UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 September 30, 2020

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	**41-1577970**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
510 1st Avenue North, Suite 305	
Minneapolis, Minnesota	**55403**
(Address of principal executive offices)	**(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

As of October 29, 2020, the registrant had 13,712,845 outstanding shares of $.01 par value common stock.

QUMU CORPORATION
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FOR THE QUARTER ENDED SEPTEMBER 30, 2020

PART 1 – FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)

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

	September 30, 2020	December 31, 2019
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 11,352	$ 10,639
Receivables, net of allowance for doubtful accounts of $44 and $45, respectively	5,699	4,586
Contract assets	802	1,089
Income tax receivable	289	338
Prepaid expenses and other current assets	1,882	1,981
Total current assets	20,024	18,633
Property and equipment, net of accumulated depreciation of 2,741 and 2,520, respectively	431	596
Right of use assets – operating leases	1,425	1,746
Intangible assets, net	2,341	3,075
Goodwill	7,036	7,203
Deferred income taxes, non-current	12	21
Other assets, non-current	458	442
Total assets	$ 31,727	$ 31,716
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 2,104	$ 2,816
Accrued compensation	1,777	1,165
Deferred revenue	12,280	10,140
Operating lease liabilities	627	587
Financing obligations	123	157
Note payable	1,767	—
Derivative liability	36	—
Warrant liability	1,814	2,939
Total current liabilities	20,528	17,804
Long-term liabilities:		
Deferred revenue, non-current	3,612	1,449
Income taxes payable, non-current	602	585
Operating lease liabilities, non-current	1,137	1,587
Financing obligations, non-current	18	83
Other liabilities, non-current	264	—
Total long-term liabilities	5,633	3,704
Total liabilities	26,161	21,508
Commitments and contingencies (Note 3)		
Stockholders' equity:		
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 13,712,845 and 13,553,409, respectively	137	136
Additional paid-in capital	78,758	78,061
Accumulated deficit	(70,350)	(65,128)
Accumulated other comprehensive loss	(2,979)	(2,861)
Total stockholders' equity	5,566	10,208
Total liabilities and stockholders' equity	$ 31,727	$ 31,716

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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Software licenses and appliances	$ 548	$ 1,962	$ 6,149	$ 3,656
Service	6,082	4,709	16,042	15,478
Total revenues	6,630	6,671	22,191	19,134
Cost of revenues:				
Software licenses and appliances	219	719	2,344	1,366
Service	1,435	1,294	4,337	3,747
Total cost of revenues	1,654	2,013	6,681	5,113
Gross profit	4,976	4,658	15,510	14,021
Operating expenses:				
Research and development	2,105	1,849	5,973	5,361
Sales and marketing	2,044	2,083	6,443	6,647
General and administrative	2,142	1,673	7,055	4,998
Amortization of purchased intangibles	165	168	492	587
Total operating expenses	6,456	5,773	19,963	17,593
Operating loss	(1,480)	(1,115)	(4,453)	(3,572)
Other income (expense):				
Gain on sale of BriefCam, Ltd.	—	41	—	41
Interest expense, net	(33)	(235)	(38)	(654)
Decrease (increase) in fair value of derivative liability	(1)	—	104	—
Decrease (increase) in fair value of warrant liability	(332)	973	(730)	(752)
Other, net	(55)	(3)	(252)	32
Total other income (expense), net	(421)	776	(916)	(1,333)
Loss before income taxes	(1,901)	(339)	(5,369)	(4,905)
Income tax benefit	(43)	(118)	(147)	(133)
Net loss	$ (1,858)	$ (221)	$ (5,222)	$ (4,772)
Net loss per share – basic:				
Net loss per share – basic	$ (0.14)	$ (0.02)	$ (0.39)	$ (0.49)
Weighted average shares outstanding – basic	13,579	9,913	13,555	9,822
Net loss per share – diluted:				
Loss attributable to common shareholders	$ (1,858)	$ (1,194)	$ (5,516)	$ (4,772)
Net loss per share – diluted	$ (0.14)	$ (0.11)	$ (0.41)	$ (0.49)
Weighted average shares outstanding – diluted	13,579	10,413	13,575	9,822

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net loss	$ (1,858)	$ (221)	$ (5,222)	$ (4,772)
Other comprehensive income (loss):				
Net change in foreign currency translation adjustments	380	(254)	(118)	(289)
Total other comprehensive income (loss)	380	(254)	(118)	(289)
Total comprehensive loss	$ (1,478)	$ (475)	$ (5,340)	$ (5,061)

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, 2018	9,624	$ 96	$ 69,072	$ (58,875)	$ (3,288)	$ 7,005
Adoption of ASC Topic 842	—	—	—	190	—	190
Net loss	—	—	—	(950)	—	(950)
Other comprehensive income, net of taxes	—	—	—	—	243	243
Issuance of stock under employee stock plan, net of forfeitures	156	2	(1)	—	—	1
Redemption of stock related to tax withholdings on employee stock plan issuances	(15)	—	(36)	—	—	(36)
Stock-based compensation	—	—	231	—	—	231
Balance at March 31, 2019	9,765	$ 98	$ 69,266	$ (59,635)	$ (3,045)	$ 6,684
Net loss	—	—	—	(3,601)	—	(3,601)
Other comprehensive loss, net of taxes	—	—	—	—	(278)	(278)
Issuance of stock under employee stock plan, net of forfeitures	146	1	41	—	—	42
Redemption of stock related to tax withholdings on employee stock plan issuances	(4)	—	(17)	—	—	(17)
Stock-based compensation	—	—	194	—	—	194
Balance at June 30, 2019	9,907	$ 99	$ 69,484	$ (63,236)	$ (3,323)	$ 3,024
Net loss	—	—	—	(221)	—	(221)
Other comprehensive loss, net of taxes	—	—	—	—	(254)	(254)
Issuance of stock under employee stock plan, net of forfeitures	2	—	4	—	—	4
Redemption of stock related to tax withholdings on employee stock plan issuances	—	—	(2)	—	—	(2)
Stock-based compensation	—	—	219	—	—	219
Balance at September 30, 2019	9,909	$ 99	$ 69,705	$ (63,457)	$ (3,577)	$ 2,770

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2019	13,553	$ 136	$ 78,061	$ (65,128)	$ (2,861)	$ 10,208
Net loss	—	—	—	(2,672)	—	(2,672)
Other comprehensive loss, net of taxes	—	—	—	—	(480)	(480)
Issuance of stock under employee stock plan, net of forfeitures	4	—	—	—	—	—
Redemption of stock related to tax withholdings on employee stock plan issuances	(29)	—	(53)	—	—	(53)
Stock-based compensation	—	—	245	—	—	245
Balance at March 31, 2020	13,528	$ 136	$ 78,253	$ (67,800)	$ (3,341)	$ 7,248
Net loss	—	—	—	(692)	—	(692)
Other comprehensive loss, net of taxes	—	—	—	—	(18)	(18)
Issuance of stock under employee stock plan, net of forfeitures	1	(1)	—	—	—	(1)
Redemption of stock related to tax withholdings on employee stock plan issuances	—	—	(1)	—	—	(1)
Stock-based compensation	—	—	164	—	—	164
Balance at June 30, 2020	13,529	$ 135	$ 78,416	$ (68,492)	$ (3,359)	$ 6,700
Net loss	—	—	—	(1,858)	—	(1,858)
Other comprehensive loss, net of taxes	—	—	—	—	380	380
Issuance of stock under employee stock plan, net of forfeitures	206	2	236	—	—	238
Redemption of stock related to tax withholdings on employee stock plan issuances	(22)	—	(105)	—	—	(105)
Stock-based compensation	—	—	211	—	—	211
Balance at September 30, 2020	13,713	$ 137	$ 78,758	$ (70,350)	$ (2,979)	$ 5,566

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	**2019**
Operating activities:		
Net loss	$ (5,222)	$ (4,772)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	935	1,170
Stock-based compensation	620	644
Accretion of debt discount and issuance costs	52	403
Gain on sale of BriefCam, Ltd.	—	(41)
Gain on lease modification	—	(21)
Decrease in fair value of derivative liability	(104)	—
Increase in fair value of warrant liability	730	752
Deferred income taxes	9	8
Changes in operating assets and liabilities:		
Receivables	(1,107)	2,038
Contract assets	296	(845)
Income taxes receivable / payable	70	62
Prepaid expenses and other assets	268	573
Accounts payable and other accrued liabilities	(629)	546
Accrued compensation	617	(732)
Deferred revenue	4,338	(431)
Other non-current liabilities	264	(24)
Net cash provided by (used in) operating activities	1,137	(670)
Investing activities:		
Proceeds from sale of BriefCam, Ltd.	—	41
Purchases of property and equipment	(68)	(137)
Net cash used in investing activities	(68)	(96)
Financing activities:		
Proceeds from issuance of common stock under employee stock plans	238	46
Principal payments on financing obligations	(286)	(242)
Common stock repurchases to settle employee withholding liability	(160)	(54)
Net cash used in financing activities	(208)	(250)
Effect of exchange rate changes on cash	(148)	(95)
Net increase (decrease) in cash and cash equivalents	713	(1,111)
Cash and cash equivalents, beginning of period	10,639	8,636
Cash and cash equivalents, end of period	$ 11,352	$ 7,525
Supplemental disclosures of net cash paid (received) during the period:		
Income taxes, net	$ (264)	$ (207)
Interest, net	$ 12	$ 14
Non-cash investing and financing activities:		
Issuance of note payable and derivative liability for cancellation of warrant	$ 1,855	$ —

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 software solutions to create, manage, secure, distribute and measure the success of live, on-demand and video content management solutions for enterprises. The Qumu platform enables global organizations to drive employee engagement, increase access to video, and modernize the workplace by providing a more efficient and effective way to share knowledge. The world's largest organizations leverage the Qumu platform for a variety of cloud, on-premise and hybrid deployments. Use cases including self-service webcasting, sales enablement, internal communications, product training, regulatory compliance and customer engagement. The Company markets its products to customers primarily in North America, Europe and Asia.

