

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022
OR

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

For the transition period from _____ to _____
Commission file number: 001-35376

OBLONG, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0312442

(I.R.S. Employer Identification No.)

25587 Conifer Road, Suite 105-231

Conifer, CO

(Address of principal executive offices)

80433

(Zip Code)

Registrant's telephone number, including area code: (303) 640-3838

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 par value	OBLG	Nasdaq Capital Market

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

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

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

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

Indicate by check mark 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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Indicate by checkmark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant computed by reference to the price at which the common equity was last sold on June 30, 2022, the last business day of the Registrant's most recently completed second fiscal quarter, was \$5,673,953.

The number of shares of the Registrant's common stock outstanding as of March 20, 2023 was 2,063,308.

OBLONG, INC.
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K (this “Report”) contains statements that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and its rules and regulations (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, and its rules and regulations (the “Exchange Act”). These forward-looking statements include, but are not limited to, statements about the plans, objectives, expectations and intentions of Oblong, Inc. (“Oblong” or “we” or “us” or the “Company”). All statements other than statements of current or historical fact contained in this Report, including statements regarding Oblong’s future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” and similar expressions, as they relate to Oblong, are intended to identify forward-looking statements. These statements are based on Oblong’s current plans, and Oblong’s actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this Report may turn out to be inaccurate. Oblong has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. There are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors that are discussed in “Item 1A. Risk Factors” and/or listed below. Oblong undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to Oblong or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Report. Forward-looking statements in this Report include, among other things: our ability to meet commercial commitments; our expectations and estimates relating to customer attrition, drivers for demand, demand for our product offerings, sales cycles, future revenues, expenses, capital expenditures and cash flows; our ability to develop and launch new product offerings; evolution of our customer solutions and our service platforms; our ability to fund operations and continue as a going concern; expectations regarding adjustments to our cost of revenue and other operating expenses; our ability to finance investments in product development and sales and marketing; our ability to raise capital through sales of additional equity or debt securities and/or loans from financial institutions; our beliefs about employee relations; our beliefs about the ongoing performance and success of our Managed Service business; statements relating to market need and evolution of the industry, our solutions and our service platforms; our beliefs about the service offerings of our competitors and our ability to differentiate Oblong’s services; adequacy of our internal controls; statements regarding our information systems and our ability to protect and prevent security breaches; our expected insurance coverage on our second quarter 2022 casualty loss; expectations relating to additional patent protection; and beliefs about the strength of our intellectual property, including patents. For additional information regarding known material factors that could cause our actual results to differ materially from our projected results, please see “Item 1A. Risk Factors.” Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- the continued impact of the coronavirus pandemic on our business, including its impact on our customers and other business partners, our ability to conduct operations in the ordinary course, and our ability to obtain capital financing important to our ability to continue as a going concern;*
- our ability to continue as a going concern;*
- our ability to raise capital in one or more debt and/or equity offerings in order to fund operations or any growth initiatives;*
- customer acceptance and demand for our video collaboration services and network applications;*
- our ability to launch new products and offerings and to sell our solutions;*
- our ability to compete effectively in the video collaboration services and network services businesses;*
- the ongoing performance and success of our Managed Services business;*
- our ability to maintain and protect our proprietary rights;*
- our ability to withstand industry consolidation;*
- our ability to adapt to changes in industry structure and market conditions;*
- actions by our competitors, including price reductions for their competitive services;*
- the quality and reliability of our products and services;*
- the prices for our products and services and changes to our pricing model;*
- the success of our sales and marketing approach and efforts, and our ability to grow revenue;*
- customer renewal and retention rates;*
- risks related to the concentration of our customers and the degree to which our sales, now or in the future, depend on certain large client relationships;*
- increases in material, labor or other manufacturing-related costs;*

- *changes in our go-to-market cost structure;*
- *inventory management and our reliance on our supply chain;*
- *our ability to attract and retain highly skilled personnel;*
- *our reliance on open-source software and technology;*
- *potential federal and state regulatory actions;*
- *our ability to innovate technologically, and, in particular, our ability to develop next generation Oblong technology;*
- *our ability to satisfy the standards for continued listing of our common stock on the Nasdaq Capital Market;*
- *changes in our capital structure and/or stockholder mix;*
- *the costs, disruption, and diversion of management's attention associated with campaigns commenced by activist investors;*
and
- *our management's ability to execute its plans, strategies and objectives for future operations.*

RISK FACTORS SUMMARY

The following is a summary of the principal risk factors that make an investment in our company speculative or risky, all of which are further described below in the section titled "Risk Factors" in Part I, Item 1A of this Report. This summary should be read in conjunction with the "Risk Factors" section and should not be relied upon as an exhaustive summary of the material risks facing our business.

