the extent, expressly set forth in a writing signed by each party hereto. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

**11.7 Counterparts.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Delivery of an executed signature page of this Agreement by electronic mail transmission shall be effective as delivery of a manually executed counterpart hereof.

**11.8 Confidentiality.** Bank agrees to maintain the confidentiality of Information (as defined below), except that Information may be disclosed (a) to Bank's Subsidiaries and Affiliates and their respective employees, directors, agents, attorneys, accountants and other professional advisors (collectively, "**Representatives**" and, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees, assignees, credit providers or purchasers of Bank's interests under or in connection with this Agreement and their Representatives (provided, however, Bank shall use commercially reasonable efforts to obtain any such prospective transferee's, assignee's, credit provider's, purchaser's or their Representatives' agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required or requested in connection with Bank's examination or audit; (e) in connection with the exercise of remedies under the Loan Documents or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. "**Information**" means all information received from Borrower regarding Borrower or its business, in each case other than information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

**11.9 Electronic Execution of Documents.** The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any Applicable Law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

**11.10 Right of Setoff.** Borrower hereby grants to Bank a Lien and a right of setoff as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a subsidiary of Bank) or in transit to any of them, and other obligations owing to Bank or any such entity. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may setoff the same or any part thereof and apply the same to any liability or Obligation of Borrower even though unmaturing and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL

RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

**11.11 Captions and Section References.** The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement. Unless indicated otherwise, section references herein are to sections of this Agreement.

**11.12 Construction of Agreement.** The parties hereto mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

**11.13 Relationship.** The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

**11.14 Third Parties.** Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any Persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any Person not an express party to this Agreement; or (c) give any Person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

**11.15 Anti-Terrorism Law.** Bank hereby notifies Borrower that, pursuant to the requirements of Anti-Terrorism Law, Bank may be required to obtain, verify and record information that identifies Borrower, which information may include the name and address of Borrower and other information that will allow Bank to identify Borrower in accordance with Anti-Terrorism Law. Borrower hereby agrees to take any action necessary to enable Bank to comply with the requirements of Anti-Terrorism Law.

## **12 ACCOUNTING TERMS AND OTHER DEFINITIONS**

### **12.1 Accounting and Other Terms.**

(a) Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP (except for with respect to unaudited financial statements for the absence of footnotes and subject to year-end audit adjustments), provided that if at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Bank shall so request, Borrower and Bank shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided, further, that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) Borrower shall provide Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding anything to the contrary contained in this Section, any change in accounting for leases pursuant to GAAP resulting from the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2016-02, Leases (Topic 842) ("FAS 842"), to the extent such adoption would require treating any lease (or similar arrangement conveying the right to use) as a capital lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect on December 31, 2015, such lease shall not be considered a capital lease, and all calculations and deliverables under this Agreement or any other Loan Document shall be made or delivered, as applicable, in accordance therewith.

(b) As used in the Loan Documents: (i) the words "shall" or "will" are mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative; (ii) the term "continuing" in the context of an Event of Default means that the Event of Default has not been remedied (if capable of being remedied) or waived; and (iii) whenever a representation or warranty is made to Borrower's knowledge or awareness,

to the “best of” Borrower’s knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

**12.2 Definitions.** Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in this Section 12.2. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein. As used in this Agreement, the following capitalized terms have the following meanings:

“**Account**” is, as to any Person, any “account” of such Person as “account” is defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to such Person.

“**Account Debtor**” is any “account debtor” as defined in the Code with such additions to such term as may hereafter be made.

“**Adjusted Quick Ratio**” is, as of any date of determination, the ratio of (a) Quick Assets to (b) the sum of (x) Current Liabilities minus (ii) the current portion of Deferred Revenue.

“**Administrator**” is an individual that is named: (a) as an “Administrator” in the “SVB Online Services” form completed by Borrower with the authority to determine who will be authorized to use SVB Online Services (as defined in Bank’s Online Banking Agreement as in effect from time to time) on behalf of Borrower; and (b) as an Authorized Signer of Borrower in an approval by the Board.

“**Advance**” or “**Advances**” means a revolving credit loan (or revolving credit loans) under the Revolving Line.

“**Affiliate**” is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person’s senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person’s managers and members. For purposes of the definition of Eligible Accounts, Affiliate shall include a Specified Affiliate.

“**Agreement**” is defined in the preamble hereof.

“**Anti-Terrorism Law**” means any law relating to terrorism or money-laundering, including Executive Order No. 13224 and the USA Patriot Act.

“**Applicable Law**” means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

“**Authorized Signer**” means any individual listed in Borrower’s Borrowing Resolution who is authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of Borrower.

“**Availability Amount**” is the lesser of (a) the Revolving Line or (b) the sum of (x) the Borrowing Base plus (y) the Non-Formula Amount, minus the sum of all outstanding principal amounts of any Advances. “**Bank**” is defined in the preamble hereof.