The Company views its operations and manages its business asone 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 manages the marketing of 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, 2019.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13,*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*, which changes the fair value measurement disclosure requirements of ASC 820. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. The Company adopted ASU 2018-13 effective January 1, 2020. The impact of adopting this standard was not material to the Company's consolidated financial statements or disclosures.

Accounting Standards Not Yet Adopted

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 EPS 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 but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12,*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing exceptions within the general principles of Topic 740 regarding the calculation of deferred tax liabilities, the incremental approach for intraperiod tax allocation, and calculating income taxes in an interim period. In addition, the ASU adds clarifications to the accounting for franchise tax (or similar tax) which is partially based on income, evaluating tax basis of goodwill recognized from a business combination, and reflecting the effect of any enacted changes in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The ASU is effective for fiscal years beginning after December 15, 2020, and will be applied either retrospectively or prospectively based upon the applicable amendments. Early adoption is permitted. The Company does not believe the impact of adopting this standard will be material to its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* The purpose of the amendment is to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company does not believe the impact of adopting this standard will be material to its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which supersedes current guidance requiring recognition of credit losses when it is probable that a loss has been incurred. The standard requires the establishment of an allowance for estimated credit losses on financial assets, including trade and other receivables, at each reporting date. The ASU will result in earlier recognition of allowances for losses on trade and other receivables and other contractual rights to receive cash. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company does not believe the impact of adopting this standard will be material to its consolidated financial statements and related disclosures.

(2) Intangible Assets and Goodwill

Intangible Assets

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

	September 30, 2020			
	Customer Relationships	Developed Technology	Trademarks / Trade Names	Total
Original cost	$ 4,834	$ 8,054	$ 2,181	$ 15,069
Accumulated amortization	(3,654)	(7,883)	(1,191)	(12,728)
Intangibles assets, net	$ 1,180	$ 171	$ 990	$ 2,341

	December 31, 2019			
	Customer Relationships	Developed Technology	Trademarks / Trade Names	Total
Original cost	$ 4,878	$ 8,135	$ 2,182	$ 15,195
Accumulated amortization	(3,293)	(7,741)	(1,086)	(12,120)
Intangibles assets, net	$ 1,585	$ 394	$ 1,096	$ 3,075

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

	Nine Months Ended September 30, 2020
Balance, beginning of period	$ 3,075
Amortization expense	(704)
Currency translation	(30)
Balance, end of period	$ 2,341

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Amortization expense associated with the developed technology included in cost of revenues	$ 72	$ 109	$ 212	$ 340
Amortization expense associated with other acquired intangible assets included in operating expenses	165	168	492	587
Total amortization expense	$ 237	$ 277	$ 704	$ 927

Goodwill

On October 3, 2014, the Company completed the acquisition of Kulu Valley, Ltd., subsequently renamed Qumu Ltd., and recognized $8.8 million of goodwill and $6.7 million of intangible assets. The goodwill balance of $7.0 million at September 30, 2020 reflects the impact of foreign currency exchange rate fluctuations since the acquisition date.

As of September 30, 2020, the Company's market capitalization, without a control premium, was greater than its book value and, as a result, the Company concluded there was no goodwill impairment. Sustained declines in the Company's market capitalization or a downturn in its future financial performance and/or future outlook could require the Company to record goodwill and other impairment charges. While a goodwill impairment charge is a non-cash charge, it would have a negative impact on the Company's results of operations.

(3) Commitments and Contingencies

Leases

The Company is obligated under finance leases covering certain IT equipment that expire at various dates over the next two years. The Company also has non-cancellable operating leases, primarily for office space, that expire at various dates over the next four years. The Company has two leases that each contain a renewal option for a period of five years. Because the Company is not reasonably certain to exercise this option, the option is not considered in determining the lease term.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease cost	$ 103	$ 154	$ 297	$ 432
Finance lease cost:				
Amortization of right of use assets	31	31	93	75
Interest on lease liabilities	2	3	6	8
Total finance cost	33	34	99	83
Total lease cost	$ 136	$ 188	$ 396	$ 515

Future payments used in the measurement of lease liabilities on the condensed consolidated balance sheet as of September 30, 2020 are as follows (in thousands):

	Operating leases	Finance leases
Remainder of 2020	$ 237	$ 23
2021	711	80
2022	671	5
2023	294	—
2024	114	—
Total undiscounted lease payments	2,027	108
Less amount representing interest	(263)	(4)
Present value of lease liabilities	$ 1,764	$ 104

Subleases

On January 17, 2019, the Company terminated a sublease agreement related to its Minneapolis, Minnesota headquarters and contemporaneously modified the Company's primary lease agreement. Upon modification, the Company recognized a gain of $21,000, which is reported in other income (expense) in the Company's condensed consolidated statement of operations for the nine months ended September 30, 2019. Sublease income was $32,000 and $105,000 for the three and nine months ended September 30, 2019, respectively, which is reported in other income (expense) in the Company's condensed consolidated statement of operations. The Company reported no sublease income for the three and nine months ended September 30, 2020.

Note Payable and Derivative Liability

On May 1, 2020, the Company canceled its outstanding warrant to ESW Holdings, Inc. ("ESW warrant") which was for the purchase of up to 925,000 shares of Qumu's common stock at an exercise price of $1.96 per share and expiring January 2028. Additionally, the terms of the warrant provided for a cash settlement in the event of a change of control transaction referred to as a Fundamental Transaction, computed using a Black-Scholes option pricing model with specified inputs stipulated in the warrant agreement. The fair value of the warrant instrument has historically been reported as a liability in Qumu's consolidated financial statements, and, for certain historical reporting periods since its issuance, the shares underlying the warrant instrument were dilutive in the calculation of earnings per share.

As consideration for the warrant cancellation, the Company entered into a secured promissory note to ESW Holdings, Inc. ("note payable"), having a face amount of $1,833,000, which was less than the cash settlement amount of $1,983,000 computed under the terms of the warrant agreement, due on April 1, 2021 and bearing no interest. The payment obligation of the note will be accelerated upon a Fundamental Transaction, and Qumu would be required to pay an additional $150,000 to ESW Holdings, Inc. upon the closing of a Fundamental Transaction. The note payable may be prepaid at any time without penalty.

The note payable was recorded at its present value of future cash flows of $1,833,000 discounted at 7.25% (prime plus 4.0%), which was $1,715,000 at May 1, 2020. The value of the note payable will be accreted up to its face value at maturity. As of September 30, 2020, the carrying value of the note payable was $1,767,000, which also approximated its fair value.

The note payable contains a $150,000 contingent payment obligation due upon the closing of a Fundamental Transaction on or prior to the April 1, 2021 maturity date. This contingent payment obligation qualifies as an embedded derivative in accordance with ASC Topic 815, *Derivatives and Hedging*. The embedded derivative is measured at fair value and is remeasured at fair value each subsequent reporting period and reported on the Company's consolidated balance sheet as a derivative liability. Changes in fair value are recognized in other income (expense) in the consolidated statement of operations as "Decrease (increase) in fair value of derivative liability." See Note 4–"Fair Value Measurements."

In connection with the note, the Company and ESW Holdings, Inc. entered into a security agreement dated May 1, 2020 providing for a future security interest in certain assets of the Company that would not attach unless and until the occurrence of the Triggering Event specified therein. The termination of the merger agreement with Synacor, Inc. represented a Triggering Event, resulting in ESW Holdings, Inc. securing an interest in certain of Qumu's cash deposit accounts.

Contingencies

In connection with the termination of merger agreement with Synacor, Inc. on June 29, 2020, Qumu is contingently obligated to pay Synacor, Inc. $1,450,000 upon the occurrence of certain events with respect to an Acquisition Transaction (as defined in the mutual termination agreement with Synacor, Inc.) during the 15 months following the termination, that is, by September 29, 2021. The Company has not accrued a liability related to this contingent obligation as the payment is not triggered unless and until an Acquisition Transaction occurs. See Note 9–"Termination of Merger Agreement with Synacor, Inc."