Risks related to our business:

- Our Company experienced declines in revenue in recent fiscal years and may continue to experience further revenue decline in future periods;
- Revenue growth and increase in the market share of our current product offerings depends on successful adoption of our Mezzanine™ product offerings with our channel partners, which requires sufficient sales, marketing and product development funding;
- We have a history of substantial net operating losses and we may incur future net losses;
- Our business activities may require additional financing that might not be obtainable on acceptable terms, if at all, which could have a material adverse effect on its financial condition, liquidity and its ability to operate as a going concern in the future;
- If we fail to achieve broad market acceptance on a timely basis, we will not be able to compete effectively, and we will likely experience continued declines in revenue and lower gross margins;
- Product quality problems could lead to reduced revenue, gross margins, and higher net losses;
- We depend upon the development of new products and services, and enhancements to existing products and services, and if we fail to predict and respond to emerging technological trends and customer's changing needs, our operating result may suffer;
- Changes in industry structure and market conditions could lead to charges related to discontinuances of certain of our products or businesses, asset impairments and workforce reductions or restructurings;
- The markets in which we compete are intensely competitive, which could adversely affect our achievement of revenue growth;
- We rely on a limited number of customers for a significant portion of our revenue, and the loss of any one of those customers, or several of our smaller customers, could materially harm our business;
- There is limited market awareness of our services;
- If we do not effectively compose, structure and compensate our sales force to focus on the end customers and activities that will primarily drive our growth strategy, our business will be adversely affected;
- A significant portion of our sales are through distribution channels including both System and audio visual ("AV") integrators which have been difficult to project and, particularly volatile during the pandemic. Weakness in orders from our distribution channels may harm our operating results and financial condition;
- Inventory management relating to our sales to our two-tier distribution channel is complex, and excess inventory may harm our gross margins;
- We may experience material disconnections and/or reductions in the prices of our services and may not be able to replace the loss of revenue;
- Supply chain issues, including financial problems of contract manufacturers or component suppliers, or a shortage of adequate component supply or manufacturing capacity that increase our costs or cause a delay in our ability to fulfill orders, could have an adverse impact on our business and operating results, and our failure to estimate customer demand properly may result in excess or obsolete component supply, which could adversely affect our gross margins;

Risks to Owning Our Common Stock

- Our stock price has fluctuated in the past, has recently been volatile and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses;
- Penny stock regulations may impose certain restrictions on the marketability of our securities;
- Future operating results may vary from quarter to quarter, and we may fail to meet the expectations of securities analysts and investors at any given time;
- We will need to raise additional capital by issuing securities or debt, which may cause significant dilution to our stockholders and restrict our operations, and
- We could fail to satisfy the standards to maintain our listing on a stock exchange.

PART I

Item 1. Business

Overview

We are a provider of patented multi-stream collaboration products and managed services for video collaboration and network solutions.

Mezzanine™ Product Offerings

Our flagship product is called Mezzanine™, a family of turn-key products that enable dynamic and immersive visual collaboration across multi-users, multi-screens, multi-devices, and multi-locations. Mezzanine™ allows multiple people to share, control and arrange content simultaneously, from any location, enabling all participants to see the same content in its entirety at the same time in identical formats, resulting in dramatic enhancements to both in-room and virtual videoconference presentations. Applications include video telepresence, laptop and application sharing, whiteboard sharing and slides. Spatial input allows content to be spread across screens, spanning different walls, scalable to an arbitrary number of displays and interaction with our proprietary wand device. Mezzanine™ substantially enhances day-to-day virtual meetings with technology that accelerates decision making, improves communication, and increases productivity. Mezzanine™ scales up to support the most immersive and commanding innovation centers; across to link labs, conference spaces, and situation rooms; and down for the smallest work groups. Mezzanine's digital collaboration platform can be sold as delivered systems in various configurations for small teams to total immersion experiences. The family includes the 200 Series (two display screen), 300 Series (three screen), and 600 Series (six screen). We also sell maintenance and support contracts related to Mezzanine™.

Historically, customers have used Mezzanine™ products in traditional office and operating center environments such as conference rooms or other presentation spaces. As discussed below, sales of our Mezzanine product have been adversely affected by commercial response to the COVID-19 pandemic. Like many technology companies in recent months, we will continue to monitor and manage our costs relative to demand with the goal of growing the Company's revenue in the future. To the extent we believe new investments in product development, marketing, or sales are warranted as a result of changes in market demand, we believe additional capital will be required to fund those efforts and our ongoing operations.