“**Bank Entities**” is defined in Section 11.8.

“**Bank Expenses**” are all audit fees and reasonable and documented out-of-pocket costs and expenses (including reasonable, out-of-pocket and documented attorneys’ fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those

incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower or any Guarantor.

“**Bank Services**” are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank’s various agreements related thereto (each, a “**Bank Services Agreement**”).

“**Bank Services Agreement**” is defined in the definition of Bank Services. “**Board**” is Borrower’s board of directors or equivalent governing body. “**Borrower**” is set forth on Schedule I hereto.

“**Borrower’s Books**” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“**Borrowing Base**” is eighty-five percent (85%) of Eligible Accounts, as determined by Bank from Borrower’s most recent Borrowing Base Report and as may subsequently be updated by Bank based upon information received by Bank including, without limitation, Accounts that are paid and/or billed following the date of the Borrowing Base Report); provided, however, that Bank has the right to decrease the foregoing percentage in its commercially reasonable discretion to mitigate the impact of events, conditions, contingencies, or risks which may adversely affect the Collateral or its value.

“**Borrowing Base Report**” is that certain report of the value of certain Collateral in the form specified by Bank to Borrower from time to time.

“**Borrowing Resolutions**” are, with respect to any Person, those resolutions adopted by such Person’s board of directors (and, if required under the terms of such Person’s Operating Documents, stockholders) and delivered by such Person to Bank approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that set forth as a part of or attached as an exhibit to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Bank may conclusively rely on such certificate unless and until such Person shall have delivered to Bank a further certificate canceling or amending such prior certificate.

“**Business Day**” is a day other than a Saturday, Sunday or other day on which commercial banks in the State of California are authorized or required by law to close, except that if any determination of a “Business Day” shall relate to an FX Contract, the term “Business Day” shall also mean a FX Business Day.

“**Cash Collateral Account**” is defined in Section 5.4(c).

“**Cash Equivalents**” are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.; (c) Bank’s certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least 95.0% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

**“Change in Control”** means (a) at any time, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of 49.0% or more of the ordinary voting power for the election of directors, partners, managers and members, as applicable, of Borrower (determined on a fully diluted basis) other than by the sale of Borrower’s equity securities in a public offering or to venture capital or private equity investors so long as Borrower identifies to Bank the venture capital or private equity investors at least seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction; (b) during any period of 12 consecutive months, a majority of the members of the Board of Borrower cease to be composed of individuals (i) who were members of that Board on the first day of such period, (ii) whose election or nomination to that Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that Board or (iii) whose election or nomination to that Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that Board; or (c) at any time, Borrower shall cease to own and control, of record and beneficially, directly or indirectly, 100.0% of each class of outstanding stock, partnership, membership, or other ownership interest or other equity securities of each Subsidiary of Borrower free and clear of all Liens (except Permitted Liens).

**“Change in Law”** means the occurrence, after the Effective Date, of: (a) the adoption or taking effect of any law, rule, regulation or treaty; (b) any change in Applicable Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority; or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

**“Claims”** is defined in Section 11.3.

**“Code”** is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of New York; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank’s Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of New York, the term “Code” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

**“Collateral”** consists of all of Borrower’s right, title and interest in and to the following personal property:

(a) (i) all goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles, Intellectual Property, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, securities accounts, securities entitlements and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and (ii) all Borrower’s Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.; provided, however, that Collateral shall not include the following assets, if any: (A) motor vehicles, rolling stock, aircraft, watercraft, other vehicles, and other assets subject to certificates of title, (B) contracts, agreements, instruments, licenses and governmental authorizations (and, in each case, rights thereunder) to the extent the grant of a security interest therein is prohibited by law or would result in a breach or default thereunder (or would require the consent of the counterparty thereto or governmental authority that is not obtained), in each case after giving effect to Sections 9-406, 9-407, 9-

408 or 9-409 of the UCC (or equivalent statutes of any jurisdiction) or any other law), (C) any asset or property to the extent that the grant of a security interest in such asset or property is prohibited by law or requires a consent not obtained of any governmental authority pursuant to law (except to the extent the law prohibiting such grant or requiring such consent is rendered ineffective pursuant to Section 9-406, 9-407, 9-408 or 9-409 of the UCC (or equivalent statutes of any jurisdiction) or any other Law), and (D) all payroll accounts, payroll withholding tax accounts, customs duties, import duties and custom brokers' charges, accounts held in a fiduciary capacity or otherwise for the benefit of a third party and employee benefit accounts to the extent funded or maintained in accordance with prudent business practice or as required by law.

(b) Pursuant to the terms of a certain negative pledge arrangement with Bank, Borrower has agreed not to encumber any of its Intellectual Property without Bank's prior written consent.