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 September 30, 2020, 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")	314,286	$ 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	414,286		

The warrant liability was recorded in the Company's consolidated balance sheets at its fair value on the respective dates of issuance 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 consolidated statement of operations as "Decrease (increase) in fair value of warrant liability." The Company recorded non-cash expense of $332,000 and non-cash income of $973,000 for the three months ended September 30, 2020 and 2019, respectively, and non-cash expense of $730,000 and $752,000 for the nine months ended September 30, 2020 and 2019, respectively, resulting from the change in fair value of the warrant liability.

On May 1, 2020, the Company canceled the ESW warrant in exchange for a note payable (see Note 3–"Commitments and Contingencies") which contained an embedded derivative liability that is measured on a recurring basis at fair value. The Company recorded non-cash expense of $1,000 for the three months ended September 30, 2020 and non-cash income of $104,000 for the nine months ended September 30, 2020 resulting from the change in fair value of the derivative liability.

The Company’s liabilities measured at fair value on a recurring basis and the fair value hierarchy utilized to determine such fair values is as follows at September 30, 2020 and December 31, 2019 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value at September 30, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability - Hale	$ 1,462	$ —	$ —	$ 1,462
Warrant liability - iStudy	352	—	—	352
Warrant liability	$ 1,814	$ —	$ —	$ 1,814
Derivative liability	$ 36	$ —	$ —	$ 36
Total	$ 1,850	$ —	$ —	$ 1,850

		Fair Value Measurements Using		
	Total Fair Value at December 31, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability - ESW	$ 2,149	$ —	$ —	$ 2,149
Warrant liability - Hale	645	—	—	645
Warrant liability - iStudy	145	—	—	145
Total	$ 2,939	$ —	$ —	$ 2,939

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 discounted value of the minimum cash payment component of the Hale warrant and, prior to its cancellation, the ESW warrant. Consequently, as of September 30, 2020 and December 31, 2019, the liability related to each warrant was classified as a Level 3 liability.

The Company's evaluation of the probability and timing of a change in control represents an unobservable input (Level 3) that increases or decreases the likelihood of triggering the note payable agreement's Fundamental Transaction contingency, resulting in Level 3 classification of the derivative liability.

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

	September 30, 2020
Probability-weighted timing of change in control	5.1 years

The following table summarizes the changes in fair value measurements for the nine months ended September 30, 2020:

	Warrant liability	Derivative liability	Total
Balance at December 31, 2019	$ 2,939	$ —	$ 2,939
Cancellation of ESW warrant liability (Note 3)	(1,855)	—	(1,855)
Issuance of derivative liability upon cancellation of ESW warrant	—	140	140
Change in fair value	730	(104)	626
Balance at September 30, 2020	$ 1,814	$ 36	$ 1,850

(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 perpetual software license, a cloud-hosted software as a service (SaaS) or a term software license. Software licenses and appliances revenue includes sales of perpetual software licenses and hardware. Service revenue includes SaaS, term software licenses, maintenance and support, and professional and other services.

Revenues by product category and geography

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Software licenses and appliances	$ 548	$ 1,962	$ 6,149	$ 3,656
Service				
Subscription, maintenance and support	5,349	4,166	14,182	13,883
Professional services and other	733	543	1,860	1,595
Total service	6,082	4,709	16,042	15,478
Total revenues	$ 6,630	$ 6,671	$ 22,191	$ 19,134

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
North America	$ 4,238	$ 4,916	$ 15,801	$ 12,416
Europe	2,106	1,505	5,596	5,650
Asia	286	250	794	1,068
Total	$ 6,630	$ 6,671	$ 22,191	$ 19,134

Contract Balances

The Company's balances for contract assets totaled $802,000 and $1.1 million as of September 30, 2020 and December 31, 2019, respectively. The Company's balances for contract liabilities, which are included in deferred revenue, totaled $15.9 million and $11.6 million as of September 30, 2020 and December 31, 2019, respectively.

During the three and nine months ended September 30, 2020, the Company recognized $4.2 million and $8.6 million, respectively, of revenue that was included in the deferred revenue balance at the beginning of the period. During the three and nine months ended September 30, 2019, the Company recognized $3.4 million and $8.3 million respectively, of revenue that was included in the deferred revenue balance at the beginning of the 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 $26.7 million as of September 30, 2020, of which the Company expects to recognize $14.7 million of revenue over the next 12 months and the remainder thereafter. During the nine months ended September 30, 2020 and 2019,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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock options	457,692	14,000	457,692	39,000
Restricted stock awards and restricted stock units	511,392	25,900	564,992	222,588

With the exception of the awards described in the following paragraph, the stock options, restricted stock awards and restricted stock units granted during the nine months ended September 30, 2020 and 2019 were granted under the Company's Second Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"), a shareholder approved plan.

In addition to awards granted under the 2007 Plan, the Company granted a non-qualified option to purchase457,692 shares of its common stock to a newly hired executive management level employee on July 22, 2020, which was the first date of an open window period following the first day of employment. The option was granted outside of any shareholder-approved plan as an inducement to accept employment with the Company. The option has an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq Stock Market on the grant date, vest in three equal installments on each of the first three anniversaries of the date of grant and has a term of seven years. In other respects, the option was structured to mirror the terms of the options granted under the 2007 Plan and are subject to a stock option agreement between the Company and the employee.

During the three months ended September 30, 2020, the Company's shareholders approved an amendment to the 2007 Plan to increase the number of shares authorized under the plan by 500,000 to a total of 3,730,320 shares.

In settlement of vested performance stock units granted in 2018, during the nine months ended September 30, 2019 the Company issued 98,492 shares of restricted stock, which was equal to the number of vested 2018 performance stock units multiplied by the performance goals achievement of 100%. At December 31, 2019, there were 40,599 shares of common stock underlying the outstanding 2018 performance stock units that were subject to vesting upon the achievement of performance goals for the performance period of January 1, 2019 to December 31, 2019. The outstanding unvested 2018 performance stock units were canceled on February 10, 2020 upon determination by the Compensation Committee of the Company's Board of Directors that the performance metric for the 2019 performance period was not achieved. Accordingly, as of September 30, 2020, there were no performance stock units outstanding.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock-based compensation cost, before income tax benefit:				
Stock options	$ 119	$ 85	$ 257	$ 255
Restricted stock awards and restricted stock units	92	134	363	384
Performance stock units	—	—	—	5
Total stock-based compensation	$ 211	$ 219	$ 620	$ 644

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock-based compensation cost included in:				
Cost of revenues	$ 12	$ 6	$ 22	$ 20
Operating expenses	199	213	598	624
Total stock-based compensation	$ 211	$ 219	$ 620	$ 644

(7) Income Taxes

As of both September 30, 2020 and December 31, 2019, the Company's liability for gross unrecognized tax benefits (excluding interest and penalties) totaled $1.8 million. The Company had accrued interest and penalties relating to unrecognized tax benefits of $45,000 and $28,000 on a gross basis at September 30, 2020 and December 31, 2019, 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss per share – basic				
Net loss	$ (1,858)	$ (221)	$ (5,222)	$ (4,772)
Weighted average shares outstanding	13,579	9,913	13,555	9,822
Net loss per share – basic	$ (0.14)	$ (0.02)	$ (0.39)	$ (0.49)
Net loss per share – diluted				
Loss attributable to common shareholders:				
Net loss	$ (1,858)	$ (221)	$ (5,222)	$ (4,772)
Numerator effect of dilutive securities				
Warrants	—	(973)	(294)	—
Loss attributable to common shareholders	$ (1,858)	$ (1,194)	$ (5,516)	$ (4,772)
Weighted average shares outstanding – diluted:				
Weighted average shares outstanding – basic	13,579	9,913	13,555	9,822
Denominator effect of dilutive securities				
Warrants	—	500	20	—
Diluted potential common shares	—	500	20	—
Weighted average shares outstanding – diluted	13,579	10,413	13,575	9,822
Net loss per share – diluted	$ (0.14)	$ (0.11)	$ (0.41)	$ (0.49)

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock options	1,218	1,268	1,110	1,337
Warrants	414	—	414	1,339
Restricted stock units	282	109	204	124
Total anti-dilutive	1,914	1,377	1,728	2,800

(9) Termination of Merger Agreement with Synacor, Inc.

As previously disclosed, on February 11, 2020, Qumu Corporation entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with Synacor, Inc. ("Synacor") and Quantum Merger Sub I, Inc., a direct, wholly owned subsidiary of Synacor ("Merger Sub").

On June 29, 2020, Qumu, Synacor and Merger Sub entered into an agreement to terminate the Merger Agreement (the "Mutual Termination Agreement"). Pursuant to the Mutual Termination Agreement, the Merger Agreement was terminated and the parties provided a mutual release of claims relating to the Merger Agreement and related agreements.

Pursuant to the terms of the Mutual Termination Agreement, Qumu paid Synacor $250,000 on June 29, 2020 and is obligated to pay an additional $1,450,000 if (a) within 15 months following June 29, 2020, an Acquisition Transaction in respect of Qumu is consummated with a Person other than Synacor or (b) (i) within15 months following June 29, 2020, Qumu enters into a binding definitive agreement for an Acquisition Transaction with a Person other than Synacor and (ii) such Acquisition Transaction is ultimately consummated (whether or not during the foregoing 15 months period). For the purposes of the Mutual Termination Agreement, all references to 15% or 85% in the definition of "Acquisition Transaction" of the Merger Agreement shall be replaced by50%.