Today, ideation and content collaboration are gaining growing importance in both physical and virtual meeting environments to support collective brainstorming and expedite decision making. Visualization of ideas can happen more naturally when people expand the collaborative canvas from sharing a single content stream among many participants to empowering an entire team, such as through our Mezzanine™ multi-stream solutions. While historically focused on in-room collaboration, the need for next-generation virtual collaboration solutions is on the rise, attributed to the confluence of several key trends that influence the way individuals collaborate. Key capabilities and features of Mezzanine™ include:

- **Share Work With Others.** Easily present work by plugging in or sharing wirelessly with the Mezzanine™ app. Share up to 10 connected devices including laptops, in-room PCs, and digital media players. Upload images and slides to present and explore content alongside live video streams.
- **Capture Ideas Instantly.** Save snapshots of on-screen content to make sure good ideas don't get lost. Annotate content in the Mezzanine™ app and share thoughts with others. Download meeting materials to reference or share after the meeting.

- **Visualize Options and Outcomes.** Mezzanine™ content spans multiple displays so the information needed is in sight and on hand. Share more content, see more detail, and improve visual storytelling. Arrange content for side-by-side comparisons and cross-referencing.
- **Unite Distributed Teams.** Connect teams and get everyone on the same page. Meeting participants share the same visual workspace so they can perform like they are in the same room. Everyone in every location can add content and steer the conversation, increasing opportunity and motivation to participate.
- **Connect with Ease.** Mezzanine™ works seamlessly with existing video conferencing and collaboration solutions so teams can join meetings with the tools they use every day. Integration with Cisco and Polycom systems simplify connecting rooms with voice, video, and content.
- **Orchestrate Content.** Place content anywhere in the room from anywhere in the room with Mezzanine™'s award-winning wands. Gestural interaction makes it easy to move and highlight content to focus the attention of the team.

We believe key drivers for demand include:

- rapid growth of cloud-based unified communications (UC) services adoption and continuously increasing collaborative intensity in workplaces;
- accelerating demand for low-cost video conferencing options such as USB conference room cameras and audio/video soundbars;
- rising appetite among end-user organizations for content sharing as well as content collaboration capabilities including ideation, annotation, illustration, and coediting;
- convergence of audio, video and content collaboration (as opposed to siloed applications and platforms) to improve employee productivity;
- significant growth in the number of huddle rooms and flexible meeting spaces worldwide;
- preference for Bring Your Own Device (BYOD) screen share in meeting spaces; and
- growing number of distributed and remote workers.

Today's knowledge workers are seeking optimal meeting spaces both in and out of the office that foster creativity, agility, innovation, and engagement. The trend towards ad-hoc and small group meetings has led to the creation of the huddle room concept, where workers can meet in a disruption-free setting. However, it is estimated that a small percentage of these spaces are truly 'full spectrum' collaboration enabled. Further, the penetration of stand-alone content sharing applications is significantly less than video penetration in large and huddle-sized meeting rooms. While pre-pandemic momentum suggested end-users were beginning to embrace simple, easy to install, intuitive, and affordable collaboration solutions that integrate with cloud-based collaboration software services, we believe as businesses continue to reopen there will be significant demand for higher forms of engagement that combines robust video conferencing with enhanced content sharing as users adapt to more flexible workplace alternatives. This combination focuses on allaying customer apprehension with regards to how to cost-effectively pursue an expanded collaboration strategy without replacing their existing investments.

Managed Services for Video Collaboration

We provide a range of managed services for video collaboration, from automated to orchestrated, to simplify the user experience in an effort to drive adoption of video collaboration throughout our customers' enterprise. We deliver our services through a hybrid service platform or as a service layer on top of our customers' video infrastructure. We provide our customers with the following services to meet their videoconferencing needs:

- ***Managed Videoconferencing*** is a "high-touch" concierge-based offering where we set up and manage customer videoconferences. Our managed videoconferencing services are offered to our customers on either a usage basis or on a monthly subscription. These services include call scheduling and launching, and videoconference monitoring, support and reporting.

- Remote Service Management provides an overlay to enterprise information technology (“IT”) and channel partner support organizations and provides 24/7 support and management of customer video environments. Our services are designed to align with a globally recognized set of best practices, Information Technology Infrastructure Library (“ITIL”), to standardize processes and communicate through a consistent set of terms with our customers and partners. We offer, on a monthly subscription basis, three tiers of Remote Service Management options, ranging from remote proactive automated monitoring to end-to-end management to complement the needs of IT support organizations (including 24x7 support desk, incident/problem/change management, site certifications, and service level agreements).

Managed Services for Network

We provide our customers with network solutions that ensure reliable, high-quality and secure traffic of video, data and internet. Network services are offered to our customers on a subscription basis. Our network services business carries variable costs associated with the purchasing and reselling of this connectivity. We offer our customers the following networking solutions that can be tailored to each customer’s needs:

- Cloud Connect: Video™: Allows our customers to outsource the management of their video traffic to us and provides the customer’s office locations with a secure, dedicated video network connection to the Oblong Cloud for video communications.
- Cloud Connect: Converge™: Provides customized Multiprotocol Label Switching (“MPLS”) solutions for customers who require a converged network. A converged network is an efficient network solution that combines the customer’s voice, video, data, and Internet traffic over one or more common access circuits. We fully manage and prioritize traffic to ensure that video and other business critical applications run smoothly.
- Cloud Connect: Cross Connect™: Allows the customer to leverage their existing carrier for the extension of a Layer 2 private line to our data center.

