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 June 30, 2021
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.)**
400 S 4th St, Suite 401-412	
Minneapolis, Minnesota	**55415**
(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 August 5, 2021, the registrant had 17,640,742 outstanding shares of $.01 par value common stock.

QUMU CORPORATION
FORM 10-Q
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FOR THE QUARTER ENDED JUNE 30, 2021

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

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

	June 30, 2021	December 31, 2020
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 21,328	$ 11,878
Receivables, net of allowance for credit losses of $42 and $42, respectively	3,833	5,612
Contract assets	229	467
Income tax receivable	280	479
Prepaid expenses and other current assets	2,462	2,302
Total current assets	28,132	20,738
Property and equipment, net of accumulated depreciation of $1,458 and $1,376, respectively	431	249
Right of use assets – operating leases	242	332
Intangible assets, net	1,776	2,143
Goodwill	7,583	7,455
Deferred income taxes, non-current	19	19
Other assets, non-current	439	490
Total assets	$ 38,622	$ 31,426
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 2,714	$ 2,705
Accrued compensation	842	2,145
Deferred revenue	10,434	12,918
Operating lease liabilities	711	735
Financing obligations	206	406
Note payable	—	1,800
Derivative liability	—	37
Warrant liability	975	2,910
Total current liabilities	15,882	23,656
Long-term liabilities:		
Deferred revenue, non-current	2,306	3,488
Income taxes payable, non-current	619	608
Operating lease liabilities, non-current	258	554
Financing obligations, non-current	139	75
Other liabilities, non-current	160	160
Total long-term liabilities	3,482	4,885
Total liabilities	19,364	28,541
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 17,624,041 and 13,780,823, respectively	176	138
Additional paid-in capital	104,472	79,489
Accumulated deficit	(83,099)	(74,328)
Accumulated other comprehensive loss	(2,291)	(2,414)
Total stockholders’ equity	19,258	2,885
Total liabilities and stockholders’ equity	$ 38,622	$ 31,426

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Software licenses and appliances	$ 138	$ 4,061	$ 246	$ 5,601
Service	5,729	5,273	11,441	9,960
Total revenues	5,867	9,334	11,687	15,561
Cost of revenues:				
Software licenses and appliances	63	1,477	127	2,125
Service	1,486	1,463	2,989	2,902
Total cost of revenues	1,549	2,940	3,116	5,027
Gross profit	4,318	6,394	8,571	10,534
Operating expenses:				
Research and development	2,184	2,088	4,214	3,868
Sales and marketing	5,173	2,181	9,649	4,399
General and administrative	2,142	2,320	4,669	4,913
Amortization of purchased intangibles	163	163	325	327
Total operating expenses	9,662	6,752	18,857	13,507
Operating loss	(5,344)	(358)	(10,286)	(2,973)
Other income (expense):				
Interest expense, net	(15)	(22)	(69)	(5)
Decrease in fair value of derivative liability	—	105	37	105
Decrease (increase) in fair value of warrant liability	1,018	(434)	1,375	(398)
Other, net	(89)	(37)	(27)	(197)
Total other income (expense), net	914	(388)	1,316	(495)
Loss before income taxes	(4,430)	(746)	(8,970)	(3,468)
Income tax benefit	(109)	(54)	(199)	(104)
Net loss	$ (4,321)	$ (692)	$ (8,771)	$ (3,364)
Net loss per share – basic:				
Net loss per share – basic	$ (0.24)	$ (0.05)	$ (0.51)	$ (0.25)
Weighted average shares outstanding – basic	17,741	13,534	17,096	13,543
Net loss per share – diluted:				
Loss attributable to common shareholders	$ (5,339)	$ (820)	$ (10,146)	$ (3,658)
Net loss per share – diluted	$ (0.30)	$ (0.06)	$ (0.59)	$ (0.27)
Weighted average shares outstanding – diluted	17,899	13,538	17,299	13,573

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (4,321)	$ (692)	$ (8,771)	$ (3,364)
Other comprehensive income (loss):				
Net change in foreign currency translation adjustments	144	(18)	123	(498)
Total other comprehensive income (loss)	144	(18)	123	(498)
Total comprehensive loss	$ (4,177)	$ (710)	$ (8,648)	$ (3,862)

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, 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

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

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating activities:		
Net loss	$ (8,771)	$ (3,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	492	618
Loss on disposal of property and equipment	3	—
Stock-based compensation	1,155	409
Accretion of debt discount and issuance costs	33	20
Decrease in fair value of derivative liability	(37)	(105)
Increase (decrease) in fair value of warrant liability	(1,375)	398
Deferred income taxes	—	9
Changes in operating assets and liabilities:		
Receivables	1,802	(3,685)
Contract assets	238	140
Income taxes receivable / payable	221	(184)
Prepaid expenses and other assets	(105)	394
Accounts payable and other accrued liabilities	(242)	1,030
Accrued compensation	(1,305)	177
Deferred revenue	(3,724)	3,709
Other non-current liabilities	—	151
Net cash used in operating activities	(11,615)	(283)
Investing activities:		
Purchases of property and equipment	(216)	(29)
Net cash used in investing activities	(216)	(29)
Financing activities:		
Principal payments on financing obligations	(219)	(185)
Principal payment on line of credit	(1,840)	—
Proceeds from line of credit	1,840	—
Principal payment on term loan	(1,833)	—
Net proceeds from common stock issuance	23,085	—
Proceeds from issuance of common stock under employee stock plans	226	—
Common stock repurchases to settle employee withholding liability	(6)	(54)
Net cash provided by (used in) financing activities	21,253	(239)
Effect of exchange rate changes on cash	28	(201)
Net increase (decrease) in cash and cash equivalents	9,450	(752)
Cash and cash equivalents, beginning of period	11,878	10,639
Cash and cash equivalents, end of period	$ 21,328	$ 9,887
Supplemental disclosures of net cash paid (received) during the period:		
Income taxes, net	$ (413)	$ 27
Interest, net	$ 31	$ 7
Non-cash financing activity:		
Issuance of note payable and derivative liability for cancellation of warrant	$ —	$ 1,855
Reclassification from warrant liability to additional paid-in capital for non-cash exercise	$ 560	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

QUMU CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Nature of Business and Basis of Presentation

Qumu Corporation ("Qumu" or the "Company") provides the tools to create, manage, secure, distribute and measure the success of live and on-demand video for enterprises. The Qumu platform enables global organizations to drive employee engagement, increase access to video, and modernize the workplace by providing a more efficient and effective way to share knowledge. Qumu's customers, which include some of the world's largest organizations, leverage the Qumu platform for a variety of cloud, on-premise and hybrid deployments. Use cases include self-service webcasting, sales enablement, internal communications, product training, regulatory compliance and customer engagement. The Company and its channel partners market Qumu's products to customers primarily in North America, Europe and Asia.

The Company views its operations and manages its business 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 markets its products and services through regional sales representatives and independent distributors in the United States and international markets.

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

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

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in a complete set of financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2020.

Capitalized Development Costs

The Company capitalizes certain development costs related to our sales platform during the application development stage as long as it is probable the project will be completed and the software will be used to perform the function intended. Capitalized software development costs are recorded as part of property and equipment, net. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Capitalized software development costs are amortized on a straight-line basis over the software's estimated useful life, which is generally three years, and amortization is recorded in operating expenses in the condensed consolidated statements of operations. The Company evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The Company capitalized $139,000 of software development costs during the three and six months ended June 30, 2021.No software development costs were capitalized during the six months ended June 30, 2020.