**"Collateral Account"** is any Deposit Account, Securities Account, or Commodity Account.

**"Commodity Account"** is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

**"Compliance Certificate"** is that certain certificate in the form attached hereto as Exhibit A.

**"Connection Income Taxes"** means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

**"Contingent Obligation"** is, for any Person, any direct or indirect liability of that Person for (a) any direct or indirect guaranty by such Person of any indebtedness, lease, dividend, letter of credit, credit card or other obligation of another, (b) any other obligation endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (c) any obligations for undrawn letters of credit for the account of that Person; and (d) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

**"Control Agreement"** is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

**"Copyrights"** are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

**"Credit Extension"** is any Advance, Overadvance, Letter of Credit, FX Contract, amount utilized for cash management services, or any other extension of credit by Bank for Borrower's benefit.

**"Currency"** is coined money and such other banknotes or other paper money as are authorized by law and circulate as a medium of exchange.

**"Current Liabilities"** are (a) all obligations and liabilities of Borrower to Bank, plus (b) without duplication of (a), the aggregate amount of Borrower's Total Liabilities that mature within one (1) year.

**"Default"** means any event which with notice or passage of time or both, would constitute an Event of Default.

“**Default Rate**” is defined in Section 1.3(c).

“**Deferred Revenue**” is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

“**Deposit Account**” is any “**deposit account**” as defined in the Code with such additions to such term as may hereafter be made.

“**Designated Deposit Account**” is the deposit account established by Borrower with Bank for purposes of receiving Credit Extensions.

“**Division**” means, in reference to any Person which is an entity, the division of such Person into two (2) or more separate Persons, with the dividing Person either continuing or terminating its existence as part of such division, including, without limitation, as contemplated under Section 18-217 of the Delaware Limited Liability Company Act for limited liability companies formed under Delaware law, Section 17-220 of the Delaware Revised Uniform Limited Partnership Act for limited partnerships formed under Delaware law, or any analogous action taken pursuant to any other Applicable Law with respect to any corporation, limited liability company, partnership or other entity.

“**Dollars**,” “**dollars**” or use of the sign “\$” means only lawful money of the United States and not any other currency, regardless of whether that currency uses the “\$” sign to denote its currency or may be readily converted into lawful money of the United States.

“**Dollar Equivalent**” is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

“**Draw Period**” is set forth on Schedule I hereto. “**Effective Date**” is set forth on Schedule I hereto.

“**Eligible Accounts**” means Accounts owing to Borrower which arise in the ordinary course of Borrower’s business that meet all Borrower’s representations and warranties in Section 4.3, that have been, at the option of Bank, confirmed in accordance with Section 5.4(f) of this Agreement, and are due and owing from Account Debtors deemed creditworthy by Bank in its sole discretion. Bank reserves the right, at any time after the Effective Date, in its sole discretion in each instance, to either (i) adjust any of the criteria set forth below and to establish new criteria or (ii) deem any Accounts owing from a particular Account Debtor or Account Debtors to not meet the criteria to be Eligible Accounts. Unless Bank otherwise agrees in writing, Eligible Accounts shall not include:

- (a) Accounts (i) for which the Account Debtor is Borrower’s Affiliate, officer, employee, investor, or agent, or (ii) that are intercompany Accounts;
- (b) Accounts that the Account Debtor has not paid within 90 days of invoice date regardless of invoice payment period terms;
- (c) Accounts with credit balances over 90 days from invoice date, to the extent of such credit balances;
- (d) Accounts owing from an Account Debtor if 50.0% or more of the Accounts owing from such Account Debtor have not been paid within 90 days of invoice date;
- (e) Accounts owing from an Account Debtor (i) which does not have its principal place of business in the United States or (ii) whose billing address (as set forth in the applicable invoice for such Account) is not in the United States, unless in the case of both (i) and (ii) such Accounts are otherwise approved by Bank in writing, other than Eligible Foreign Accounts;