During the three and nine months ended September 30, 2020, the Company recognized transaction-related expenses related to the Company's Merger Agreement with Synacor totaling $113,000 and $1.6 million, respectively, which are included within general and administrative expenses in the Company's condensed consolidated statement of operations.

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 Part II. Other Information, Item 1A. Risk Factors of the Quarterly Report on Form 10-Q for the period ended June 30, 2020 and those discussed in "Risk Factors" included in Part II. Other Information, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

Overview

Qumu Corporation ("Qumu" or the "Company") provides the software solutions to create, manage, secure, distribute and measure the success of live, on-demand and video content management solutions for enterprises. Qumu's platform enables global organizations to drive employee engagement, increase access to video, and modernize the workplace by providing a more efficient and effective way to share knowledge.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to be spread throughout the U.S. and the world. The COVID-19 pandemic has changed the businesses of Qumu's customers and prospective customers in a number of ways. As part of these changes, enterprises of all sizes are implementing technology plans to virtualize customer meetings, employee communications and major events – as well as record and store video assets for on-demand viewing.

Widespread adoption and use of video in the enterprise is critical to our future growth and success. Qumu believes that the COVID-19 crisis will act as 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, we believe this will drive demand and market adoption for Qumu's video platform and tools.

Qumu received early evidence of this expected increase in adoption and use of video in the enterprise due to COVID-19 in the first quarter 2020 ended March 31, 2020. During the last weeks of March 2020, Qumu received customer orders of $9.7 million total contract value, which were directly attributable to the new working environment caused by the pandemic COVID-19. Other customer orders and sales opportunities have also accelerated due to the customers' COVID-19-driven video needs.

Continuing into the third quarter ended September 30, 2020, Qumu believes that COVID-19 travel restrictions, work-from-home requirements and social distancing protocols are continuing factors motivating customers' consideration of Qumu's live, on-demand and video content management solutions. In particular, customers have expressed increased interest in our cloud and cloud-hybrid offering, evidenced by the addition in the third quarter ended September 30, 2020 of eight new cloud or cloud-hybrid customers as well as the expansion or conversion of three existing enterprise customers to cloud or cloud-hybrid deployment.

Additionally, the significantly higher than historic usage of Qumu's cloud-based enterprise video solution that experienced in the last weeks of the first half of 2020 continued into the third quarter 2020. The dramatic increase is the result of Qumu's Global 2000 customer base mobilizing to support thousands of concurrent video users, as they operate under travel restrictions and mandatory work-at-home policies due to COVID-19. The Company hosted 30 million viewers on Qumu Cloud during the third quarter, up 28% from the second quarter 2020 and up 911% from the third quarter 2019. Qumu anticipates these usage patterns will continue at least for the duration of widespread travel restrictions and mandatory work-at-home policies due to COVID-19, as well as generally following this period as customers increase their use of video as a primary communication channel in the enterprise.

The factors that initially drove demand for Qumu's solutions in the first three quarters of 2020 continue to impact the Company's business. Qumu expects to capture additional revenue opportunities presented by the widespread adoption and use of video in the enterprise. On May 5, 2020, Qumu announced that it expected 2020 revenue to be approximately $28.0 million as compared to 2019 revenue of $25.4 million. Given Qumu’s visibility to customer contracts and pipeline activity, Qumu announced on July 15, 2020 that it expects 2020 revenue to be approximately $29.0.

Consistent with the initiatives described in prior quarterly reports, in the third quarter 2020, Qumu is continuing to take actions to protect and support its employees who continue to work remotely and support Qumu’s operations globally, to prioritize services and supplies to ensure Qumu’s ability to maintain service levels and deliver on our commitments to Qumu customers, and to monitor the nature and extent of the financial impact of COVID-19 on Qumu’s customers and on Qumu’s cash flows from operating activities.

In the third quarter 2020, Qumu began the initial implementation phase of its long-term strategic roadmap, which is designed to position Qumu as a more focused, cloud-first organization driving improved, high-margin recurring revenues and to allow Qumu to capture the evolving opportunities presented by the transformation underway in the way organizations drive communication. In direct response to changes in customer’s video needs, Qumu built and deployed a new app that enables Zoom to be used as the front end for any large-scale video broadcast. Qumu is also expanding and diversifying its go-to-market strategy. As part of the initiatives in this strategy, Qumu launched an e-commerce self-service solution that enables a highly automated and low-touch sale of Qumu’s cloud-based solution to small and medium-sized organizations.

The Company's actual results could differ materially from those anticipated in the forward-looking statements included in this discussion of the impact of COVID-19 as a result of certain factors, including, but not limited to, those discussed in “Risk Factors” included in Part II. Other Information, Item 1A. Risk Factors of the Quarterly Report on Form 10-Q for the period ended June 30, 2020 and those discussed in "Risk Factors" included in Part II. Other Information, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

Critical Accounting Policies

The discussion of the Company's financial condition and results of operations is based upon its financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of the Company's financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. On an ongoing basis, management evaluates its estimates and assumptions. Management bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that management believes to be reasonable. The Company's actual results may differ from these estimates under different assumptions or conditions.

Management utilizes its technical knowledge, cumulative business experience, judgment and other factors in the selection and application of the Company’s accounting policies. The accounting policies considered by management to be the most critical to the presentation of the condensed consolidated financial statements because they require the most difficult, subjective and complex judgments include revenue recognition, accounting for leases, and derivative liabilities for outstanding warrants. Our significant accounting policies applicable to the nine months ended September 30, 2020 are discussed in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

Results of Operations

The percentage relationships to revenues of certain income and expense items for the three and nine months ended September 30, 2020 and 2019, and the percentage changes in these income and expense items relative to the prior year period, are contained in the following table:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	Percentage of Revenues		Percent Increase (Decrease)	Percentage of Revenues		Percent Increase (Decrease)
	2020	2019	2019 to 2020	2020	2019	2019 to 2020
Revenues	100.0 %	100.0 %	(1) %	100.0 %	100.0 %	16 %
Cost of revenues	(24.9)	(30.2)	(18)	(30.1)	(26.7)	31
Gross profit	75.1	69.8	7	69.9	73.3	11
Operating expenses:						
Research and development	31.8	27.7	14	27.0	28.0	11
Sales and marketing	30.8	31.2	(2)	29.0	34.7	(3)
General and administrative	32.3	25.1	28	31.8	26.1	41
Amortization of purchased intangibles	2.5	2.5	(2)	2.2	3.2	(16)
Total operating expenses	97.4	86.5	12	90.0	92.0	13
Operating loss	(22.3)	(16.7)	33	(20.1)	(18.7)	25
Other expense, net	(6.3)	11.6	(154)	(4.1)	(6.9)	(31)
Loss before income taxes	(28.6)	(5.1)	461	(24.2)	(25.6)	9
Income tax benefit	(0.6)	(1.8)	(64)	(0.7)	(0.7)	11
Net loss	(28.0)%	(3.3)%	741 %	(23.5)%	(24.9)%	9 %

Revenues

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 perpetual software license, a cloud-hosted software as a service (SaaS) or a term software license. Software licenses and appliances revenue includes sales of perpetual software licenses and hardware. Service revenue includes SaaS, term software licenses, maintenance and support, and professional and other services.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020	2020	2019	Increase 2019 to 2020	Percent Increase 2019 to 2020
Software licenses and appliances	$ 548	$ 1,962	$ (1,414)	(72) %	$ 6,149	$ 3,656	$ 2,493	68 %
Service								
Subscription, maintenance and support	5,349	4,166	1,183	28	14,182	13,883	299	2
Professional services and other	733	543	190	35	1,860	1,595	265	17
Total service	6,082	4,709	1,373	29	16,042	15,478	564	4
Total revenues	$ 6,630	$ 6,671	$ (41)	(1) %	$ 22,191	$ 19,134	$ 3,057	16 %

Revenues can vary period to period based on the type of contract the Company enters into with each customer. The quarterly software licenses and appliances revenues are also subject to the timing of fulfillment of products, which can result in large fluctuations when compared to the prior quarters. The increases in software licenses and appliances revenues and subscription, maintenance and support revenues in the nine months ended September 30, 2020, compared to the corresponding 2019 period, were primarily driven by revenue attributable to a large customer order received at the end of the first quarter 2020, which the customer identified as specifically driven by the change in working environment due to COVID-19.

The decrease in software licenses and appliances revenues in the three months ended September 30, 2020, compared to the corresponding 2019 period, was primarily driven by revenue attributable to a few large perpetual software license and appliance sales to new and existing customers in the third quarter 2019. The increase in subscription, maintenance and support revenues in the three months ended September 30, 2020, compared to the corresponding 2019 period, primary resulted from significant term software license sales in the current period for which revenue is recognized up front in accordance with the revenue recognition provisions of ASC 606, as well as increased recurring maintenance revenue associated with large software and appliances sales in recent quarters and revenue from an increase in cloud usage overages.

Professional services revenues for the three and nine months ended September 30, 2020 grew 35% and 17%, respectively, compared to the corresponding 2019 periods, benefiting from professional services related to large software and appliances sales in recent quarters.