Recently Adopted Accounting Standards

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 Company adopted this guidance effective January 1, 2021, prospectively, and the adoption of this standard did not have a material impact to the 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. The Company adopted this guidance effective January 1, 2021, prospectively, and the adoption of this standard did not have a material impact to the consolidated financial statements and related disclosures.

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. The Company adopted this guidance effective January 1, 2021, prospectively, and the adoption of this standard did not have a material impact to the consolidated financial statements and related 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.

(2) Intangible Assets and Goodwill

Intangible Assets

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

	June 30, 2021			
	Customer Relationships	Developed Technology	Trademarks / Trade Names	Total
Original cost	$ 4,978	$ 8,318	$ 2,185	$ 15,481
Accumulated amortization	(4,140)	(8,264)	(1,301)	(13,705)
Intangibles assets, net	$ 838	$ 54	$ 884	$ 1,776

	December 31, 2020			
	Customer Relationships	Developed Technology	Trademarks / Trade Names	Total
Original cost	$ 4,945	$ 8,256	$ 2,184	$ 15,385
Accumulated amortization	(3,861)	(8,151)	(1,230)	(13,242)
Intangibles assets, net	$ 1,084	$ 105	$ 954	$ 2,143

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

	Six Months Ended June 30, 2021
Balance, beginning of period	$ 2,143
Amortization expense	(379)
Currency translation	12
Balance, end of period	$ 1,776

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Amortization expense associated with the developed technology included in cost of revenues	$ 27	$ 68	$ 54	$ 140
Amortization expense associated with other acquired intangible assets included in operating expenses	163	163	325	327
Total amortization expense	$ 190	$ 231	$ 379	$ 467

Goodwill

The goodwill balance of $7.6 million at June 30, 2021 reflects the impact of foreign currency exchange rate fluctuations since the acquisition date.

(3) Commitments and Contingencies

Leases

The Company is obligated under finance leases covering certain IT equipment that expire at various dates over the nextthree years. The Company also has non-cancellable operating leases, primarily for office space, that expire at various dates over the next three years. The Company has two leases that each contained a renewal option for a period of five years. Because at the inception of the leases the Company was not reasonably certain it would exercise the options, the options were not considered in determining the lease terms. In December 2020, the Company notified landlords for the two leases that it was surrendering its right to occupy the office spaces and thereby would not be exercising its option to renew and would be exercising the leases' early termination clauses allowing the lease terms to end in May 2022 and August 2022.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	$ 46	$ 98	$ 91	$ 194
Finance lease cost:				
Amortization of right of use assets	26	31	55	62
Interest on lease liabilities	3	2	5	4
Total finance cost	29	33	60	66
Total lease cost	$ 75	$ 131	$ 151	$ 260

Future payments used in the measurement of lease liabilities on the condensed consolidated balance sheet as of June 30, 2021 are as follows (in thousands):

	Operating leases	Finance leases
Remainder of 2021	$ 385	$ 64
2022	627	63
2023	21	58
2024	—	57
2025	—	3
Total undiscounted lease payments	1,033	245
Less amount representing interest	(64)	(19)
Present value of lease liabilities	$ 969	$ 226

Wells Fargo Credit Facility

On January 15, 2021, the Company entered into and closed on the Loan and Security Agreement (the “line of credit”) with Wells Fargo Bank, National Association providing for a revolving line of credit. Pursuant to the line of credit, the Company granted a security interest in substantially all of its properties, right and assets (including certain equity interest of the Company's subsidiaries). As of June 30, 2021, there were no amounts outstanding on the line of credit. For the quarter ending June 30, 2021, the Company was in compliance with all covenants of the credit agreement.

On August 6, 2021, the Company entered into a First Amendment to the line of credit dated January 15, 2021. The following summarizes the Loan and Security Agreement as amended by the First Amendment.

The revolving line has a maximum availability for borrowing of the lesser of $10 million or a defined borrowing base, less any outstanding letters of credit and the outstanding principal balance of any advances. However, until the Company's financial statements due for the quarter ending September 30, 2021 are received and reviewed by the Lender, the availability amount will not exceed $7.5 million. The borrowing base is initially four times the prior quarter's monthly average recurring revenue from eligible customer accounts, but the multiple will thereafter be adjusted on a quarterly basis from and after the calendar quarter ending September 30, 2021. Thereafter, the borrowing base multiple will be four times if monthly recurring revenue declined from the preceding calendar quarter, five times if monthly recurring revenue increased up to 5% over the preceding calendar quarter, and six times if monthly recurring revenue increased at least 5% over the preceding calendar quarter. The revolving line has a January 15, 2023 maturity date and amounts borrowed bear interest at a floating per annum rate equal to 1.25% above Wells Fargo's prime rate, currently 3.25%. The Company will also be obligated to pay Wells Fargo an unused revolving line facility fee quarterly in arrears of 0.25% per annum of the average unused portion of the revolving line of credit during such quarterly period.

The line of credit contains customary affirmative and negative covenants and requirements relating to the Company and its operations. The affirmative covenants also require the Company to maintain at all times minimum quarterly recurring revenue and minimum liquidity. The minimum quarterly recurring revenue for the third and fourth quarters of 2021 must be $4.5 million and $4.75 million, respectively. The minimum quarterly recurring revenue must be $5 million, $5.5 million, $6 million and $6.5 million for the first quarter through the fourth quarter of 2022, respectively. The Company is required to have minimum liquidity, tested as of the last day of each fiscal quarter. If the Company's trailing three month cash burn (calculated as provided in the First Amendment) is negative, then the Company must have liquidity of not less than $5 million or an amount equal to six months of remaining months minimum liquidity. If the Company's trailing three month cash burn is greater than or equal to zero dollars, then the Company must have liquidity of not less than $5 million. Liquidity is generally defined as including the aggregate amount of unrestricted and unencumbered cash and cash equivalents held at such time by the Company in accounts maintained with Wells Fargo or its affiliates in the United States, and the availability under the line of credit. Cash burn is Adjusted EBITDA, as defined in the First Amendment, less capital expenditures and cash interest paid.

Note Payable

On January 15, 2021, the Company repaid the secured promissory note dated May 1, 2020 to ESW Holdings, Inc. in the amount of $1.83 million, which represented the deferred purchase price of the Company's purchase and termination of the warrant to ESW Holdings, Inc. ("ESW warrant") dated January 12, 2018 for 925,000 shares of the Company's common stock. In connection with the repayment of the promissory note, the related security agreement dated May 1, 2020 between the Company and ESW Holdings, Inc. was terminated. As provided in the promissory note, the Company would have been obligated to pay ESW Holdings, Inc. an additional $150,000 if a Fundamental Transaction, as defined in the promissory note, occurred on or prior to April 1, 2021. The contingent payment obligation expired on April 1, 2021 as no such Fundamental Transaction occurred.

Contingencies

In connection with the termination of merger agreement with Synacor, Inc. on June 29, 2020, Qumu is contingently obligated to pay Synacor, Inc. $1.45 million 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.

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

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

(4) Fair Value Measurements

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

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

As of June 30, 2021, the following warrants for the purchase of Qumu's common stock were outstanding and exercisable:

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

The warrant liability was recorded in the Company's consolidated balance sheets at its fair value on the respective dates of issuance 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 income of $1.0 million and non-cash expense of $434,000 for the three months ended June 30, 2021 and 2020, respectively, and non-cash income of $1.4 million and non-cash expense of $398,000 for the six months ended June 30, 2021 and 2020, 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 recognized non-cash income of $37,000 for the six months ended June 30, 2021 resulting from the change in fair value of the derivative liability. The derivative liability was derecognized on April 1, 2021 upon expiration of the contingent payment obligation without the contingency being triggered.