- (f) Accounts billed from and/or payable to Borrower outside of the United States (sometimes called foreign invoiced accounts);
- (g) Accounts in which Bank does not have a first priority, perfected security interest under all Applicable Law;
- (h) Accounts billed and/or payable in a Currency other than Dollars;
- (i) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise - sometimes called “contra” accounts, accounts payable, customer deposits or credit accounts), but only to the extent of such Indebtedness or obligations;
- (j) Accounts with or in respect of accruals for marketing allowances, incentive rebates, price protection, cooperative advertising and other similar marketing credits, unless otherwise approved by Bank in writing, but only to the extent of such credits;
- (k) Accounts owing from an Account Debtor which is a United States government entity or any department, agency, or instrumentality thereof unless Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;
- (l) Accounts with customer deposits and/or with respect to which Borrower has received an upfront payment, other than upfront payments in the ordinary course of business in respect of SaaS contracts in a manner consistent with past practices, to the extent of such customer deposit and/or upfront payment;
- (m) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a “sale guaranteed”, “sale or return”, “sale on approval”, or other terms if Account Debtor’s payment may be conditional;
- (n) Accounts owing from an Account Debtor where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings), other than in respect of auto-renewal provisions in Borrower’s contracts in a manner consistent with past practices;
- (o) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);
- (p) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor’s satisfaction of Borrower’s complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);
- (q) Accounts subject to trust provisions, subrogation rights of a bonding company, or a statutory trust;
- (r) Accounts owing from an Account Debtor that has been invoiced for goods that have not been shipped to the Account Debtor unless Bank, Borrower, and the Account Debtor have entered into an agreement acceptable to Bank wherein the Account Debtor acknowledges that (i) it has title to and has ownership of the goods wherever located, (ii) a bona fide sale of the goods has occurred, and (iii) it owes payment for such goods in accordance with invoices from Borrower (sometimes called “bill and hold” accounts);
- (s) Accounts for which the Account Debtor has not been invoiced;
- (t) Accounts that represent non-trade receivables or that are derived by means other than in the ordinary course of Borrower’s business;

(u) Accounts for which Borrower has permitted Account Debtor's payment to extend beyond 90 days (including Accounts with a due date that is more than 90 days from invoice date);

(v) Accounts arising from chargebacks, debit memos or other payment deductions taken by an Account Debtor;

(w) Accounts arising from product returns and/or exchanges (sometimes called "warranty" or "RMA" accounts);

(x) Accounts in which the Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding (whether voluntary or involuntary), or becomes insolvent, or goes out of business;

(y) Accounts owing from an Account Debtor, whose total obligations to Borrower exceed 35.0% of all Accounts, for the amounts that exceed that percentage, unless Bank approves in writing; and

(z) Accounts for which Bank in its sole discretion determines collection to be doubtful, including, without limitation, accounts represented by "refreshed" or "recycled" invoices.

**"Eligible Foreign Accounts"** means Accounts owing from Account Debtors located outside of the United States and acceptable to Bank in writing on a case-by-case basis, which Accounts otherwise satisfy all of the criteria set forth in the definition of Eligible Accounts (other than clause (e) thereof); provided, that the aggregate amount of Eligible Foreign Accounts shall not exceed \$1,000,000 at any time.

**"Environmental Laws"** means any Applicable Law (including any permits, concessions, grants, franchises, licenses, agreements or governmental restrictions) relating to pollution or the protection of health, safety or the environment or the release of any materials into the environment (including those related to hazardous materials, air emissions, discharges to waste or public systems and health and safety matters).

**"Equipment"** is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

**"ERISA"** is the Employee Retirement Income Security Act of 1974, as amended, and its regulations. **"Event of Default"** is defined in Section 7.

**"Exchange Act"** is the Securities Exchange Act of 1934, as amended.

**"Excluded Taxes"** means any of the following Taxes imposed on or with respect to Bank or required to be withheld or deducted from a payment to Bank, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of Bank being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of Bank with respect to an applicable interest in a Credit Extension or the Revolving Line pursuant to a law in effect on the date on which (i) Bank acquires such interest in the Credit Extensions or Revolving Line or (ii) Bank changes its lending office, except in each case to the extent that, pursuant to Section 1.7, amounts with respect to such Taxes were payable either to Bank's assignor immediately before Bank became a party hereto or to Bank immediately before it changed its lending office, (c) Taxes attributable to Bank's failure to comply with Section 1.7(e), and (d) any withholding Taxes imposed under FATCA.

**"FATCA"** means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code and any fiscal or regulatory legislation, rules or practices adopted

pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Internal Revenue Code.

“**Foreign Currency**” is the lawful money of a country other than the United States.

“**Funding Date**” is any date on which a Credit Extension is made to or for the account of Borrower which shall be a Business Day.

“**FX Business Day**” is any day when (a) Bank’s Foreign Exchange Department is conducting its normal business and (b) the Foreign Currency being purchased or sold by Borrower is available to Bank from the entity from which Bank shall buy or sell such Foreign Currency.

“**FX Contract**” is any foreign exchange contract by and between Borrower and Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency at a set price or on a specified date.

“**GAAP**” is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

“**General Intangibles**” is all “general intangibles” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

“**Governmental Approval**” is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

“**Governmental Authority**” is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

“**Guarantor**” is any Person providing a Guaranty in favor of Bank. For purposes of clarification, as of the Effective Date there are no Guarantors.

“**Guaranty**” is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

“**Indebtedness**” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, (d) Contingent Obligations and (e) other short- and long-term obligations under debt agreements, lines of credit and extensions of credit.

“**Indemnified Person**” is defined in Section 11.3.