Sales and Marketing

We use a variety of marketing, sales, and support activities to generate and cultivate ongoing customer demand for our product offerings and managed services. We have a team of direct sales representatives and sales engineers. We sell globally through both direct customer sales and channel partners.

Customers

We have a diverse customer base including Fortune 1000 companies, along with small and medium enterprises across a wide range of industries including aerospace, consulting, executive search, broadcast media, legal, insurance, technology, financial services, education, healthcare, real estate, retail, construction, hospitality, and government, among others. We seek to establish and maintain long-term relationships with our customers.

Many factors influence the collaboration requirements of our customers. These include the size of the organization, number and types of technology systems, geographic location, and business applications deployed throughout the customer’s network. Our customer base is not limited to any specific industry, geography, or market segment.

A significant portion of our products and services are sold through our distribution channels, and the remainder is sold through direct sales. Our distribution channels include systems integrators, channel partners, other resellers, and distributors. Sales to these service providers have been characterized by large and sporadic purchases, in addition to longer sales cycles. Historically, we have seen fluctuations in our gross margins based on changes in the balance of our distribution channels.

Major customers are defined as direct customers or channel partners that account for more than 10% of the Company’s total consolidated revenue. For the years ended December 31, 2022, and 2021, one major customer accounted for approximately 46.8% and 34.7% of the Company’s total consolidated revenue, respectively.

Competition

The market for communication and collaboration technology services is competitive and rapidly changing. Certain features of our current Mezzanine™ product offerings compete in the communication and collaboration technologies market with products offered by Cisco WebEx, Zoom, LogMeIn, GoToMeeting, along with bundled productivity solutions providers who offer limited content sharing capabilities such as Microsoft Teams, and Google G Suite. In the rapidly evolving “Ideation”

market, certain elements of our application compete with Microsoft, Google, InFocus, Bluescape, Mersive, Barco, Nureva and Prysm.

With respect to our managed services for video collaboration, we primarily compete with managed services companies, videoconferencing equipment resellers and telecommunication providers, including BT Conferencing, AT&T, Verizon, LogMeIn, Yorktel, ConvergeOne, and AVI-SPL. We also compete with companies that offer hosted videoconference bridging solutions, including Blue Jeans, Vidyo and Zoom. Lastly, the technology and software providers, including Cisco, LifeSize, Microsoft, and Polycom, are delivering competitive cloud-based videoconferencing and calling services. With the technology advancements over the past few years, including browser-based and mobile video, the options for video collaboration solutions and services are greater than ever before. With respect to our managed services for network, we primarily compete with telecommunications carriers, including British Telecom, AT&T, Verizon and Telus. Our competitors offer services similar to ours both on a bundled and unbundled basis, creating a highly competitive environment with pressure on pricing of such services. Revenue attributable to our managed services described above has declined in recent years primarily due to loss of customers to competition. We expect this trend to continue in the future for our managed services business.

Intellectual Property

The core technology platform for Mezzanine™ is called g-speak. It enables applications to be developed that run across multiple screens and multiple devices. Our customers use the platform to solve big data problems, to collaborate more effectively, and to go from viewing pixels on a single screen to interacting with pixels on every screen.

Videoconferencing has traditionally presented challenges for the user by presenting a complex maze of systems and networks that must be navigated and closely managed. Although most of the business-quality video systems today are “standards-based,” there are inherent interoperability problems between different vendors’ video equipment, resulting in communication islands. Our suite of managed services for video collaboration can be accessed and utilized by customers regardless of their technology or network. Customers who purchase a Cisco, Polycom, Avaya, or LifeSize (Logitech) system, or use certain other third-party video communications software such as Microsoft, WebEx or WebRTC, may all take advantage of our services regardless of their choice of network. Our services support all standard video signaling protocols, including SIP, H.323 and Integrated Services Digital Network (“ISDN”) using infrastructure from a variety of manufacturers.

Research and Development

The Company incurred research and development expenses during the years ended December 31, 2022 and 2021 of \$1.7 million and \$2.9 million, respectively, related to the development of features and enhancements to our Mezzanine™ product offerings.

Employees

As of December 31, 2022, we had 22 total employees including 20 full-time employees. Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. Our compensation program is designed to attract, retain, and motivate highly qualified employees and executives and is comprised of a mix of competitive base salary, bonus and equity compensation awards, as well as other employee benefits. Our employees are not covered by a collective bargaining agreement, and we consider our relations with our employees to be good. We are committed to diversity and inclusion as well as equitable pay within our workforce. In addition, the health and safety of our employees, customers and communities are of primary concern to us. During the COVID-19 pandemic, we took significant steps to protect our workforce, including but not limited to, working remotely, and implementing social distancing protocols consistent with guidelines issued by federal, state, and local law.