The Company's liabilities measured at fair value on a recurring basis and the fair value hierarchy utilized to determine such fair values were as follows at June 30, 2021 and December 31, 2020 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value at June 30, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability - Hale	$ 780	$ —	$ —	$ 780
Warrant liability - iStudy	195	—	—	195
Warrant liability	$ 975	$ —	$ —	$ 975
Derivative liability	—	—	—	—
Total	$ 975	$ —	$ —	$ 975

	Total Fair Value at December 31, 2020	Fair Value Measurements Using Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability - Hale	$ 2,245	$ —	$ —	$ 2,245
Warrant liability - iStudy	665	—	—	665
Warrant liability	$ 2,910	$ —	$ —	$ 2,910
Derivative liability	37	—	—	37
Total	$ 2,947	$ —	$ —	$ 2,947

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. Consequently, as of June 30, 2021 and December 31, 2020, the liability related to each warrant was classified as a Level 3 warrant 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:

	June 30, 2021
Probability-weighted timing of change in control	4.9 years

The following table summarizes the changes in fair value measurements for the six months ended June 30, 2021:

	Warrant liability	Derivative liability	Total
Balance at December 31, 2020	$ 2,910	$ 37	$ 2,947
Reduction in warrant liability for partial exercise of Hale warrant	(560)	—	(560)
Change in fair value	(1,375)	(37)	(1,412)
Balance at June 30, 2021	$ 975	$ —	$ 975

(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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Software licenses and appliances	$ 138	$ 4,061	$ 246	$ 5,601
Service				
Subscription, maintenance and support	5,082	4,673	10,061	8,833
Professional services and other	647	600	1,380	1,127
Total service	5,729	5,273	11,441	9,960
Total revenues	$ 5,867	$ 9,334	$ 11,687	$ 15,561

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
North America	$ 3,710	$ 7,513	$ 7,648	$ 11,563
Europe	303	1,616	1,924	3,490
Asia	1,854	205	2,115	508
Total	$ 5,867	$ 9,334	$ 11,687	$ 15,561

Contract Balances

The Company's balances for contract assets totaled $229,000 and $467,000 as of June 30, 2021 and December 31, 2020, respectively. The Company's balances for contract liabilities, which are included in deferred revenue, totaled $12.7 million and $16.4 million as of June 30, 2021 and December 31, 2020, respectively.

During the three months and six months ended June 30, 2021, the Company recognized $4.6 million and $8.3 million, respectively, of revenue that was included in the deferred revenue balance at the beginning of the period. During the three and six months ended June 30, 2020, the Company recognized $3.9 million and $6.6 million, respectively, of revenue that was included in the deferred revenue balance for each respective period. All other activity in deferred revenue is due to the timing of invoices in relation to the timing of recognizable revenue as described above.

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately $24.2 million as of June 30, 2021, of which the Company expects to recognize $13.5 million of revenue over the next 12 months and the remainder thereafter. During the six months ended June 30, 2021 and 2020, no revenue was recognized from performance obligations satisfied in previous periods.

(6) Stock-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Restricted stock awards and restricted stock units	253,802	—	352,302	53,600
Performance stock units	140,060	—	303,700	—

The stock options, restricted stock awards, restricted stock units and performance stock units granted during the six months ended June 30, 2021 and 2020 were granted under the Company's Second Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"), a shareholder approved plan.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock-based compensation cost, before income tax benefit:				
Stock options	$ 182	$ 69	$ 353	$ 138
Restricted stock awards and restricted stock units	384	95	802	271
Total stock-based compensation	$ 566	$ 164	$ 1,155	$ 409

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock-based compensation cost included in:				
Cost of revenues	$ 17	$ 5	$ 32	$ 10
Operating expenses	549	159	1,123	399
Total stock-based compensation	$ 566	$ 164	$ 1,155	$ 409

(7) Income Taxes

As of June 30, 2021 and December 31, 2020, the Company's liability for gross unrecognized tax benefits (excluding interest and penalties) totaled $1.9 million and $1.8 million, respectively. The Company had accrued interest and penalties relating to unrecognized tax benefits of $61,000 and $50,000 on a gross basis at June 30, 2021 and December 31, 2020, respectively. The change in the liability for gross unrecognized tax benefits reflects an increase in reserves established for federal and state uncertain tax positions. The Company does not currently expect significant changes in the amount of unrecognized tax benefits during the next twelve months.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss per share – basic				
Net loss	$ (4,321)	$ (692)	$ (8,771)	$ (3,364)
Weighted average shares outstanding	17,741	13,534	17,096	13,543
Net loss per share – basic	$ (0.24)	$ (0.05)	$ (0.51)	$ (0.25)
Net loss per share – diluted				
Loss attributable to common shareholders:				
Net loss	$ (4,321)	$ (692)	$ (8,771)	$ (3,364)
Numerator effect of dilutive securities				
Warrants	(1,018)	(128)	(1,375)	(294)
Loss attributable to common shareholders	$ (5,339)	$ (820)	$ (10,146)	$ (3,658)
Weighted average shares outstanding – diluted:				
Weighted average shares outstanding – basic	17,741	13,534	17,096	13,543
Denominator effect of dilutive securities				
Warrants	158	4	203	30
Diluted potential common shares	158	4	203	30
Weighted average shares outstanding – diluted	17,899	13,538	17,299	13,573
Net loss per share – diluted	$ (0.30)	$ (0.06)	$ (0.59)	$ (0.27)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	1,174	1,054	1,199	1,055
Warrants	—	414	—	414
Restricted stock units	476	172	505	164
Total anti-dilutive	1,650	1,640	1,704	1,633

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

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

Overview

Qumu Corporation ("Qumu", "Company" or "we") generates revenue through the sale of enterprise video content management software, hardware, maintenance and support, and professional and 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.

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.

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

We expect that even as some businesses return to conducting some portion of their work in-person, many businesses will continue long-term remote and flexible work models including hybrid work in which video is a business-critical communication tool. We believe that enterprises are accelerating their cloud and technology plans to address the challenges and complexities of these mixed work environments. With more companies transitioning to either a complete remote or hybrid work environment, having employees working in different location at different times, we foresee enterprises leveraging large-scale synchronous and asynchronous video. However, these trends in distributed remote and hybrid work have had varying impacts on enterprise technology adoption and procurement timeframes due in part to uncertainty and lack of definitive decisions on when and if our customers' workforce may return to the office.

Additionally, the significantly higher than historic usage of Qumu's cloud-based enterprise video solution that the Company experienced in 2020 continued into 2021. 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 16.5 million viewers on Qumu Cloud during the second quarter, down 20% from the first quarter 2021 and down 31% from the second quarter 2020. Qumu anticipates these variable 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.

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 six months ended June 30, 2021 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, 2020.