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. As part of the Company's long-term strategic roadmap, the Company is accelerating the evolution of its SaaS-based business model with a "cloud first" focus, which is expected to shift a greater proportion of revenue to SaaS licenses revenue, which is recognized over the term of the license. 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.

Due to the impact COVID-19 has had on working environments, Qumu generally expects increased demand for Qumu's enterprise video as a service and Qumu's other video software offerings both in the short-term and in the long-term, as well as increased usage of its video platform among existing and future customers.

Qumu expects to capture additional revenue opportunities presented by the widespread adoption and use of video in the enterprise. Given Qumu's current visibility to customer contracts and pipeline activity, Qumu expects 2020 revenue to be approximately $29.0 million as compared to 2019 revenue of $25.4 million.

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 September 30,				Nine Months Ended September 30,			
	2020	2019	Increase (decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020
Gross profit:								
Software licenses and appliances	$ 329	$ 1,243	$ (914)	(74) %	$ 3,805	$ 2,290	$ 1,515	66 %
Service	4,647	3,415	1,232	36	11,705	11,731	(26)	—
Total gross profit	$ 4,976	$ 4,658	$ 318	7 %	$ 15,510	$ 14,021	$ 1,489	11 %
Gross margin:								
Software licenses and appliances	60.0 %	63.4 %	(3.4) %		61.9 %	62.6 %	(0.7) %	
Service	76.4 %	72.5 %	3.9 %		73.0 %	75.8 %	(2.8) %	
Total gross margin	75.1 %	69.8 %	5.3 %		69.9 %	73.3 %	(3.4) %	

Gross margin in the third quarter of 2020 was 75.1% compared to 69.8% for the third quarter of 2019, an increase of 5.3% due to a favorable sales mix and an increase in higher-margin Software-as-a-Service (SaaS) revenue. Gross margin for the nine months ended September 30, 2020 was 69.9% compared to 73.3% in the same year-ago period, a decrease of 3.4% due primarily due to a higher mix of appliance revenue, which generally carries lower margins compared to term license revenue, and lower term license revenue in the 2020 period, compared to the corresponding 2019 period. Additionally, the nine months ended September 30, 2020 included outsourced professional services expenses for certain customer-specific projects, which negatively impacted services gross margin.

Gross profit includes $72,000 and $109,000 for the three months ended September 30, 2020 and 2019, respectively, and $212,000 and $340,000 for the nine months ended September 30, 2020 and 2019, respectively, for the amortization of intangible assets acquired as a result of the acquisition of Kulu Valley in the fourth quarter of 2014. Cost of revenues for the full year 2020 is expected to include approximately $0.3 million of amortization expense for purchased intangibles, compared to $0.5 million for the full year 2019. Included in cost of revenues are the costs related to the Company's service personnel, of which there were 21 and 19 at September 30, 2020 and 2019, respectively.

Future gross profit margins are expected to fluctuate quarter to quarter and will be impacted by the rate of growth and mix of the Company's product and service offerings, utilization of service personnel, fixed and variable royalty expense, and foreign currency exchange rate fluctuations.

Operating Expenses

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020
Operating expenses:								
Research and development	$ 2,105	$ 1,849	$ 256	14 %	$ 5,973	$ 5,361	$ 612	11 %
Sales and marketing	2,044	2,083	(39)	(2)	6,443	6,647	(204)	(3)
General and administrative	2,142	1,673	469	28	7,055	4,998	2,057	41
Amortization of purchased intangibles	165	168	(3)	(2)	492	587	(95)	(16)
Total operating expenses	$ 6,456	$ 5,773	$ 683	12 %	$ 19,963	$ 17,593	$ 2,370	13 %

Total operating expenses as a percent of revenues increased to 97% for the three months ended September 30, 2020, compared to 87% for the three months ended September 30, 2019, as the Company incurred severance expense during the third quarter 2020 related to the departure of the Company's chief executive officer. Total operating expenses as a percent of revenues decreased to 90% for the nine months ended September 30, 2020, compared to 92% for the nine months ended September 30, 2019, with the decrease primarily driven by higher revenue for the nine months ended September 30, 2020, partially offset by increased expenses for transaction-related expenses and severance costs described below under "General and administrative." The Company had 84 and 83 personnel in operating activities at September 30, 2020 and 2019, respectively. The Company incurred severance expense within operating expenses of $459,000 for both the three and nine months ended September 30, 2020. No severance expense was incurred for the three months ended September 30, 2019 and $134,000 in severance expense was recognized in the nine months ended September 30, 2019.

Research and development

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Increase 2019 to 2020	Percent Increase 2019 to 2020	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020
Compensation and employee-related	$ 1,420	$ 1,239	$ 181	15 %	$ 4,121	$ 3,653	$ 468	13 %
Overhead and other expenses	465	464	1	—	1,266	1,184	82	7
Outside services and consulting	183	113	70	62	499	423	76	18
Depreciation and amortization	1	—	1	n/m	3	2	1	50
Equity-based compensation	36	33	3	9	84	99	(15)	(15)
Total research and development expenses	$ 2,105	$ 1,849	$ 256	14 %	$ 5,973	$ 5,361	$ 612	11 %

Total research and development expenses as a percent of revenues were 32% and 28% for the three months ended September 30, 2020 and 2019, respectively, and 27% and 28% for the nine months ended September 30, 2020 and 2019, respectively. The Company had 36 research and development personnel as of both September 30, 2020 and 2019.

The increase in total research and development expenses of $256,000 and $612,000 in the three and nine months ended September 30, 2020, compared to the corresponding 2019 periods, was primarily due to increased costs related to research and development personnel and increased incentive compensation costs. Qumu expects to incur increased research and development expenses in the fourth quarter of 2020 for additional projects to support customers' increased usage of Qumu's cloud-based enterprise video solution due to COVID-19.

Sales and marketing

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020
Compensation and employee-related	$ 1,628	$ 1,616	$ 12	1 %	$ 5,217	$ 5,137	$ 80	2 %
Overhead and other expenses	190	286	(96)	(34)	617	830	(213)	(26)
Outside services and consulting	181	151	30	20	498	630	(132)	(21)
Depreciation and amortization	12	2	10	500	28	5	23	460
Equity-based compensation	33	28	5	18	83	45	38	84
Total sales and marketing expenses	$ 2,044	$ 2,083	$ (39)	(2) %	$ 6,443	$ 6,647	$ (204)	(3) %

Total sales and marketing expenses as a percent of revenues were 31% for each of the three-month periods ended September 30, 2020 and 2019, and 29% and 35% for the nine months ended September 30, 2020 and 2019, respectively. The Company had 30 and 29 sales and marketing personnel at September 30, 2020 and 2019, respectively.

The decrease in sales and marketing expenses of $39,000 and $204,000 in the three and nine months ended September 30, 2020, respectively, compared to the corresponding 2019 periods, was primarily driven by cost savings resulting from sales activities and customer marketing events that were conducted virtually rather than in person and the inclusion of severance expense in the 2019 period, partially offset by higher costs associated with an increase in sales and marketing personnel, increased commissions expense, and increased incentive compensation expense. Additionally, expenses for the three and nine months ended September 30, 2020, compared to the corresponding 2019 periods, were favorably impacted by cost reductions in overhead and other expenses in connection with the Company's consolidation of cloud hosting providers. Qumu expects higher sales and marketing expense for the full year 2020 as compared to the full year 2019 driven primarily by expected increased compensation and employee-related costs due to higher commissions expense, consistent with Qumu's higher expected revenue in 2020 due to COVID-19.

General and administrative

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020	2020	2019	Increase (Decrease) 2019 to 2020	Percent Increase (Decrease) 2019 to 2020
Compensation and employee-related	$ 1,182	$ 754	$ 428	57 %	$ 2,757	$ 2,212	$ 545	25 %
Overhead and other expenses	230	268	(38)	(14)	790	848	(58)	(7)
Outside services and consulting	419	417	2	—	1,253	1,222	31	3
Depreciation and amortization	68	82	(14)	(17)	201	236	(35)	(15)
Equity-based compensation	130	152	(22)	(14)	431	480	(49)	(10)
Transaction-related expenses	113	—	113	n/m	1,623	—	1,623	n/m
Total general and administrative expenses	$ 2,142	$ 1,673	$ 469	28 %	$ 7,055	$ 4,998	$ 2,057	41 %

Total general and administrative expenses as a percent of revenues were 32% and 25% for the three months ended September 30, 2020 and 2019, respectively, and 32% and 26% for the nine months ended September 30, 2020 and 2019, respectively. The Company had 18 general and administrative personnel at both September 30, 2020 and 2019.

The increase in expenses of $469,000 in the three months ended September 30, 2020, compared to the corresponding 2019 period, was driven primarily by $0.4 million of severance costs incurred with the departure of the Company's chief executive officer during the three months ended September 30, 2020.

The increase in expenses of $2.1 million in the nine months ended September 30, 2020, compared to the corresponding 2019 period, was driven primarily by transaction-related expenses related to the Company's merger agreement and subsequent merger termination with Synacor, Inc. totaling $1.6 million and $0.4 million of severance costs incurred with the departure of the Company's chief executive officer. On June 29, 2020, Qumu and Synacor terminated the merger agreement and Qumu incurred a $250,000 termination fee, included in transaction-related expenses in general and administrative expense for the nine months ended September 30, 2020.