Corporate History

Oblong, Inc. was formed as a Delaware corporation in May 2000. Prior to March 6, 2020, Oblong, Inc. was named Glowpoint, Inc. (“Glowpoint”). On October 1, 2019, the Company closed an acquisition of all of the outstanding equity interests of Oblong Industries, Inc., a privately held Delaware corporation founded in 2006 (“Oblong Industries”), pursuant to the terms of an Agreement and Plan of Merger (as amended, the “Merger Agreement”). Pursuant to the Merger Agreement, among other things, Oblong Industries became a wholly owned subsidiary of the Company (the “Merger”). On March 6, 2020, Glowpoint changed its name to Oblong, Inc.

Available Information

We are subject to the reporting requirements of the Exchange Act. The Exchange Act requires us to file periodic reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information that we file electronically with the SEC.

In addition, we make available, free of charge, on our Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. You may review these documents on our website at www.oblong.com by accessing the investor relations section. Our website and the information contained on or connected to our website is not incorporated by reference herein, and our web address is included as an inactive textual reference only.

Item 1A. Risk Factors

Our business faces numerous risks, including those set forth below and those described elsewhere in this Report or in our other filings with the SEC. The risks described below are not the only risks that we face, nor are they necessarily listed in order of significance. Other risks and uncertainties may also affect our business. Any of these risks may have a material adverse effect on our business, financial condition, results of operations and cash flow. When making an investment decision with respect to our common stock, you should also refer to the other information contained or incorporated by reference in this Report, including our Consolidated Financial Statements and the related notes.

Risks Related to Our Business

Our Company experienced declines in revenue in recent fiscal years and may continue to experience further revenue decline in future periods. We believe that revenue declines for our Managed Services business are primarily due to net attrition of customers and lower demand for these services given the competitive environment and pressure on pricing that exists in our industry. We believe that revenue declines for our Collaboration Products business are primarily due to the commercial response to the COVID-19 pandemic, as discussed further below.

Revenue growth and increase in the market share of our current product offerings depends on successful adoption of our Mezzanine™ product offerings with our channel partners, which requires sufficient sales, marketing, and product development funding. Our goal is to grow revenue from an increase in adoption of our product offerings. If we cannot successfully gain adoption of our Mezzanine™ product offerings through direct sales or our channel partners, we may not be able to grow revenue and/or increase the market share of our products. We cannot assure you that we will have sufficient funds available to invest in sales and marketing and continued product development in order to achieve revenue growth.

We have a history of substantial net operating losses and we may incur future net losses. We reported substantial net losses in recent years. We may not be able to achieve revenue growth or profitability or generate positive cash flow on a quarterly or annual basis in the future. If we do not achieve profitability in the future, the value of our common stock may be adversely impacted, and we could have difficulty obtaining capital to continue our operations.

Our business activities will require additional financing that might not be obtainable on acceptable terms, if at all, which could have a material adverse effect on our financial condition, liquidity and our ability to operate as a going concern in the future. The Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2022 have been prepared assuming that the Company will continue as a going concern. We have experienced declines in revenue in recent fiscal years and we have incurred net losses.

Our capital requirements in the future will continue to depend on numerous factors, including the timing and amount of revenue, customer renewal rates and the timing of collection of outstanding accounts receivable, in each case particularly as it relates to our major customers, the expense to deliver services, expense for sales and marketing, expense for research and development, capital expenditures, and the cost involved in protecting intellectual property rights. The Company believes that, based on our current projection of revenue, expenses, capital expenditures, and cash flows, it will not have sufficient resources to fund its operations for the next twelve months following the filing of this Report. We believe additional capital will be required to fund operations and provide growth capital including investments in technology, product development and sales and marketing. To access capital to fund operations or provide growth capital, we will need to raise capital in one or more debt and/or equity offerings. There can be no assurance that we will be successful in raising necessary capital or that any such

offering will be on terms acceptable to the Company. If we are unable to raise additional capital that may be needed on terms acceptable to us, it could have a material adverse effect on the Company. The factors discussed above raise substantial doubt as to our ability to continue as a going concern. The accompanying Consolidated Financial Statements do not include any adjustments that might result from these uncertainties.