“**Indemnified Taxes**” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“**Information**” is defined in Section 11.8.

“**Initial Audit**” is Bank’s inspection of Borrower’s Accounts, the Collateral, and Borrower’s Books, with results satisfactory to Bank in its sole discretion.

“**Insolvency Proceeding**” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, receivership or other relief.

“**Intellectual Property**” means, with respect to any Person, all of such Person’s right, title, and interest in and to the following:

- (a) its Copyrights, Trademarks and Patents;
  - (b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how and operating manuals;
  - (c) any and all source code;
  - (d) any and all design rights which may be available to such Person;
  - (e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and
  - (f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.
- “**Internal Revenue Code**” means the U.S. Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder, each as amended or modified from time to time.

“**Inventory**” is all “**inventory**” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower’s custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“**Investment**” is any beneficial ownership interest in any Person (including stock, partnership, membership, or other ownership interest or other equity securities), and any loan, advance or capital contribution to any Person.

“**IP Agreement**” is that certain Intellectual Property Security Agreement between Borrower and Bank dated as of the Effective Date, as may be amended, modified or restated from time to time.

“**Key Person**” is each of Borrower’s (a) Chief Executive Officer, who is TJ Kennedy as of the Effective Date, and (b) Chief Financial Officer, who is Thomas A Krueger as of the Effective Date.

“**Letter of Credit**” is a standby or commercial letter of credit issued by Bank upon request of Borrower based upon an application, guarantee, indemnity, or similar agreement.

“**Lien**” is a claim, mortgage, deed of trust, levy, attachment charge, pledge, hypothecation, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

“**Loan Documents**” are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Perfection Certificate, the IP Agreement, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, landlord waivers and consents, bailee waivers and consents, and any other present or future agreement by Borrower

and/or any Guarantor with or for the benefit of Bank in connection with this Agreement or Bank Services, all as amended, restated, or otherwise modified in accordance with the terms thereof.

“**Material Adverse Change**” is (a) a material impairment in the perfection or priority of Bank’s Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; (c) a material impairment of the prospect of repayment of any portion of the Obligations; or (d) Bank determines, based upon information available to it and in its reasonable judgment, that there is a likelihood that Borrower shall fail to comply with one or more of the financial covenants in Section 5 during the next succeeding financial reporting period.

“**Net Cash**” is, at any time, the sum of (a) the aggregate amount of unrestricted and unencumbered (other than the Lien in favor of Bank) cash and Cash Equivalents held at such time by Borrower in Deposit Accounts or Securities Accounts maintained with Bank or its Affiliates, minus and (b) the Obligations.

“**Non-Formula Amount**” is (a) on the Effective Date, Two Million Five Hundred Thousand Dollars (\$2,500,000), or (b) on the earlier to occur of (i) April 30, 2023 or (ii) the date on which Net Cash is less than Five Million Dollars (\$5,000,000), Zero Dollars (\$0.00).

“**Obligations**” are Borrower’s obligations to pay when due any debts, principal, interest, fees, Bank Expenses, the Termination Fee, the Unused Revolving Line Facility Fee, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents, or otherwise, including, without limitation, all obligations relating to Bank Services and interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and to perform Borrower’s duties under the Loan Documents.

“**OFAC**” is the Office of Foreign Assets Control of the United States Department of the Treasury and any successor thereto.

“**Operating Documents**” are, for any Person, such Person’s formation documents, as certified by the Secretary of State (or equivalent agency) of such Person’s jurisdiction of organization on a date that is no earlier than 30 days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership or limited partnership, its partnership agreement or limited partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“**Other Connection Taxes**” means, with respect to Bank, Taxes imposed as a result of a present or former connection between Bank and the jurisdiction imposing such Tax (other than connections arising from Bank having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Credit Extension or Loan Document).

“**Other Taxes**” means all present or future stamp, court, documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“**Overadvance**” is defined in Section 1.2.

“**Parent**” means Qumu Corporation, a Minnesota corporation.

“**Patents**” means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

“**Payment/Advance Form**” is that certain form in the form attached hereto as Exhibit B. **Payment Date**” is set forth on Schedule I hereto.

**“Perfection Certificate”** is the Perfection Certificate delivered by Borrower in connection with this Agreement.

**“Permitted Indebtedness”** is:

- (a) Borrower’s Indebtedness to Bank under this Agreement and the other Loan Documents;
- (b) Indebtedness existing on the Effective Date which is shown on the Perfection Certificate;
- (c) Subordinated Debt;
- (d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;
- (e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;
- (f) Indebtedness secured by Liens permitted under clauses (a) and (c) of the definition of “Permitted Liens” hereunder;
- (g) to the extent constituting Indebtedness, Investments permitted in clause (j) of the definition of Permitted Investments;
- (h) other unsecured Indebtedness not to exceed \$250,000 in the aggregate;
- (i) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (h) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be; and
- (j) for a period of up to ninety (90) days after the Effective Date, unsecured Indebtedness incurred in the ordinary course of business pursuant to corporate credit cards provided by financial institutions other than Bank in an aggregate amount not to exceed \$200,000 at any time.