Amortization of Purchased Intangibles

Operating expenses include $165,000 and $168,000 for the three months ended September 30, 2020 and 2019, respectively, $492,000 and $587,000 for the nine months ended September 30, 2020 and 2019, respectively, for the amortization of intangible assets acquired as part of the Company's acquisition of Qumu, Inc. in October 2011 and the acquisition of Kulu Valley in October 2014. Operating expenses for the full year 2020 are expected to include approximately $0.7 million of amortization expense associated with purchased intangibles, exclusive of the portion classified in cost of revenue, compared to $0.8 million for the full year 2019.

Other Income (Expense), Net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Gain on sale of BriefCam, Ltd.	$ —	$ 41	$ —	$ 41
Interest expense, net	(33)	(235)	$ (38)	$ (654)
Decrease (increase) in fair value of derivative liability	(1)	—	104	—
Decrease (increase) in fair value of warrant liability	(332)	973	(730)	(752)
Other, net	(55)	(3)	(252)	32
Total other income (expense), net	$ (421)	$ 776	$ (916)	$ (1,333)

The Company recognized interest expense of $33,000 and $235,000 for the three months ended September 30, 2020 and 2019, respectively, and interest expense of $38,000 and $654,000 for the nine months ended September 30, 2020 and 2019, respectively. Interest expense was lower in the three and nine months ended September 30, 2020, compared to the corresponding 2019 periods, due to the Company's $4.0 million payoff on its term loan principal balance in November 2019.

The Company recorded non-cash expense of $332,000 and non-cash income of $973,000 for the three months ended September 30, 2020 and 2019, respectively, and non-cash expense of $730,000 and $752,000 for the nine months ended September 30, 2020 and 2019, respectively, resulting from the change in the fair value of the Company's warrant liability. For the three and nine months ended September 30, 2020, the Company recognized non-cash expense of $1,000 and non-cash income of $104,000, respectively, on the change in the fair value of the Company's derivative liability related to a note payable agreement the Company entered into on May 1, 2020.

Other expense included net losses on foreign currency transactions of $55,000 and $31,000 for the three months ended September 30, 2020 and 2019, respectively, and $251,000 and $94,000 for the nine months ended September 30, 2020 and 2019, respectively. See "Liquidity and Capital Resources" below for a discussion of changes in cash levels.

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 $43,000 and $118,000 for the three months ended September 30, 2020 and 2019, respectively, and $147,000 and $133,000 for the nine months ended September 30, 2020 and 2019, respectively. The net income tax benefit for the three and nine months ended September 30, 2020 and 2019, was impacted by the tax benefit for refundable research credits from United Kingdom operations offset by an increase in reserves for unrecognized tax benefits.

Liquidity and Capital Resources

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

	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 11,352	$ 10,639
Working capital	$ (504)	$ 829
Financing obligations	$ 141	$ 240
Operating lease liabilities	1,764	2,174
Note payable	1,767	—
Financing obligations, operating lease liabilities and note payable	$ 3,672	$ 2,414

Management expects the Company will be able to maintain current operations and anticipated capital expenditure requirements for at least the next 12 months through its cash reserves, as well as any cash flows that may be generated from current operations. Management also expects that the Company's financial resources will allow it to manage the anticipated impact of COVID-19 on its business operations for the foreseeable future, which could include delays in payments from customers and partners. The challenges posed by COVID-19 to the Company are expected to evolve rapidly. Consequently, management will continue to evaluate its financial position in light of future developments, particularly those relating to COVID-19.

At September 30, 2020, the Company had aggregate negative working capital of $504,000, compared to positive working capital of $829,000 at December 31, 2019. Working capital includes current deferred revenue of $12.3 million and $10.1 million at September 30, 2020 and December 31, 2019, respectively. The decrease in working capital as of September 30, 2020, as compared to December 31, 2019, is primarily due to the timing of cash receipts from customers and disbursements made to vendors, as well as funding of the Company's operating loss during the nine months ended September 30, 2020, including $1.6 million of transaction-related expenses related to the Company's merger agreement and subsequent merger termination with Synacor, Inc.

Financing obligations as of September 30, 2020 and December 31, 2019 primarily consist of finance leases related to the acquisition of computer and network equipment. Operating lease liabilities consists of liabilities related to the Company's office leases. The note payable is non-interest bearing with a face amount of $1.83 million and maturing on April 1, 2021.

The Company's primary source of cash from operating activities has been cash collections from sales of products and services to customers. The Company expects cash inflows from operating activities to be affected by increases or decreases in sales and timing of collections. The Company's primary use of cash for operating activities has been for personnel costs and outside service providers, payment of royalties associated with third-party software licenses and purchases of equipment to fulfill customer orders. The Company expects cash flows from operating activities to be affected by fluctuations in revenues, personnel costs and outside service providers as the Company continues to support the growth of the business. The amount of cash and cash equivalents held by the Company's international subsidiaries that is not available to fund domestic operations unless repatriated was $1.0 million as of September 30, 2020. 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.

Summary of Cash Flows

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows provided by (used in):		
Operating activities	$ 1,137	$ (670)
Investing activities	(68)	(96)
Financing activities	(208)	(250)
Effect of exchange rate changes on cash	(148)	(95)
Net change in cash and cash equivalents	$ 713	$ (1,111)

Operating activities

Net cash provided by operating activities was $1.1 million for the nine months ended September 30, 2020 compared to cash used in was $670,000 for the corresponding 2019 period. The operating cash flows for the 2020 period were favorably impacted by the change in deferred revenue, offset by the net loss for the 2020 period and an unfavorable change in receivables. The operating cash flows for the 2019 period were favorably impacted by the change in receivables, offset by the net loss for the 2019 period.

Investing activities

Net cash used in investing activities for the purchases of property and equipment totaled $68,000 for the nine months ended September 30, 2020 compared to $137,000 in the corresponding 2019 period.

Financing activities

Financing activities used net cash of $208,000 for the nine months ended September 30, 2020 and $250,000 in the comparable 2019 period. Primarily impacting the current period use of cash were principal payments of $286,000 on finance leases and other financing obligations.

In October 2010, the Company’s Board of Directors approved a common stock repurchase program of up to 3,500,000 shares. 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 nine months ended September 30, 2020 and 2019. As of September 30, 2020, 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.

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, those discussed in Part II. Other Information, Item 1A. Risk Factors of the Quarterly Report on Form 10-Q for the period ended June 30, 2020 and those identified below. 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, TJ Kennedy, and the Company’s Chief Financial Officer, David G. Ristow, have evaluated the Company’s disclosure controls and procedures as of September 30, 2020. 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 September 30, 2020 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 risk factor below supplements and should be read in conjunction with the risk factors under Part II, Item 1A "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

If any of the risks set forth below or in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 actually occur, our business, results of operations and financial condition and the market price of our common stock could be negatively impacted. Although we believe that these are most significant risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our performance or financial condition. Any forecast regarding our future performance, including, but not limited to, forecasts regarding future revenue, product mix, cash flow and cash balances, are forward-looking statements. These forward-looking statements reflect various assumptions and are subject to significant uncertainties and risks that could cause the actual results to differ materially from those described in the forward-looking statement, including the risks reflected in these risk factors.

We may not be successful at implementing our long-term strategic roadmap.

In July 2020, we began process of developing our long-term strategic roadmap and in the third quarter of 2020, we began the initial implementation phase of our long-term strategic roadmap. This strategy is aimed at transforming Qumu as a more focused, cloud-first organization driving improved, high-margin recurring revenues.

We cannot ensure that our long-term strategic roadmap will be successful either in the short-term or in the long-term, or that this strategy will generate the intended operational or financial results within the timeframes expected or at all. Further, if customer preferences and the use of video in the enterprise do not evolve as we believe they will, many of our strategic initiatives and investments may be of limited value.

Moreover, we may not execute our long-term strategic roadmap successfully because of errors in planning or timing, technical hurdles that we fail to overcome in a timely fashion, or lack of appropriate resources. Our failure to successfully execute on the initiatives within our long-term strategic roadmap, even if the strategy is sound, could result in loss of market share and sales. Additionally, if we do not effectively communicate our long-term strategic roadmap to our investors and stakeholders, we may not realize the full benefits that we would otherwise gain through successful execution of that strategy.

We have and intend to continue to implement our long-term strategic roadmap by investing in our cloud platform, in our go-to-market initiatives, targeted channel strategies, the development of new applications, products and features, and other initiatives that we have identified or that have yet to be developed. The process of identifying the specific initiatives to align with our long-term strategic roadmap and the process of implementing these initiatives is complex and uncertain. Additionally, we must commit significant resources to these initiatives before knowing whether our investments will result in the operational or financial results we expect or intend. The return on our investments in initiatives may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments or if the achievement of these benefits is delayed, our operating results may be adversely affected. There can be no assurance that we will develop and implement initiatives will advance the goals of our long-term strategic roadmap in a cost-effective or timely manner or at all.