Results of Operations

The percentage relationships to revenues of certain income and expense items for the three and six months ended June 30, 2021 and 2020, and the percentage changes in these income and expense items relative to the prior year periods, are contained in the following table:

	Three Months Ended June 30,			Six Months Ended June 30,		
	Percentage of Revenues		Percent Increase (Decrease)	Percentage of Revenues		Percent Increase (Decrease)
	2021	2020	2020 to 2021	2021	2020	2020 to 2021
Revenues	100.0 %	100.0 %	(37) %	100.0 %	100.0 %	(25) %
Cost of revenues	(26.4)	(31.5)	(47)	(26.7)	(32.3)	(38)
Gross profit	73.6	68.5	(32)	73.3	67.7	(19)
Operating expenses:						
Research and development	37.2	22.4	5	36.1	24.8	9
Sales and marketing	88.2	23.4	137	82.5	28.3	119
General and administrative	36.5	24.8	(8)	39.9	31.6	(5)
Amortization of purchased intangibles	2.8	1.7	—	2.8	2.1	(1)
Total operating expenses	164.7	72.3	43	161.3	86.8	40
Operating loss	(91.1)	(3.8)	1,393	(88.0)	(19.1)	246
Other income (expense), net	15.6	(4.2)	n/a	11.3	(3.2)	n/a
Loss before income taxes	(75.5)	(8.0)	494	(76.7)	(22.3)	159
Income tax benefit	(1.9)	(0.6)	102	(1.7)	(0.7)	91
Net loss	(73.6)%	(7.4)%	524 %	(75.0)%	(21.6)%	161 %

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 June 30,				Six Months Ended June 30,			
	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021
Software licenses and appliances	$ 138	$ 4,061	$ (3,923)	(97) %	$ 246	$ 5,601	$ (5,355)	(96) %
Service								
Subscription, maintenance and support	5,082	4,673	409	9	10,061	8,833	1,228	14
Professional services and other	647	600	47	8	1,380	1,127	253	22
Total service	5,729	5,273	456	9	11,441	9,960	1,481	15
Total revenues	$ 5,867	$ 9,334	$ (3,467)	(37) %	$ 11,687	$ 15,561	$ (3,874)	(25) %

Revenues can vary period to period based on the type of contract the Company enters 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 decrease in software license and appliances revenues in the three and six months ended June 30, 2021, compared to the corresponding 2020 periods, resulted as management placed less emphasis on pursuing perpetual license sales as part of the Company's accelerated implementation of its SaaS-focused strategic roadmap. The increase in subscription, maintenance and support revenues in the three months ended June 30, 2021, compared to the corresponding 2020 period, primarily resulted from on-premise to cloud conversions as well as incremental cloud customer expansions. The increase in subscription, maintenance and support revenues in the six months ended June 30, 2021, compared to the corresponding 2020 period, was primarily driven by on-premise to cloud conversions, incremental cloud customer expansion, new customers, and recurring revenue attributable to SaaS sales orders in recent quarters, including 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.

Professional services revenues for the three and six months ended June 30, 2021 grew 8% and 22%, respectively, compared to the corresponding 2020 periods, benefiting from professional services performed in the current quarter related to software and appliances sales in recent quarters.

For the quarter ended June 30, 2021, SaaS recurring revenue was approximately 49% of overall recurring revenue as compared to 46% for the quarter ended March 31, 2021. The improvement in SaaS recurring revenue as a percentage of recurring revenue is due to on-premise to cloud conversions, incremental cloud customer expansion and new customers.

Future consolidated revenues will be dependent upon many factors, including existing customer renewals, the rate of adoption of the Company's software solutions in its targeted markets, whether arrangements with customers are structured as a perpetual, term or SaaS licenses, which impacts the timing of revenue recognition and the success of our efforts to drive customer conversions from on-premises to cloud. 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. Qumu management currently anticipates SaaS recurring revenue to comprise approximately 60% of its overall recurring revenue mix by the end of 2022, with targeted growth to approximately 70% by the end of 2023. Other factors that will influence future consolidated revenues include the timing of customer orders and renewals, the product and service mix of customer orders, the impact of changes in economic conditions and the impact of foreign currency exchange rate fluctuations.

Gross Profit and Gross Margin

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Increase (decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021
Gross profit:								
Software licenses and appliances	$ 75	$ 2,584	$ (2,509)	(97) %	$ 119	$ 3,476	$ (3,357)	(97) %
Service	4,243	3,810	433	11	8,452	7,058	1,394	20
Total gross profit	$ 4,318	$ 6,394	$ (2,076)	(32) %	$ 8,571	$ 10,534	$ (1,963)	(19) %
Gross margin:								
Software licenses and appliances	54.3 %	63.6 %	(9.3)%		48.4 %	62.1 %	(13.7)%	
Service	74.1 %	72.3 %	1.8 %		73.9 %	70.9 %	3.0 %	
Total gross margin	73.6 %	68.5 %	5.1 %		73.3 %	67.7 %	5.6 %	

Total gross margin was 73.6% and 68.5% for the three months ended June 30, 2021 and 2020, respectively, and 73.3% and 67.7% for the six months ended June 30, 2021 and 2020, respectively. The increase is due to a lower mix of appliance revenue, which generally carries lower margins, and an increase in higher-margin subscription revenue.

Gross profit includes $27,000 and $68,000 for the three months ended June 30, 2021 and 2020, respectively, and $54,000 and $140,000 for the six months ended June 30, 2021 and 2020, respectively, for the amortization of intangible assets. Cost of revenues for the full year 2021 is expected to include approximately $0.1 million of amortization expense for purchased intangibles, compared to $0.3 million for the full year 2020. Included in cost of revenues are the costs related to the Company's service personnel, of which there were 24 and 22 at June 30, 2021 and 2020, 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/or amortization of intangibles, and foreign currency exchange rate fluctuations.

Operating Expenses

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021
Operating expenses:								
Research and development	$ 2,184	$ 2,088	$ 96	5 %	$ 4,214	$ 3,868	$ 346	9 %
Sales and marketing	5,173	2,181	2,992	137	9,649	4,399	5,250	119
General and administrative	2,142	2,320	(178)	(8)	4,669	4,913	(244)	(5)
Amortization of purchased intangibles	163	163	—	—	325	327	(2)	(1)
Total operating expenses	$ 9,662	$ 6,752	$ 2,910	43 %	$ 18,857	$ 13,507	$ 5,350	40 %

Total operating expenses as a percent of revenues increased to 165% for the three months ended June 30, 2021, compared to 72% for the three months ended June 30, 2020, and 161% for the six months ended June 30, 2021, compared to 87% for the six months ended June 30, 2020, primarily driven by increased costs for outside services and consulting associated with the continued implementation of the Company's strategic roadmap in 2021 and higher compensation costs associated with an increased number of personnel, offset by decreased transaction-related expenses related to the Company's merger agreement with Synacor, Inc. that was subsequently terminated. The Company had 127 and 86 personnel in operating activities at June 30, 2021 and 2020, respectively. The Company incurred severance expense within operating expenses of $100,000 and $202,000 for the three and six months ended June 30, 2021, respectively. No severance expense was incurred for the six months ended June 30, 2020.

Research and development

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021
Compensation and employee-related	$ 1,335	$ 1,453	$ (118)	(8) %	$ 2,603	$ 2,701	$ (98)	(4) %
Overhead and other expenses	542	407	135	33	1,006	801	205	26
Outside services and consulting	278	203	75	37	552	316	236	75
Depreciation and amortization	1	2	(1)	(50)	2	2	—	—
Equity-based compensation	28	23	5	22	51	48	3	6
Total research and development expenses	$ 2,184	$ 2,088	$ 96	5 %	$ 4,214	$ 3,868	$ 346	9 %

Total research and development expenses as a percent of revenues were 37% and 22% for the three months ended June 30, 2021 and 2020, respectively, and 36% and 25% for the six months ended June 30, 2021 and 2020, respectively. The Company had 37 and 38 research and development personnel as of June 30, 2021 and 2020, respectively.