If we fail to achieve broad market acceptance on a timely basis, we will not be able to compete effectively, and we will likely experience continued declines in revenue and lower gross margins. We operate in a highly competitive, quickly changing environment, and our future success depends on our ability to develop or acquire, and introduce, new products that achieve broad market acceptance. Our future success will depend in large part upon our ability to identify demand trends in the markets in which we operate, and to quickly develop or acquire, and build and sell products that satisfy these demands in a cost-effective manner. In order to differentiate our products from our competitors' products, we must increase our focus and capital investment in research and development. If our products do not achieve widespread market acceptance, or if we are unsuccessful in capitalizing on market opportunities, our future growth may be slowed and our financial results could be harmed. Also, as the mix of our business increasingly includes new products and services that require additional investment, this shift may adversely impact our margins, at least in the near-term. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product will have on existing product sales. We will also need to respond effectively to new product announcements by our competitors by quickly introducing competitive products.

In addition, we may not be able to successfully manage integration of any new product lines with our existing products. Selling new product lines in new markets will require our management to explore different strategies in order to be successful. We may be unsuccessful in launching a new product line in new markets that requires management of new suppliers, potential new customers and new business models. Our management may not have the experience of selling in these new markets and we may not be able to grow our business as planned. If we are unable to effectively and successfully further develop these new product lines, we may not be able to achieve our desired sales targets and our gross margins may be adversely affected.

We may experience delays and quality issues in releasing new products, which could result in lower quarterly revenue than expected. In addition, we may experience product introductions that fall short of our projected rates of market adoption. Any future delays in product development and introduction, or product introductions that do not meet broad market acceptance, or unsuccessful launches of new product lines could result in:

- loss of or delay in revenue and loss of market share;
- negative publicity and damage to our reputation and brand;
- a decline in the average selling price of our products; and
- adverse reactions in our sales channels.

Additionally, our level of product gross margins could decline in future periods due to adverse impacts from other factors including:

- Changes in customer, geographic or product mix, including mix of configurations within each product group;
- Introduction of new products, including products with price-performance advantages, and new business models including the transformation of our business to deliver more software and subscription offerings;
- Our ability to reduce production costs;
- Entry into new markets or growth in lower margin markets, including markets with different pricing and cost structures, through acquisitions or internal development;
- Sales discounts;
- Increases in material, labor or other manufacturing-related costs, which could be significant especially during periods of supply constraints such as those impacting the market for memory components;
- Excess inventory, inventory holding charges and obsolescence charges;
- Changes in shipment volume;
- The timing of revenue recognition and revenue deferrals;
- Increased cost (including those caused by tariffs), loss of cost savings or dilution of savings due to changes in component pricing or charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand or if the financial health of either contract manufacturers or suppliers deteriorates;
- Lower than expected benefits from value engineering;
- Increased price competition;
- Changes in distribution channels;
- Increased warranty or royalty costs;
- Increased amortization of purchased intangible assets; and

- Our success in executing on our strategy and operating plans.

If we cannot successfully introduce new product lines, either through rapid innovation or acquisition of new products or product lines, we may not be able to maintain or increase the market share of our products. In addition, if we are unable to successfully introduce or acquire new products with higher gross margins, or if we are unable to improve the margins on our existing product lines, our revenue and overall gross margin will likely decline.

Product quality problems could lead to reduced revenue, gross margins and higher net losses. We produce highly complex products that incorporate leading-edge technology, including both hardware and software. Software typically contains bugs that can unexpectedly interfere with expected operations. There can be no assurance that our pre-shipment testing programs will be adequate to detect all defects, either ones in individual products or ones that could affect numerous shipments, which might interfere with customer satisfaction, reduce sales opportunities or affect gross margins. From time to time, we have had to replace certain components and provide remediation in response to the discovery of defects or bugs in products that we had shipped. There can be no assurance that such remediation, depending on the product involved, would not have a material impact. An inability to cure a product defect could result in the failure of a product line, temporary or permanent withdrawal from a product or market, damage to our reputation, inventory costs or product reengineering expenses, any of which could have a material impact on our revenue, margins and net loss.

We depend upon the development of new products and services, and enhancements to existing products and services, and if we fail to predict and respond to emerging technological trends and customer's changing needs, our operating results may suffer. The markets for our products and services are characterized by rapidly changing technology, evolving industry standards and new product and service introductions. Our operating results depend on our ability to develop and introduce new products and services into existing and emerging markets and to reduce the production costs of existing products. If customers do not purchase and/or renew our offerings, our business could be harmed. The process of developing new technology related to market transitions—such as collaboration, digital transformation, and cloud—is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging technological trends our business could be harmed. We must commit significant resources, including the investments we have been making in our strategic priorities to developing new products and services before knowing whether our investments will result in products and services the market will accept. Our business could be harmed if we fail to develop, or fail to develop in a timely fashion, offerings to address other market transitions, or if the offerings addressing these other transitions that ultimately succeed are based on technology, or an approach to technology, different from ours. In addition, our business could be adversely affected in periods surrounding our new product introductions if customers delay purchasing decisions to qualify or otherwise evaluate new product offerings.