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

Issuer Purchases of Equity Securities

In October 2010, the Company's Board of Directors approved a common stock repurchase program of up to 3,500,000 shares of the Company's common stock. 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 may be discontinued at any time. The repurchase program has been funded to date using cash on hand. During the three months ended September 30, 2020, no repurchases were made under the repurchase program. 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.

In addition to shares that may be purchased under the Board authorization, 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 September 30, 2020 was associated with satisfaction of employee tax withholding requirements on vesting of restricted stock and restricted stock units.

Information on the Company's repurchases of its common stock during each month of the quarter ended September 30, 2020 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)
July 2020	194	$4.90	—	778,365
August 2020	90,656	$5.31	—	778,365
September 2020	36	$5.22	—	778,365

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

(a) The following exhibits are included herein:

10.1† Stock Option Agreement dated July 22, 2020 by and between Qumu Corporation and TJ Kennedy.

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 September 30, 2020 and December 31, 2019, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2020 and 2019, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2020 and 2019, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019 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 September 30, 2020, 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.

QUMU CORPORATION
Registrant

Date:	November 3, 2020	By:	/s/ TJ Kennedy
			TJ Kennedy President and Chief Executive Officer (Principal Executive Officer)
Date:	November 3, 2020	By:	/s/ David G. Ristow
			David G. Ristow Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

Exhibit 10.1

QUMU CORPORATION
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (this "Agreement") is made as of the Grant Date set forth below, by and between Qumu Corporation, a Minnesota corporation (the "Company"), and the optionee named below ("Optionee"), and is not issued pursuant to the Company's 2007 Second Amended and Restated Stock Incentive Plan (the "2007 Plan") or any other equity incentive plan of the Company approved by the Company's shareholders.

OPTIONEE:	TJ Kennedy
GRANT DATE:	July 22, 2020
NUMBER OF OPTION SHARES:	457,692 shares of common stock
OPTION PRICE PER SHARE:	$4.90 per Share
EXPIRATION DATE:	July 22, 2027

1. Grant of Option. The Company hereby grants to Optionee the right and option (the "Option") to purchase all or any part of the aggregate number of shares of common stock of the Company (the "Shares") set forth above (the "Option Shares"), at the Option Price per Share set forth above, on the terms and conditions set forth in this Agreement. The Option is granted to Optionee as an a material inducement to Optionee accepting employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4). The Option is not intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Administration of Option. The Option will be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"). Any or all functions of the Committee specified in this Agreement may be exercised by the Board unless this Agreement specifically states otherwise. The Committee has the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Option as it may, from time-to-time, deem advisable, to interpret the terms and provisions of this Agreement and to otherwise supervise the administration of the Option. The Committee may not take any action that would be treated as a "repricing" under generally accepted accounting principles. All decisions made by the Committee pursuant to this Agreement will be final, conclusive and binding on all persons, including the Company, its shareholders, members of the Board, Optionee and their respective successors, assigns, heirs, estates and beneficiaries.

3. Term and Exercise of Option.

(a) *Installment Exercise Provisions*. The term of the Option shall commence on the Grant Date set forth above and shall continue until the Expiration Date set forth above, unless earlier terminated as provided herein. Except as otherwise provided herein, the Option will be exercisable in cumulative installments as follows:

(i) Up to one-third of the Option Shares may be purchased at any time on or after the one-year anniversary of the Grant Date and prior to termination of the Option;

(ii) Up to two-thirds of the Option Shares may be purchased at any time on or after the second-year anniversary of the Grant Date and prior to termination of the Option;

(iii) Up to 100% of the Option Shares may be purchased at any time on or after the third-year anniversary of the Grant Date and prior to termination of the Option; and

Neither Optionee nor Optionee's legal representatives, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any Option Shares for any purpose unless and until certificates for the Option Shares are issued to Optionee or Optionee's legal representatives, legatees or distributees, under the terms of this Agreement.

(b) *Method of Exercise*. The Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Option Shares in respect of which the Option is being exercised (the "Exercised Shares") and such other representations and agreements as may be required by the Company. The Exercise Notice shall be signed by Optionee and shall be delivered in person or by certified mail to the Chief Financial Officer of the Company in accordance with Section 14 of this Agreement. The Exercise Notice shall be accompanied by payment of the aggregate Option Price per Share. The Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Option Price per Share.

(c) *Method of Payment*. Payment of the aggregate Option Price per Share shall be made by certified bank check, by delivery (or by attestation) of other Shares owned by Optionee, pursuant to a "same day sale" program exercised through a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises (so long as the Company's Shares are registered under Section 12 of the Exchange Act), or by a "net exercise" arrangement pursuant to which the Company will reduce the number of Shares issued upon exercise by the largest whole number of Shares with a Fair Market Value that does not exceed the aggregate Option Price per Share (together with payment in cash or other payment from Optionee to the extent of any remaining balance) provided that any such Shares used to pay the aggregate Option Price per Share shall no longer be outstanding and exercisable under the Option. Any same day sale or cashless exercise shall comply with regulations promulgated under the Securities Exchange Act and the Federal Reserve Board. No Shares and no certificate for Shares shall be issued until full payment therefore has been made.

4. Change in Control.

(a) "Change in Control" of the Company shall mean a change in control which would be required to be reported in response to Item 5.01 of Form 8-K promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement, including without limitation, if:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities (other than an entity owned 50% or greater by the Company or an employee pension plan for the benefit of the employees of the Company);

(ii) there ceases to be a majority of the Board comprised of (i) individuals who, on the date of this Agreement, constituted the Board of the Company; and (ii) any new director who subsequently was elected or nominated for election by a majority of the directors who held such office prior to a Change in Control; or

(iii) the Company disposes of at least 75% of its assets, other than (i) to an entity owned 50% or greater by the Company or any of its subsidiaries, or to an entity in which at least 50% of the voting equity securities are owned by the shareholders of the Company immediately prior to the disposition in substantially the same percentage or (ii) as a result of a bankruptcy proceeding, dissolution or liquidation of the Company.

Notwithstanding anything herein to the contrary, the Committee may unilaterally amend the definitions of Change of Control, Action Effective Date, and this Section 4 if at any time, and from time to time, as such definitions or terms relating to a Change in Control are correspondingly amended in the 2007 Plan.

(b) Except as otherwise provided in this Agreement, if a Change in Control occurs, all previously unexercised Option Shares shall be exercisable in full, without regard to any installment exercise provisions, and the Option shall be governed by applicable law and the documents effectuating the Change in Control. If the agreements effectuating the Change in Control do not provide for the assumption or substitution of the Option (and all "Stock Incentives" granted under the 2007 Plan), the Committee, in its sole and absolute discretion, may, with respect to any or all of such Option Shares, take any or all of the following actions to be effective as of the date of the Change in Control (or as of any other date fixed by the Committee occurring within the thirty (30) day period immediately preceding the date of the Change in Control, but only if such action remains contingent upon the effectuation of the Change in Control) (such date referred to as the "Action Effective Date"):

(i) Unilaterally cancel such Option Shares in exchange for whole and/or fractional Shares (or whole Shares and cash in lieu of any fractional Share) or whole and/or fractional shares of a successor (or whole shares of a successor and cash in lieu of any fractional share) that, in the aggregate, are equal in value to the product of (1) the excess, if any, of the Fair Market Value per Share on the Action Effective Date over the Exercise Price multiplied by (2) the number of Option Shares.

(ii) Unilaterally cancel such Option Shares in exchange for cash or other property equal in value to the product of (1) the excess, if any, of the Fair Market Value per Share on the Action Effective Date over the Exercise Price multiplied by (2) the number of Option Shares.

(iii) Unilaterally cancel such Option Shares after providing Optionee with (i) an opportunity to exercise such Option Shares to the extent vested within a specified period prior to the date of the Change in Control, and (ii) notice of such opportunity to exercise prior to the commencement of such specified period. The Committee may modify or waive any condition limiting the exercise of the Option to permit a cashless exercise of the Option.

(c) Notwithstanding the foregoing, payment of cash in lieu of whole or fractional Shares or shares of a successor may only be made to the extent that such payment (i) has met the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act, or (ii) is a subsequent transaction the terms of which were provided for in a transaction initially meeting the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act. The payment of cash in lieu of whole or fractional Shares or in lieu of whole or fractional shares of a successor shall be considered a subsequent transaction approved by the original grant of the Option.

(d) For the purposes of this Agreement, “Fair Market Value” of a Share shall be determined by the Committee as follows: (i) if the Shares are listed for trading on one of more national securities exchanges, the last reported sales price on such principal exchange on the date in question, or if the Shares shall not have been traded on such principal exchange on such date, the last reported sales price on such principal exchange on the first day prior thereto on which the Shares was so traded; or (b) if the Shares are not listed for trading on a national securities exchange, but are traded in the over-the-counter market, the closing bid price for the Shares on the date in question, or if there is no such bid price for the Shares on such date, the closing bid price on the first day prior thereto on which such price existed; or (c) if neither (a) or (b) is applicable, a value determined by the reasonable application of a reasonable valuation method as defined in regulations promulgated under Section 409A of Code, which determination shall be final and binding on all parties.