The increase in total research and development expenses of $96,000 and $346,000 in the three and six months ended June 30, 2021, respectively, compared to the corresponding 2020 periods, was primarily due to increased costs for research and development outside services and consulting expense related to development of features and functionality in the Company's SaaS solution. Additionally, overhead and other expenses increased as the Company incurred higher research and development expenses 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 June 30,				Six Months Ended June 30,			
	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021
Compensation and employee-related	$ 3,538	$ 1,818	$ 1,720	95 %	$ 6,193	$ 3,589	$ 2,604	73 %
Overhead and other expenses	322	190	132	69	564	427	137	32
Outside services and consulting	1,148	145	1,003	692	2,633	317	2,316	731
Depreciation and amortization	9	5	4	80	16	16	—	—
Equity-based compensation	156	23	133	578	243	50	193	386
Total sales and marketing expenses	$ 5,173	$ 2,181	$ 2,992	137 %	$ 9,649	$ 4,399	$ 5,250	119 %

Total sales and marketing expenses as a percent of revenues were 88% and 23% for the three months ended June 30, 2021 and 2020, respectively, and 83% and 28% for the six months ended June 30, 2021 and 2020, respectively. The Company had 66 and 31 sales and marketing personnel at June 30, 2021 and 2020, respectively.

The increase in sales and marketing expenses of $3.0 million and $5.3 million in the three and six months ended June 30, 2021, respectively, compared to the corresponding 2020 periods, was primarily driven by higher compensation costs of $1.7 million and $2.6 million, respectively, associated with an increase of 28 sales personnel and 7 marketing personnel, as the Company aggressively recruited personnel to expand and augment the Company's existing resources with experienced SaaS sales professionals. Additionally, costs increased $1.0 million and $2.3 million, in the three and six months ended June 30, 2021, respectively, for outside services and consulting associated with the continued implementation of the Company's strategic roadmap in 2021, which included costs the Company incurred honing its updated sales enablement and messaging, launching new products and expanding its go-to-market motions.

General and administrative

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021	2021	2020	Increase (Decrease) 2020 to 2021	Percent Increase (Decrease) 2020 to 2021
Compensation and employee-related	$ 979	$ 877	$ 102	12 %	$ 1,892	$ 1,575	$ 317	20 %
Overhead and other expenses	354	252	102	40	659	560	99	18
Outside services and consulting	395	312	83	27	1,194	834	360	43
Depreciation and amortization	49	67	(18)	(27)	95	133	(38)	(29)
Equity-based compensation	365	113	252	223	829	301	528	175
Transaction-related expenses	—	699	(699)	(100)	—	1,510	(1,510)	(100)
Total general and administrative expenses	$ 2,142	$ 2,320	$ (178)	(8) %	$ 4,669	$ 4,913	$ (244)	(5) %

Total general and administrative expenses as a percent of revenues were 37% and 25% for the three months ended June 30, 2021 and 2020, respectively, and 40% and 32% for the six months ended June 30, 2021 and 2020, respectively. The Company had 24 and 17 general and administrative personnel at June 30, 2021 and 2020, respectively.

The decrease in expenses of $178,000 in the three months ended June 30, 2021, compared to the corresponding 2020 period, was primarily driven by $699,000 in transaction-related expenses related to the Company's merger agreement with Synacor, Inc. that was subsequently terminated, offset by increased costs of $83,000 for outside services and consulting associated with the continued implementation of the Company's strategic roadmap in 2021 and $102,000 in compensation costs and $252,000 in equity-compensation primarily associated with an increase in general and administrative personnel. The decrease in expenses of $244,000 in the six months ended June 30, 2021, compared to the corresponding 2020 period, was primarily driven by $1.5 million in transaction-related expenses related to the Company's merger agreement with Synacor, Inc. that was subsequently terminated, offset by increased costs of $360,000 for outside services and consulting associated with the continued implementation of the Company's strategic roadmap in 2021, net of the impact of reduced rent for terminated leases, and

$317,000 in compensation costs and $528,000 in equity compensation primarily associated with an increase in general and administrative personnel and director equity compensation expense.

Amortization of Purchased Intangibles

Operating expenses include $163,000 for both of the three-month periods ended June 30, 2021 and 2020, and $325,000 and $327,000 for the six months ended June 30, 2021 and 2020, respectively, for the amortization of intangible assets. Operating expenses for the full year 2021 associated with purchased intangibles, are expected to include approximately $0.7 million of amortization expense associated with purchased intangibles, exclusive of the portion classified in cost of revenue.

Other Income (Expense), Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest expense, net	$ (15)	$ (22)	$ (69)	$ (5)
Decrease in fair value of derivative liability	—	105	37	105
Decrease (increase) in fair value of warrant liability	1,018	(434)	1,375	(398)
Other, net	(89)	(37)	(27)	(197)
Total other income (expense), net	$ 914	$ (388)	$ 1,316	$ (495)

The Company recorded non-cash income of $1.0 million and non-cash expense of $434,000 for the three months ended June 30, 2021 and 2020, respectively, and non-cash income of $1.4 million and non-cash expense of $398,000 for the six months ended June 30, 2021 and 2020, respectively, resulting from the change in the fair value of the Company's warrant liability.

Other income (expense) included a net loss on foreign currency transactions of $89,000 and $37,000 for the three months ended June 30, 2021 and 2020, respectively and $27,000 and $197,000 for the six months ended June 30, 2021 and 2020, respectively. See "Liquidity and Capital Resources" below for a discussion of changes in cash and cash equivalents.

Income Taxes

The provision for income taxes represents federal, state, and foreign income taxes or income tax benefit on income or loss. Net income tax benefit was $109,000 and $54,000 for the three months ended June 30, 2021 and 2020, respectively, and $199,000 and $104,000 for the six months ended June 30, 2021 and 2020, respectively. The net income tax benefit for the three and six months ended June 30, 2021 and 2020, was impacted by the tax benefit for refundable research credits from United Kingdom operations.

Liquidity and Capital Resources

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

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 21,328	$ 11,878
Working capital	$ 12,250	$ (2,918)
Financing obligations	$ 345	$ 481
Operating lease liabilities	969	1,289
Note payable	—	1,800
Financing obligations, operating lease liabilities and note payable	$ 1,314	$ 3,570

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 and credit facility, 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. Consequently, management will continue to evaluate its financial position in light of future developments, particularly those relating to COVID-19.

At June 30, 2021, the Company had aggregate working capital of $12.3 million, compared to negative working capital of $2.9 million at December 31, 2020. Working capital includes current deferred revenue of $10.4 million and $12.9 million at June 30, 2021 and December 31, 2020, respectively. The increase in working capital as of June 30, 2021, as compared to December 31, 2020, is primarily due to $23.1 million net proceeds from the public offering in the first quarter 2021.

Financing obligations as of June 30, 2021 and December 31, 2020 primarily consist of finance leases related to the acquisition of computer and network equipment. Operating lease liabilities consists of liabilities the Company is still contractually obligated to pay despite the surrender of the office leases. The note payable, a secured promissory note dated May 1, 2020, held by ESW Holdings, Inc., was non-interest bearing with a face amount of $1.83 million and maturing on April 1, 2021. On January 15, 2021, the Company received an advance of approximately $1.83 million from its Wells Fargo Bank line of credit entered into on January 15, 2021 and repaid the ESW Holdings note payable in full. The $1.83 million advance from Wells Fargo was subsequently repaid in the quarter ended March 31, 2021.

As of June 30, 2021, there were no amounts outstanding on the line of credit. For the quarter ending June 30, 2021, the Company was in compliance with the minimum recurring revenue and the minimum liquidity covenants.

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 $1.5 million as of June 30, 2021. 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):

	Six Months Ended June 30,	
	2021	**2020**
Cash flows provided by (used in):		
Operating activities	$ (11,615)	$ (283)
Investing activities	(216)	(29)
Financing activities	21,253	(239)
Effect of exchange rate changes on cash	28	(201)
Net change in cash and cash equivalents	$ 9,450	$ (752)

Operating activities

Net cash used in operating activities was $11.6 million and $283,000 for the six months ended June 30, 2021 and 2020, respectively. The operating cash flows for the 2021 period were impacted by investments associated with the Company's strategic roadmap, the net loss and the decrease in deferred revenue for the second quarter 2021.