Furthermore, we may not execute successfully on our vision or strategy because of challenges with regard to product planning and timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources. This could result in competitors, some of which may also be our partners, providing those solutions before we do and loss of market share, revenue and earnings. In addition, the growth in demand for technology delivered as a service enables new competitors to enter the market. The success of new products and services depends on several factors, including proper new product and service definition, component costs, timely completion and introduction of these products and services, differentiation of new products and services from those of our competitors, and market acceptance of these products and services. There can be no assurance that we will successfully identify new product and services opportunities, develop and bring new products and services to market in a timely manner, or achieve market acceptance of our products and services or that products, services and technologies developed by others will not render our products, services or technologies obsolete or noncompetitive.

Our success depends on our ability to recruit and retain adequate engineering talent. The market for our products and services are characterized by rapidly changing technology. The pressure to innovate and stay ahead of our competitors requires an investment in talent. Specifically, competing successfully in this market depends on our ability to recruit and retain adequate engineering talent. Because of the competitive nature of this industry, this can prove a challenge. Failure to recruit and retain adequate talent could negatively impact our ability to keep up with the rapidly changing technology.

Our success is highly dependent on the evolution of our overall market and on general economic conditions. The market for collaboration technology and services is evolving rapidly. Although certain industry analysts project significant growth for this market, their projections may not be realized. Our future growth depends on broad acceptance and adoption of collaboration technologies and services. In addition, in the event we develop new solutions designed to address new market demands, such as our Mezzanine™ product offerings, sales of our solutions will in part depend on capturing new spending in these markets. There can be no assurance that this market will grow, that our offerings will be adopted or that businesses will purchase our collaboration technologies and services. If we are unable to react quickly to changes in the market, if the market fails to develop or develops more slowly than expected, or if our services do not achieve market acceptance, then we are

unlikely to achieve profitability. Additionally, adverse economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance.

Changes in industry structure and market conditions could lead to charges related to discontinuances of certain of our products or businesses, asset impairments and workforce reductions or restructurings. In response to changes in industry and market conditions, we may be required to strategically realign our resources and to consider restructuring, disposing of or otherwise exiting businesses. Any resource realignment, or decision to limit investment in or dispose of or otherwise exit businesses, may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction or restructuring costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including intangible assets, could change as a result of such assessments and decisions. Although in certain instances our supply agreements allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to firm orders being placed, our loss contingencies may include liabilities for contracts that we cannot cancel with contract manufacturers and suppliers.

The markets in which we compete are intensely competitive, which could adversely affect our achievement of revenue growth. The markets in which we compete are characterized by rapid change, converging technologies and a migration to collaboration solutions that offer relative advantages. These market factors represent a competitive threat to us. We compete with numerous vendors in each product category. The overall number of our competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as we increase our activity in newer product areas, and in key priority and growth areas. In addition, the growth in demand for technology delivered as a service enables new competitors to enter the market. As we continue to expand globally, we may see new competition in different geographic regions.

The collaboration industry is highly competitive and includes large, well-financed participants. Some of our competitors compete across many of our product lines, while others are primarily focused in a specific product area. In addition, many of our competitor organizations have substantially greater financial and other resources, including technical and engineering resources, than we do, furnish some of the same services provided by us, and have established relationships with major corporate customers that have policies of purchasing directly from them. Our competitors offer services similar both on a bundled and unbundled basis, creating a highly competitive environment with pressure on pricing of such services. Barriers to entry are relatively low, and new ventures to create products that do or could compete with our products are regularly formed. We believe that as the demand for collaboration technologies continues to increase, additional competitors, many of which may have greater resources than us, will continue to enter this market. Additionally, as we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing and sales positions in those markets.

The principal competitive factors in the markets in which we presently compete and may compete in the future include the ability to sell successful business outcomes; product performance; price; the ability to introduce new products, including providing continuous new customer value and products with price-performance advantages; the ability to reduce production costs; the ability to provide value-added features such as security, reliability and investment protection; conformance to standards; market presence; the ability to provide financing; and disruptive technology shifts and new business models.

Industry consolidation may lead to increased competition and may harm our operating results. There is a continuing trend toward industry consolidation in our markets. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, operating results and financial condition. Furthermore, particularly in the service provider market, rapid consolidation will lead to fewer customers, with the effect that loss of a major customer could have a material impact on results.