**“Permitted Investments”** are:

- (a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date which are shown on the Perfection Certificate;
- (b) Investments consisting of Cash Equivalents;
- (c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower’s business;
- (d) Investments consisting of deposit accounts (but only to the extent that Borrower is permitted to maintain such accounts pursuant to Section 5.9 of this Agreement) in which Bank has a first priority perfected security interest;
- (e) Investments accepted in connection with Transfers permitted by Section 6.1;
- (f) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 6.3 of this Agreement, which is otherwise a Permitted Investment;
- (g) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers, directors, partners, managers and members relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee equity purchase plans or similar agreements approved by the Board;

(h) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrower in any Subsidiary; and

(j) Investments (i) by Parent in Qumu UK for the ordinary and necessary current operating expenses of Qumu UK and its Subsidiaries in an amount not to exceed \$4,000,000 in the aggregate in any fiscal year, (ii) by Parent in Qumu Japan for the ordinary and necessary current operating expenses of Qumu Japan in an amount not to exceed \$500,000 in the aggregate in any fiscal year, (iii) by Subsidiaries (that are not a Borrower or Guarantor) in other Subsidiaries for the ordinary and necessary current operating expenses of such Subsidiaries or in Borrower or any Guarantor, and (iv) by a Borrower or Guarantor in any other Borrower or Guarantor.

“Permitted Liens” are:

(a) Liens existing on the Effective Date which are shown on the Perfection Certificate or arising under this Agreement or the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on Borrower’s Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code;

(c) capital leases or purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than \$200,000 in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens to secure payment of workers’ compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(e) Liens incurred in the extension, renewal or refinancing of the Indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(f) leases or subleases of real property granted in the ordinary course of Borrower’s business (or, if referring to another Person, in the ordinary course of such Person’s business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower’s business (or, if referring to another Person, in the ordinary course of such Person’s business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(g) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business;

(h) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 7.4 and 7.7;

(i) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(j) Liens arising from the filing of any precautionary financing statement on operating leases covering the leased property, to the extent such operating leases are permitted under this Agreement;

(k) customary Liens of any bank in connection with statutory, common law and contractual rights of setoff and recoupment with respect to any deposit account or securities account of Borrower, provided that  
(i) Bank has a first priority perfected security interest in such account and (ii) such account is permitted to be maintained pursuant to Section 5.9 of this Agreement;

(l) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed \$100,000 and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(m) statutory Liens of landlords arising in the ordinary course of business; and

(n) other Liens in an amount not to exceed \$200,000.

“**Person**” is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

“**Prime Rate**” is set forth on Schedule I hereto.

“**Prime Rate Margin**” is set forth on Schedule I hereto.

“**Quick Assets**” is, on any date, the sum of Borrower’s (x) unrestricted and unencumbered (other than the Lien in favor of Bank) cash and Cash Equivalents in Deposit Accounts or Securities Accounts maintained with Bank or Bank’s Affiliates, plus (y) net billed accounts receivable determined according to GAAP.

“**Qumu Japan**” means Qumu Japan Co., Ltd., a company formed under the laws of Japan and direct Subsidiary of Parent.

“**Qumu UK**” means Qumu UK Holdings, Ltd., a company formed under the laws of England and Wales and direct Subsidiary of Parent.

“**Registered Organization**” is any “registered organization” as defined in the Code with such additions to such term as may hereafter be made.

“**Representatives**” is defined in Section 11.8.

“**Reserves**” means, as of any date of determination, such amounts as Bank may from time to time establish and revise in its sole discretion, reducing the amount of Advances and other financial accommodations which would otherwise be available to Borrower (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in its sole discretion, do or may adversely affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Accounts), (ii) the assets, business or prospects of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank's reasonable belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank determines in its sole discretion constitutes a Default or an Event of Default.

“**Responsible Officer**” is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

“**Restricted License**” is any material license or other material agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower’s interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with Bank’s right to sell any Collateral.

“**Revolving Line**” is set forth on Schedule I hereto.

“**Revolving Line Maturity Date**” is set forth on Schedule I hereto.

“**Sanctioned Person**” means a Person that: (a) is listed on any Sanctions list maintained by OFAC or any similar Sanctions list maintained by any other Governmental Authority having jurisdiction over Borrower; (b) is located, organized, or resident in any country, territory, or region that is the subject or target of Sanctions; or (c) is 50.0% or more owned or controlled by one (1) or more Persons described in clauses (a) and (b) hereof.