Investing activities

Net cash used in investing activities for the purchases of property and equipment totaled $216,000 for the six months ended June 30, 2021 compared to $29,000 in the corresponding 2020 period. Included in the purchases of property and equipment were capitalized software development costs of $139,000 during the six months ended June 30, 2021. No software development costs were capitalized during the six months ended June 30, 2020.

Financing activities

Financing activities provided net cash of $21.3 million for the six months ended June 30, 2021 and used net cash of $239,000 in the comparable 2020 period. Primarily impacting the current period change in cash were the net proceeds from the public offering of the Company's common stock of $23.1 million, offset by principal payments on the Company's note payable, line of credit, finance leases and other financing obligations.

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 six months ended June 30, 2021 and 2020. As of June 30, 2021, the Company had 778,365 shares available for repurchase under the authorizations. While the current authorization remains in effect, the Company expects its primary use of cash will be to fund operations in support of the Company's goals for revenue growth and operating margin improvement associated with the Company's long-term strategic roadmap.

Cautionary Note Regarding Forward-Looking Statements

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

Factors that could cause or contribute to such differences include, but are not limited to, the following, as well as other factors not now identified: we may not be successful at implementing our long-term strategic roadmap; the COVID-19 pandemic has significantly impacted worldwide business practices and economic conditions and could have a material effect on Qumu's business, financial condition and operating results; the markets for video content and software to manage video content are each in early stages of development, and if these markets do not develop or develop more slowly than we expect, our revenues may decline or fail to grow; if we are unable to attract new customers, retain existing customers and sell additional products and services to our existing and new customers, our revenue growth and profitability will be adversely affected; we have a history of losses and we may not achieve or sustain cash flows or profitability in the future; we encounter long sales cycles with our Qumu enterprise video solutions, which could adversely affect our operating results in a given period; to compete effectively, we must continually improve existing products and introduce new products that achieve market acceptance; we face intense competition and such competition may result in price reductions, lower gross profits and loss of market share; economic and market conditions, particularly those affecting our customers, have harmed and may continue to harm our business; our sales will decline, and our business will be materially harmed, if our sales and marketing efforts are not effective; competition for highly skilled personnel is intense and if we fail to attract and retain talented employees, we may fail to compete effectively; we sell a significant portion of our products internationally, which exposes us to risks associated with international operations; our enterprise video content management software products must be successfully integrated into our customers' information technology environments and workflows and changes to these environments, workflows or unforeseen combinations of technologies may harm our customers' experience in using our software products; the growth and functionality of our enterprise video content management software products depend upon the solution's effective operation with mobile operating systems and computer networks; any failure of major elements of our products could lead to significant disruptions in the ability to serve customers, which could damage our reputation, reduce our revenues or otherwise harm our business; if we lose access to third-party licenses, our software product development and production may be delayed or we may incur additional expense to modify our products or products in development; if the limited amount of open source software that is incorporated into our products were to become unavailable or if we violate the terms of open source licenses, it could adversely affect sales of our products, which could disrupt our business and harm our financial results; if our domestic or international intellectual property rights are not adequately protected, others may offer products similar to ours or independently develop the same or similar technologies or otherwise obtain access to our technology and trade secrets which could depress our product selling prices and gross profit or result in loss of market share; changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our products, and could have a negative impact on our business; expanding laws, regulations and customer requirements relating to data security and privacy may adversely affect sales of our products and result in increased compliance costs; computer malware, viruses, hacking, phishing attacks, spamming, and other cyber-threats could harm our business and cause customers to lose confidence in us and our products, which could significantly impact our business and results of operations; we may experience significant quarterly and annual fluctuations in our results of operations due to a number of factors and these fluctuations may negatively impact the market price of our common stock; the limited liquidity for our common stock could affect your ability to sell your shares at a satisfactory price; and provisions of Minnesota law, our bylaws and other agreements may deter a change of control of our company and may have a possible negative effect on our stock price. These forward-looking statements are made as of the date of this report and the Company assumes no obligation to update such forward-looking statements, or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s Chief Executive Officer, TJ Kennedy, and the Company’s Chief Financial Officer, David G. Ristow, have evaluated the Company’s disclosure controls and procedures as of June 30, 2021. Based upon such evaluation, they have concluded that these disclosure controls and procedures are effective. The Company’s Chief Executive Officer and Chief Financial Officer used the definition of “disclosure controls and procedures” as set forth in Rule 13a-15(e) under the Exchange Act in making their conclusion as to the effectiveness of such controls and procedures.

Changes in Internal Control Over Financial Reporting

No changes in internal controls over financial reporting have occurred during the quarter ended June 30, 2021 that have materially affected, or are reasonable likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 1A. Risk Factors

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

In addition to shares that may be purchased under the Board common stock repurchase program adopted in 2010 if permitted by our line of credit agreement with Wells Fargo, the Company purchases shares of common stock held by employees who wish to tender owned shares to satisfy the exercise price or tax withholding on stock option exercises or vesting of restricted awards and performance stock units. All of the share repurchase activity included in the table below for the three months ended June 30, 2021 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 June 30, 2021 is as follows:

Monthly Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (at end of period)
April 2021	413	$5.94	—	778,365
May 2021	—	$—	—	778,365
June 2021	32	$3.09	—	778,365

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On August 6, 2021, Qumu Corporation and its wholly-owned subsidiary, Qumu, Inc., entered into a First Amendment to that certain Loan and Security Agreement dated January 15, 2021 (the "Loan Agreement") with Wells Fargo Bank, National Association (the "Lender") providing for an up to $10 million revolving line of credit, subject to the defined borrowing base. The First Amendment temporarily reduces the availability amount to $7.5 million until the Company's financial statements due for the quarter ending September 30, 2021 are received and reviewed by the Lender. The First Amendment also changed the definition of borrowing base to be initially four times monthly recurring revenue, but the multiple will be adjusted on a quarterly basis from and after the calendar quarter ending September 30, 2021. Thereafter, the borrowing base multiple will be four times if monthly recurring revenue declined from the preceding calendar quarter, five times if monthly recurring revenue increased up to 5% over the preceding calendar quarter, and six times if monthly recurring revenue increased at least 5% over the preceding calendar quarter. Further, the First Amendment modified the minimum liquidity covenant such that if the Company's trailing three month cash burn (calculated as provided in the First Amendment) is negative, then the Company must have liquidity of not less than $5 million or an amount equal to six months of remaining months minimum liquidity and if the Company's trailing three month cash burn is greater than or equal to zero dollars, then the Company must have liquidity of not less than $5 million. Finally, the First Amendment modified the Recurring Revenue covenant to require the following minimum Recurring Revenue for the remaining quarters in 2021 and in 2022: $4,500,000 for the quarter ended September 30, 2021; $4,750,000 for the quarter ended December 31, 2021; $5,000,000 for the quarter ended March 31, 2022; $5,500,000 for the quarter ended June 30, 2022; $6,000,000 for the quarter ended September 30, 2022; and $6,500,000 for the quarter ended December 31, 2022. The Company paid an amendment fee of $25,000 in connection with the First Amendment. The foregoing summary of the First Amendment is qualified by the full text of the First Amendment, which is attached hereto as Exhibit 10.1.