5. Termination of Employment.

(a) If Optionee shall cease to be employed by the Company as a result of retirement for age or disability, or voluntary or involuntary separation from employment, other than a termination for Cause (as defined below), the Option may be exercised to the extent Optionee shall have been entitled to do so at the date of termination of employment, within a period of 90 days after such termination of employment, but in no case later than the Expiration Date set forth above.

(b) If Optionee’s employment is terminated for Cause, the right of Optionee to exercise the Option shall terminate immediately upon such termination of employment. For purposes of this Agreement, “Cause” shall have the same meaning as in any employment or severance agreement between Optionee and the Company in effect at the time of such termination of employment.

(c) The Option will not confer upon Optionee any right with respect to continuance of employment by the Company, nor will it interfere in any way with the right of the Company to terminate Optionee’s employment at any time.

6 . Death of Optionee. In the event of the death of Optionee while in the employ of the Company, the Option may be exercised to the extent Optionee shall have been entitled to do so at the date of death, within a period of one year after the date of death, but in no case later than the Expiration Date set forth above. In such event, the Option shall be exercisable only by the executors or administrators of Optionee or by the person or persons to whom Optionee’s rights under the Option shall pass by Optionee’s will or the laws of descent and distribution.

7. Limitations on Exercise of Option.

(a) Except as provided in paragraph 5 and 6 above, the Option may not be exercised unless Optionee is, at the time of such exercise, in the employ of the Company, and shall have been continuously so employed since the Grant Date of the Option.

(b) The issuance of Option Shares upon the exercise of the Option shall be subject to all applicable laws, rules and regulations, and shares shall not be issued except upon the approval of proper government agencies or stock exchanges as may be required. Assuming compliance with such laws, rules and regulations, for income tax purposes the Option Shares shall be considered transferred to Optionee on the date the Option is exercised with respect to such Option Shares.

8. Nontransferability of Option. The Option shall not be transferable by Optionee, other than by will or the laws of descent and distribution. During the lifetime of Optionee, the Option shall be exercisable only by Optionee.

9. Registration. If any law or regulation of the Securities and Exchange Commission or of any other body having jurisdiction shall require the Company or Optionee to take any action in connection with the exercise of the Option, then, notwithstanding any contrary provision of this Agreement, the date for exercise of the Option and the delivery of the Option Shares shall be deferred until the completion of the necessary action. In the event that the Company shall deem it necessary, the Company may condition the grant or exercise of the Option upon the receipt of a satisfactory certificate that Optionee is acquiring the Option Shares for investment purposes and not with the view or intent to resell or otherwise distribute the Option or Option Shares. In such event, the stock certificate evidencing such Option Shares shall bear a legend referring to applicable laws restricting transfer of such shares. In the event that the Company deems it necessary to register under the Securities Act of 1933, as amended, or any other applicable statute, the Options or any Option Shares, then Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Option or Option Shares. It is the Company's intent, but not its obligation, to register or qualify the offering or sale of Shares under the Securities Act of 1933 of any other applicable state, federal or foreign law.

10. Disgorgement.

(a) If any of the Company's financial statements are required to be restated resulting from errors, omissions or fraud, the Committee may (in its sole discretion, but acting in good faith) direct that the Company recover all or a portion of any Stock Incentive with respect to any fiscal year of the Company the financial results of which are negatively affected by such restatement. The operation of this Section 10(a) shall be in accordance with the provisions of Section 302 of Sarbanes-Oxley Act of 2002 and any applicable guidance.

(b) Upon demand of the Company, Optionee shall disgorge all or any portion of the Option or other compensation paid or payable pursuant to the Option received within 36-month period prior to the public release of the restatement of financial information due to material noncompliance with the financial reporting requirements under the federal securities laws. The operation of this Section 10(b) shall be in accordance with the provisions of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any applicable guidance.

(c) The amount to be recovered from Optionee under this Section shall be the amount by which the Option exceeded the amount that would have been paid or payable to Optionee had the financial statements been initially filed as restated, or any greater or lesser amount (including, but not limited to, the entire Option) that the Committee shall determine. In no event shall the amount to be recovered by the Company be less than the amount required to be repaid or recovered as a matter of law.

(d) In addition to or in lieu of the rights to recovery set forth above, the Committee shall determine, as late as the time of the recoupment, regardless of whether such method is stated in this Agreement, whether the Company shall effect any such recovery (i) by seeking repayment from Optionee, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to Optionee under any compensatory plan, program or arrangement maintained by the Company or any of its affiliates, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, (iv) by a holdback or escrow (before or after taxation) of part or all of the Shares, payment or property received upon exercise or satisfaction of the Option or any other stock incentive granted under any plan or agreement with the Company, or (v) by any combination of the foregoing. Notwithstanding anything herein to the contrary, the Committee may unilaterally amend this Section 10 and Section 11 if at any time, and from time to time, as such terms relating to disgorgement, forfeiture and recoupment are correspondingly amended in the 2007 Plan.

11. <u>Forfeiture and Recoupment</u>. Without limiting in any way the foregoing, Optionee's rights, payments, and benefits with respect to the Option shall be subject to reduction, cancellation, forfeiture, or recoupment by the Company upon the occurrence of any of the following events, in addition to any otherwise applicable vesting conditions: (a) failure to accept the terms of the Option, (b) termination of Optionee's employment for Cause, (c) violation of material Company policies, (d) breach of any agreement between the Company and Optionee, or (e) other conduct by Optionee that the Committee determines is detrimental to the business or reputation of the Company or its subsidiaries.

12. <u>Tax Withholding</u>. The Company has the right to deduct from any award payment made under this Agreement or to require Optionee to pay the amount of any federal, state or local taxes of any kind required by law to be withheld with respect to the grant, vesting, payment or settlement of an award under this Agreement, or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Optionee may elect by written notice to the Company to satisfy part or all of the withholding tax requirements associated with the award by (a) authorizing the Company to retain from the number of Option Shares that would otherwise be deliverable to Optionee (except to the extent such retention would violate applicable securities laws), or (b) delivering (including by attestation) to the Company from Shares already owned by Optionee, that number of Shares having an aggregate Fair Market Value equal to part or all of the tax payable by Optionee under this Section, and in the event Option Shares or Shares are withheld or delivered, the amount withheld shall not exceed the statutory minimum required federal, state FICA and other payroll taxes.

13. <u>Adjustment</u>. In the event of a stock dividend, stock split, spin-off, rights offering, recapitalization through a large, nonrecurring cash dividend, or a similar equity restructuring of the Company, the Committee will adjust: (a) the number of Shares subject to the Option, rounding all fractions downward, and (d) the Exercise Price of the Option, or any combination thereof, in an equitable manner that will equalize the fair value of the Option before and after the equity restructuring. Furthermore, in the event of any corporate transaction described in Code Section 424(a) that provides for the substitution or assumption of the Option, the Committee will adjust the Option in a manner that satisfies the requirements of Code Section 424(a) as to: (x) the number of Shares subject to the Option, rounding all fractions downward, and (y) the Exercise Price of the Option, or any combination thereof. An adjustment made under this Section by the Committee shall be conclusive and binding on all affected persons.

14. <u>Notices</u>. Notices required hereunder shall be given in person or by first class mail to the address of Optionee shown on the records of the Company, and to the Company at its principal executive office.

15. <u>Successors and Assigns</u>. This Agreement shall apply to and bind Optionee and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

16. Miscellaneous. This Agreement, together with Exhibit A, constitutes the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes in its entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof. The Committee shall have the right to modify, amend or cancel the Option if (a) the modification, amendment or cancellation does not diminish the rights or benefits of Optionee under the Option (provided, however, that a modification, amendment or cancellation that results solely in a change in the tax consequences with respect to the Option shall not be deemed as a diminishment of rights or benefits of the Option), (b) Optionee consents in writing to such modification, amendment or cancellation, (c) there is a dissolution or liquidation of the Company, (d) this Agreement expressly provides for such modification, amendment or cancellation, or (e) the Company would otherwise have the right to make such modification, amendment or cancellation pursuant to Section 4 or applicable law. This Agreement is governed by the internal substantive laws of but not the choice of law rules of the State of Minnesota.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Stock Option Agreement to be executed in its corporate name by its duly authorized officer, and Optionee has executed this Agreement, effective as of the Grant Date set forth above.

COMPANY: QUMU CORPORATION

By: /s/ David G. Ristow
David G. Ristow
Chief Financial Officer

OPTIONEE: /s/ TJ Kennedy
TJ Kennedy

EXHIBIT 31.1

CERTIFICATION

I, TJ Kennedy, 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: November 3, 2020

/s/ TJ Kennedy
TJ Kennedy
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David G. Ristow, 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: November 3, 2020

/s/ David G. Ristow
David G. Ristow
Chief Financial Officer

EXHIBIT 32

CERTIFICATION

The undersigned certify pursuant to 18 U.S.C. § 1350, that:

(1) The accompanying Quarterly Report on Form 10-Q for the period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the accompanying report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 3, 2020	/s/ TJ Kennedy TJ Kennedy President and Chief Executive Officer
Date:	November 3, 2020	/s/ David G. Ristow David G. Ristow Chief Financial Officer