“**Sanctions**” means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by the United States government and any of its agencies, including, without limitation, OFAC and the U.S. State Department, or any other Governmental Authority having jurisdiction over Borrower.

“**SEC**” is the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

“**Securities Account**” is any “securities account” as defined in the Code with such additions to such term as may hereafter be made.

“**Specified Affiliate**” is any Person (a) more than ten percent (10.0%) of whose aggregate issued and outstanding equity or ownership securities or interests, voting, non-voting or both, are owned or held directly or indirectly, beneficially or of record, by Borrower, and/or (b) whose equity or ownership securities or interests representing more than ten percent (10.0%) of such Person’s total outstanding combined voting power are owned or held directly or indirectly, beneficially or of record, by Borrower.

“**Streamline Balance**” is defined in the definition of Streamline Period.

“**Streamline Period**” is, on and after the Effective Date, provided no Event of Default has occurred and is continuing, the period (a) commencing on the first day of the month following the day that Borrower provides to Bank a written report that Borrower has maintained Net Cash, for each consecutive day in the immediately preceding month as determined by Bank in its sole discretion, in an amount at all times greater than Five Million Dollars (\$5,000,000) (the “**Streamline Balance**”); and (b) terminating on the earlier to occur of (i) the occurrence of an Event of Default, and (ii) the first day thereafter in which Borrower fails to maintain the Streamline Balance, as determined by Bank in its sole discretion. Upon the termination of a Streamline Period, Borrower shall maintain the Streamline Balance each consecutive day for one (1) fiscal quarter as determined by Bank in its sole discretion, prior to entering into a subsequent Streamline Period. Borrower shall give Bank prior written notice of Borrower’s election to enter into any such Streamline Period, and each such Streamline Period shall commence on the first day of the monthly period following the date Bank determines, in its sole discretion, that the Streamline Balance has been achieved.

“**Subordinated Debt**” is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all of Borrower’s or any of its Subsidiaries’ now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

“**Subsidiary**” is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock, partnership, membership, or other ownership interest or other equity securities having ordinary voting power (other than stock, partnership, membership, or other ownership interest or other equity securities having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower or Guarantor.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Termination Fee**” is described in Section 1.4(b).

“**Total Liabilities**” is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower’s consolidated balance sheet, including all Indebtedness.

“**Trademarks**” means, with respect to any Person, any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of such Person connected with and symbolized by such trademarks.

“**Transfer**” is defined in Section 6.1.

“Unused Revolving Line Facility Fee” is defined in Section 1.4(c).

“USA Patriot Act” means the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (Public Law 107-56, signed into law on October 26, 2001), as amended from time to time.

*[Signature page follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

**BORROWER:**

**QUMU CORPORATION**

By: /s/ TJ Kennedy Name: TJ Kennedy  
Title: Chief Executive Officer

**QUMU, INC.**

By: /s/ TJ Kennedy Name: TJ Kennedy  
Title: Chief Executive Officer

**BANK:**

**SILICON VALLEY BANK**

By: /s/ Marc Neri Name: Marc Neri  
Title: Managing Director

**SCHEDULE I LSA PROVISIONS**

<b><u>LSA Section</u></b>	<b><u>LSA Provision</u></b>
1.1(a) – Revolving Line – Availability	Amounts borrowed under the Revolving Line may be prepaid or repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.
1.3(a) – Interest Payments – Advances	Interest on the principal amount of each Advance is payable in arrears monthly (A) on each Payment Date, (B) on the date of any prepayment and (C) on the Revolving Line Maturity Date.
1.3(b)(i) – Interest Rate – Advances	The outstanding principal amount of any Advance shall accrue interest at a floating rate per annum equal to the greater of (x) if a Streamline Period is not in effect, (1) five and one-half of one percent (5.50%) and (2) the Prime Rate plus the Prime Rate Margin, or (y) if a Streamline Period is in effect, (1) five percent (5.00%) and (2) the Prime Rate plus the Prime Rate Margin, and in each case, which interest shall be payable in accordance with Section 1.3(a).
1.3(e) – Interest Computation	Interest shall be computed on the basis of the actual number of days elapsed and a 360-day year for any Credit Extension outstanding.
1.4(a) – Revolving Line Commitment Fee	A fully earned, non-refundable commitment fee of \$35,000 on the Effective Date.
12.2 – “Borrower”	“ <b>Borrower</b> ” means, each and together, jointly and severally, <b>QUMU CORPORATION</b> , a Minnesota corporation, and <b>QUMU, INC.</b> , a California corporation.
12.2 – “Effective Date”	“ <b>Effective Date</b> ” is April 15, 2022.
12.2 – “Payment Date”	“ <b>Payment Date</b> ” is the last calendar day of each month.
12.2 – “Prime Rate”	“ <b>Prime Rate</b> ” is the rate of interest per annum from time to time published in the money rates section of <u>The Wall Street Journal</u> or any successor publication thereto as the “prime rate” then in effect; provided that if such rate of interest, as set forth from time to time in the money rates section of <u>The Wall Street Journal</u> , becomes unavailable for any reason as determined by Bank, the “Prime Rate” shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than zero percent (0.0%) per annum, such rate shall be deemed to be zero percent (0.0%) per annum for purposes of this Agreement.
12.2 – “Prime Rate Margin”	“ <b>Prime Rate Margin</b> ” is (i) if a Streamline Period is not in effect, two percent (2.00%) and (ii) if a Streamline Period is in effect, one and one-half of one percent (1.50%), as determined on the basis of and adjusted promptly upon the receipt of Borrower’s most recent financial statements provided pursuant to Section 5.3(c).
12.2 – “Revolving Line”	“ <b>Revolving Line</b> ” is an aggregate principal amount equal to \$7,500,000.
12.2 – “Revolving Line Maturity Date”	“ <b>Revolving Line Maturity Date</b> ” is April 15, 2024.