Item 6. Exhibits

(a) The following exhibits are included herein:

10.1† First Amendment dated August 6, 2021 to Loan and Security Agreement by and among Qumu Corporation, Qumu, Inc. and Wells Fargo Bank, National Association

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

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

32† Certifications pursuant to 18 U.S.C. §1350.

101‡ Interactive Data Files Pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2021 and 2020, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2021 and 2020, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020 and (vi) Notes to Condensed Consolidated Financial Statements

104‡ The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, 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:	August 9, 2021	By:	/s/ TJ Kennedy
			TJ Kennedy President and Chief Executive Officer (Principal Executive Officer)
Date:	August 9, 2021	By:	/s/ David G. Ristow
			David G. Ristow Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

EXHIBIT 10.1

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This First Amendment to Loan And Security Agreement (this "Agreement") is entered into as of August 6, 2021, by and among **Wells Fargo Bank, National Association,** a national banking association, and its successors and assigns ("Lender"), **Qumu** Corporation, a Minnesota corporation, and Qumu**, Inc.**, a California corporation (individually and collectively, "Borrower").

Recitals

A. Borrower and Lender entered into that certain Loan and Security Agreement dated January 15, 2021 (as amended, restated or otherwise modified from time to time, the "Loan Agreement"). Subject to the terms and conditions contained in the Loan Agreement, the Lender agreed to extend to the Borrower a credit facility in the original principal amount of $10,000,000.

B. The Borrower has requested that the Lender amend certain provisions of the Loan Agreement, and the Lender is willing to do so upon the terms and conditions contained herein.

Accordingly, the Borrower and the Lender hereby agree as follows:

Agreement

1. Amendment to Defined Terms.

(a) The definition of "Borrowing Base" in Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "Borrowing Base" is the product of the Monthly Recurring Revenue, as determined by Lender in its sole but reasonable discretion with reference to the most recent Borrowing Base Certificate delivered by Borrower multiplied by four (4); provided, however, that Lender has the right to amend the foregoing calculation in its sole but reasonable discretion based on the quality and dilution of the Monthly Recurring Revenue. Notwithstanding the foregoing, from and after the calendar quarter ending September 30, 2021, the Borrowing Base shall be adjusted on a quarterly basis based on the most recent financial statements delivered to Lender in accordance with Section 6.3 of the Loan Agreement as follows: (i) Monthly Recurring Revenue multiplied by four (4) if Monthly Recurring Revenue declined from the preceding calendar quarter, (ii) Monthly Recurring Revenue multiplied by five (5) if Monthly Recurring Revenue increased up to five percent (5%) over the preceding calendar quarter, and (iii) Monthly Recurring Revenue multiplied by six (6) if Monthly Recurring Revenue increased at least five percent (5%) over the preceding calendar quarter. In the event Borrower fails to provide the required financial statements on a timely basis, the Borrowing Base shall be Monthly Recurring Revenue multiplied by four (4) until such time as Lender has received and approved of the required financial statements.

(b) The following definitions are hereby added to Section 1.1 of the Loan Agreement in alphabetical order:

"Adjusted EBITDA" shall be the sum of (i) net income, (ii) interest expenses, (iii) taxes, (iv) depreciation and amortization, (v) stock-based compensation, (vi) changes in deferred revenue, (vii) changes in deferred commissions less capitalized software, (viii) changes in warrant liabilities, and (ix) changes in other non-cash items including but not limited to unrealized gains and losses.

"Cash Burn" shall be, for the relevant period, the sum of (i) Adjusted EBITDA, less (ii) capital expenditures, less (iii) cash interest paid, in each case, as determined for such period.

"Remaining Months Minimum Liquidity" means the number of months (rounded down to the nearest whole month), tested as of the last day of each fiscal quarter, and calculated as follows: (a) Liquidity as determined on such date, divided by (b) the quotient of (i) the Cash Burn, as determined for the trailing three (3) month period ending on such date, divided by (ii) three (3).

2. Financial Covenants. Section 6.8 of the Loan Agreement is hereby amended and restated in its entirety as follows:

6.8 Financial Covenants. Borrower shall maintain at all times:

(a) Performance to Plan. As of the last day of each fiscal quarter, commencing with the fiscal quarter ending March 31, 2021, Borrower's Recurring Revenue shall be not less than the amounts set forth on Schedule A attached hereto. For the avoidance of doubt, the Financial Covenant Side Letter Agreement shall no longer be in effect.

(b) Minimum Liquidity. Tested as of the last day of each fiscal quarter, if the Cash Burn as determined for the trailing three months ending on such date is:

(i) a negative number, then through the Revolving Maturity Date, Borrower shall maintain Liquidity of not less than the greater of (A) Five Million Dollars ($5,000,000), or (B) an amount equal to six (6) months Remaining Months Minimum Liquidity; or

(ii) greater than or equal to Zero Dollars ($0), then through the Revolving Maturity Date, Borrower shall maintain Liquidity of not less than Five Million Dollars ($5,000,000).

3. Schedule A. Schedule A to this Agreement is hereby attached to the Loan Agreement as Schedule A.

4. Borrowing Base Certificate. Exhibit C to the Loan Agreement is hereby replaced in its entirety with Exhibit C attached hereto and all references in the Loan Agreement to the Borrowing Base Certificate shall mean Exhibit C attached hereto.

5. Compliance Certificate. Exhibit D to the Loan Agreement is hereby replaced in its entirety with Exhibit D attached hereto and all references in the Loan Agreement to the Compliance Certificate shall mean Exhibit D attached hereto.

6. Availability Amount. Notwithstanding anything to the contrary contained in the Loan Agreement, from the date of this Agreement until the financial statements due for the quarter ending September 30, 2021 are received and reviewed by the Lender, the Availability Amount shall not exceed Seven Million Five Hundred Thousand Dollars ($7,500,000) minus (a) the aggregate outstanding face amount of all Letters of Credit (including drawn but unreimbursed Letters of Credit), and minus (b) the outstanding principal balance of any Advances. After the financial statements due for the quarter ending September 30, 2021 are received and reviewed by the Lender, then Availability Amount reverts to the lesser of (i) the Revolving Line or (ii) the Borrower Base, minus (a) the aggregate outstanding face amount of all Letters of Credit (including drawn but unreimbursed Letters of Credit), minus (b) the outstanding principal balance of any Advances.

7. No Other Changes. Except as explicitly amended by this Agreement, all of the terms and conditions of the Loan Agreement shall remain in full force and effect and shall apply to any advance or letter of credit thereunder.

8. Representations and Warranties. Borrower hereby represents and warrants to Lender as follows:

(a) This Agreement is within Borrower's organizational powers and has been duly authorized by all necessary organizational actions. The execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's organizational documents, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound.

(b) All of the representations and warranties contained in the Loan Agreement, including but not limited to the information contained in the schedules to the Loan Agreement, are correct in all material respects with the same effect as though made on and as of the date of this Agreement (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct only as of such specified date and to the extent that such representation and warranty by its terms is qualified or modified by materiality, then such representation and warranty, as so qualified or modified, shall be true and correct).

9. References. All references in the Loan Agreement to "this Agreement" shall be deemed to refer to the Loan Agreement as amended hereby; and any and all references in the

Loan Documents to the Loan Agreement shall be deemed to refer to the Loan Agreement as amended hereby.

10. No Waiver. The execution of this Agreement and any documents related hereto and the acceptance of all other agreements and instruments related hereto shall not be deemed to be a waiver of any Default or Event of Default under the Loan Agreement or a waiver of any breach, default or event of default under any Loan Document or other document held by Lender, whether or not known to Lender and whether or not existing on the date of this Agreement.

11. Release. Borrower hereby absolutely and unconditionally releases and forever discharges Lender, and any and all parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all Known Claims which Borrower has had, now has, or has made claim to have against any such Person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Agreement. For purposes hereof, the term "Known Claims" shall mean all claims, demands or causes of action (whether matured or unmatured) arising from or related to the Credit Agreement and each of the Loan Documents and of which the Borrower has actual knowledge on the date hereof, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise.

12. Amendment Fee. On the date of this Agreement, Borrower shall pay to Lender an amendment fee equal to Twenty-Five Thousand Dollars ($25,000), which amendment fee shall be earned when paid and is nonrefundable.

13. Costs and Expenses. The Borrower hereby reaffirms its agreement under the Loan Agreement to pay or reimburse Lender on demand for all Lender Expenses (as defined in the Loan Agreement) incurred by Lender in connection with the Loan Documents. Without limiting the generality of the foregoing, the Borrower specifically agrees to pay all Lender Expenses attributable to counsel to Lender for the services performed by such counsel in connection with the preparation of this Agreement and the documents and instruments incidental hereto. Borrower hereby agrees that Lender may, at any time or from time to time in their sole discretion and without further authorization by Borrower, make a loan to Borrower under the Loan Agreement, or apply the proceeds of any loan, for the purpose of paying any such Lender Expenses.

14. Miscellaneous. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument. Borrower acknowledges and agrees that the recitals set forth herein are true and correct statements of fact, are incorporated herein, and form a substantive part of this Agreement. Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

15. Choice of Law, Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the laws of New York (the "State"), but giving effect to federal

laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof. BORROWER AND LENDER EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

Qumu Corporation

By: /s/ TJ Kennedy
TJ Kennedy
Chief Executive Officer & President

Qumu, Inc.

By: /s/ TJ Kennedy
TJ Kennedy
Chief Executive Officer & President

Wells Fargo Bank, National Association

By: /s/ Alex Hoppe
Alex Hoppe
Vice President

<u>SCHEDULE A</u>

Borrower's Recurring Revenue for Fiscal Years 2021 and 2022 shall be at least the following amounts at the following times:

Trailing Three-Month Period Ending	**Recurring Revenue**
June 30, 2021	$5,000,000
September 30, 2021	$4,500,000
December 31, 2021	$4,750,000
March 31, 2022	$5,000,000
June 30, 2022	$5,500,000
September 30, 2022	$6,000,000
December 31, 2022	$6,500,000

EXHIBIT C

Borrowing Base Certificate

Wells Fargo Bank, National Association

QUMU CORPORATION & QUMU, INC.

Borrowing Base Calculation	
1. Total trailing three (3) month Recurring Revenue	$_______
2. Less: (i) Revenue for which the corresponding Accounts Receivable are Aged more than 90 days from the due date, but in any case, not later than 150 Days from Invoice Date, (ii) Revenue derived in connection with credit balances owed to Account Debtors	
3. Total Trailing 3 Month Recurring Revenue from Eligible Customer Accounts (Item 1 minus Item 2)	$_______
4. Average Monthly Recurring Revenue (Item 3, divided by three (3))	$_______
Borrowing Base (Item 4, multiplied by (i) four (4) if Monthly Recurring Revenue declined from the preceding calendar quarter, (ii) five (5) if Monthly Recurring Revenue increased up to five percent (5%) over the preceding calendar quarter, or (iii) six (6) if Monthly Recurring Revenue increased at least five percent (5%) over the preceding calendar quarter)	$_______
Available Amount ((i) $7,500,000 until receipt and review of financial statements for the calendar quarter ending September 30, 2021, then the lesser of (a) the Borrowing Base or (b) $10,000,000)	$_______
Borrowing Availability:	
5. Less Aggregate amount of outstanding face amount on all Letters of Credit	$_______
6. Less outstanding principal balance of any Advances	$_______
Availability Amount (Available Amount less Items 5 and 6)	$_______

A security interest has been granted to Wells Fargo Bank N.A. in accordance with terms and conditions of the existing continuing security agreement between the undersigned and Wells Fargo Bank N.A. to which reference is made. We hereby certify that the forgoing is true and correct in all particulars and the accounts describe above as collateral for loans represent accounts which conform to all representations and warranties set forth in said agreement.

QUMU CORPORATION

Company Address: ________________________________

By: ________________________________

Name:

Date:

QUMU, INC.

Company Address: ________________________________

By: ________________________________

Name:

Date:

EXHIBIT D

COMPLIANCE CERTIFICATE

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION

FROM: QUMU CORPORATION & QUMU, INC.

The undersigned authorized officer of ___________________________ hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Lender (the "Agreement"), (i) Borrower is in complete compliance for the period ending _______________ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

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

Reporting Covenant	Required	Complies	
Annual financial statements (CPA Audited) and Compliance Certificate	FYE within 120 days	Yes	No
Quarterly financial statements, Recurring Revenue Metrics Report and Compliance Certificate	Prior to each Credit Extension, and quarterly within 45 days	Yes	No
10K and 10Q	(as applicable)	Yes	No
Annual operating budget, sales projections and operating plans approved by board of directors	Annually no later than 60 days after the beginning of each fiscal year and as amended/updated	Yes	No
Recurring Revenue Budget	Annually no later than 60 days prior to the end of each fiscal year and as amended/updated	Yes	No
Borrowing Base Certificate	Prior to each Credit Extension, and quarterly within 45 days	Yes	No

Financial Covenant	Required	Actual	Complies	
Performance to Plan:	Refer to Schedule A of the Loan Agreement	$____________	Yes	No

The greater of Minimum Liquidity or Remaining Months Minimum Liquidity	$5,000,000 or ≥ 6.00x	$___________ ____	Yes	No

Remaining Months Minimum Liquidity ((i) divided by the sum of (ii), less (iii), less (iv), divided by three (3), rounded down to the nearest whole month):*

(i) Liquidity

(ii) Adjusted EBITDA (the sum of items (a) through (i), less (j)):

Total Cash Flow/Cash Burn _______ _______ ___________ ____ _____

Comments Regarding Exceptions: See Attached.

Sincerely,

SIGNATURE

TITLE

DATE

LENDER USE ONLY

Received by:

AUTHORIZED SIGNER

Date:

Verified:

AUTHORIZED SIGNER

Date:

Compliance Status Yes No

**Remaining Months Liquidity as calculated on quarterly basis:*

	Q1	Q2	Q3	Q4	LTM
(a) Net Income	________	________	________	________	________
(b) Interest Expenses	________	________	________	________	________
(c) Taxes	________	________	________	________	________
(d) Depreciation and Amortization	________	________	________	________	________
(e) Stock-based compensation	________	________	________	________	________
(f) Changes in deferred revenue	________	________	________	________	________
(g) Changes in deferred commissions	________	________	________	________	________
(h) Changes in warrant liabilities	________	________	________	________	________
(i) Changes in other non-cash items including but not limited to unrealized gains and losses	________	________	________	________	________
(j) Capitalized software	________	________	________	________	________
(ii) Total Adjusted EBITDA	________	________	________	________	________
(iii) less, Capital expenditures	________	________	________	________	________
(iv) less, Cash interest paid	________	________	________	________	________
TOTAL CASH FLOW/CASH BURN	________	________	________	________	________

SCHEDULE OF EXCEPTIONS

Permitted Indebtedness (Section 1.1)

Permitted Investments (Section 1.1)

Permitted Liens (Section 1.1)

Inbound Licenses (Section 5.6)

Prior Names (Section 5.6)

Litigation (Section 5.8)

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: August 9, 2021

/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: August 9, 2021

/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 June 30, 2021 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: August 9, 2021

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

Date: August 9, 2021

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