**EXHIBIT A**  
**COMPLIANCE CERTIFICATE**

TO: SILICON VALLEY BANK Date: \_\_ FROM: QUMU CORPORATION and QUMU, INC.

The undersigned authorized officer of Qumu Corporation and Qumu, Inc. (each and together, "**Borrower**") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (as amended, modified, supplemented and/or restated from time to time, the "**Agreement**"), (1) Borrower is in complete compliance for the period ending \_\_ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries, if any, relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No N/A
A/R & A/P Agings, Deferred Revenue, and KPI reports	Monthly within 30 days except KPI reports, which are delivered quarterly	Yes No
Borrowing Base Reports	Weekly on Friday of each week if a Streamline Period is not in effect; monthly within 7 days of month end if a Streamline Period is in effect	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No
The following Intellectual Property was registered after the Effective Date (if no registrations, state "None")		

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Adjusted Quick Ratio	1.25:1.00	1.00	Yes No

<u>Streamline Period</u>		<u>Applies</u>
Net Cash > \$5,000,000	Prime + 1.50%	Yes No
Net Cash < \$5,000,000	Prime + 2.00%	Yes No

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and correct as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

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QUMU CORPORATION QUMU, INC.

By: \_\_\_ Name: \_\_\_ Title: \_\_\_

**BANK USE ONLY**

Received by: \_\_\_

AUTHORIZED SIGNER

Date: \_\_\_

Verified: \_\_\_

AUTHORIZED SIGNER

Date: \_\_\_

Compliance Status: Yes No

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**Schedule 1 to Compliance Certificate**

In the event of a conflict between this Schedule and the Agreement, the terms of the Agreement shall govern.

**I. Adjusted Quick Ratio (Section 5.10)**

Required: Maintain at all times, to be certified to Bank as of the last day of each month, an Adjusted Quick Ratio of at least 1.25 to 1.00.

\_\_\_\_\_Actual:

A.	Aggregate value of the unrestricted and unencumbered cash and Cash Equivalents of Borrower in Deposit Accounts and Securities Accounts maintained with Bank and Bank's Affiliates	\$
B.	Aggregate value of the net billed accounts receivable of Borrower	\$
C.	Quick Assets (the sum of lines A and B)	\$
D.	Aggregate value of Obligations to Bank	\$
E.	Without duplication of line D, the aggregate value of liabilities of Borrower and its Subsidiaries (including all Indebtedness) that matures within one (1) year	\$
F.	Current Liabilities (the sum of lines E and F)	\$
G.	Current portion of Deferred Revenue	\$
H.	Line F minus line G	\$
I.	Adjusted Quick Ratio (line C divided by line H)	_____

\_\_\_\_\_Is line I equal to or greater than 1.25:1:00?

No, not in compliance     Yes, in compliance

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II. Net Cash (Streamline Period)

Required: At all times greater than \$5,000,000. Actual:

- A. Aggregate value of the unrestricted and unencumbered cash and Cash Equivalents of Borrower in Deposit Accounts and Securities Accounts maintained with Bank and Bank's Affiliates \$
- B. Aggregate amount of the Obligations \$
- C. Net Cash (Line A minus line B) \$

Was line C at all times greater than \$5,000,000?

No, not in a Streamline Period  Yes, in a Streamline Period

## CERTIFICATION

I, Rose Bentley, certify that:

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

Date: August 15, 2022

/s/ Rose Bentley  
Rose Bentley  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Thomas A. Krueger, certify that:

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

Date: August 15, 2022

/s/ Thomas A. Krueger  
Thomas A. Krueger  
Chief Financial Officer  
(Principal Financial Officer, Principal Accounting Officer)