We rely on a limited number of customers for a significant portion of our revenue, and the loss of any one of those customers, or several of our smaller customers, could materially harm our business. A significant portion of our revenue is generated from a limited number of customers. For the year ended December 31, 2022, one major customer accounted for 46.8% of the Company's total consolidated revenue. The composition of our significant customers will vary from period-to-period, and we expect that most of our revenue will continue, for the foreseeable future, to come from a relatively small number of customers. Consequently, our financial results may fluctuate significantly from period-to-period based on the actions of one

or more significant customers. A customer may take actions that affect the Company for reasons that we cannot anticipate or control, such as reasons related to the customer's financial condition, changes in the customer's business strategy or operations, changes in technology and the introduction of alternative competing products, or as the result of the perceived quality or cost-effectiveness of our products. Our agreements with these customers may be canceled if we materially breach the agreement or for other reasons outside of our control such as insolvency or financial hardship that may result in a customer filing for bankruptcy court protection against unsecured creditors. If our customers were to experience losses due to a failure of a depository institution to return their deposits, it could expose us to an increased risk of nonpayment under our contracts with them. In addition, our customers may seek to renegotiate the terms of current agreements or renewals. The loss of or a reduction in sales or anticipated sales to our most significant or several of our smaller customers could have a material adverse effect on our business, financial condition, and results of operations.

Any system failures or interruptions may cause loss of customers. Our success depends, in part, on the seamless, uninterrupted operation of our managed service offerings. As the complexity and volume continue to increase, we will face increasing demands and challenges in managing them. Any prolonged failure of these services or other systems or hardware that cause significant interruptions to our operations could seriously damage our reputation and result in customer attrition and financial loss.

There is limited market awareness of our services. Our future success will be dependent in significant part on our ability to generate demand for our collaboration technologies and services. To this end, our direct marketing and indirect sales operations must increase market awareness of our service offerings to generate increased revenue. We have limited sales and marketing resources. Our products and services require a sophisticated sales effort targeted at the senior management of our prospective customers. If we were to hire new employees in sales and marketing, those employees will require training and take time to achieve full productivity. We cannot be certain that our new hires will become as productive as necessary or that we will be able to hire enough qualified individuals or retain existing employees in the future. We cannot be certain that we will be successful in our efforts to market and sell our products and services, and, if we are not successful in building market awareness and generating increased sales, future results of operations will be adversely affected.

If we do not effectively compose, structure, and compensate our sales force to focus on the end customers and activities that will primarily drive our growth strategy, our business will be adversely affected. As indicated above, our growth is dependent in large part on the success of our sales force and in particular our ability to structure our sales force and sales compensation in a way that aligns with our growth strategy. As part of our efforts to appropriately structure and compensate our sales force such that their incentives are properly aligned with our growth strategy, we have made changes to our sales processes, sales segmentation and leadership structures for our sales teams and may need to make additional changes in the future. Such changes may take longer than anticipated to successfully implement, and we may not be able to realize the full benefits thereof, which may have a material adverse impact on our sales productivity as well as our business and operational results generally. In particular, as indicated above, our growth continues to be substantially dependent on our ability to increase our sales to large enterprises, particularly when those sales result in large orders for our solutions. Competition for sales employees who have the knowledge and experience necessary to effectively penetrate major enterprise accounts is fierce, and we may not be successful in hiring such employees, or hiring them on the timelines we anticipate, which will negatively impact our ability to target and penetrate major enterprise accounts. In addition, we anticipate that the sales cycles associated with major accounts will be longer than our traditional sales cycles, which will increase the time it will take our sales managers to become fully productive. In addition, as our organization continues to focus on major accounts and large deals, the productivity of our traditional sales teams may be impacted.

Our ability to sell our solutions is dependent in part on ease of use and the quality of our technical support, and any failure to offer high-quality technical support would harm our business, operating results, and financial condition. Once our solutions are deployed, our end customers depend on our support organization to resolve any technical issues relating to our solutions. Furthermore, because of the emerging nature of our solutions, our support organization often provides support for and troubleshoots issues for products of other vendors running on our solutions, even if the issue is unrelated to our solutions. There is no assurance that we can solve issues unrelated to our solutions, or that vendors whose products run on our solutions will not challenge our provision of technical assistance to their products. Our ability to provide effective support is largely dependent on our ability to attract, train and retain personnel who are not only qualified to support our solutions, but also well versed in some of the primary applications and hypervisors that our end customers run on our solutions. Furthermore, in the event we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training, and documentation in languages other than English. In addition, in the event we continue to expand our product portfolio to include additional solutions our ability to provide high-quality support will become more difficult and will involve more complexity. Any failure to maintain high-quality installation and technical support, or a market perception

that we do not maintain high-quality support, could harm our reputation and brand, adversely affect our ability to sell our solutions to existing and prospective end customers, and could harm our business, operating results, and financial condition.

We rely on third-party software that may be difficult to replace or may not perform adequately. We integrate third-party licensed software components into our technology infrastructure in order to provide our services. This software may not continue to be available on commercially reasonable terms or pricing or may fail to continue to be updated to remain competitive. The loss of the right to use this third-party software may increase our expenses or impact the provisioning of our services. The failure of this third-party software could materially impact the performance of our services and may cause material harm to our business or results of operations.

We depend upon our network providers and facilities infrastructure. Our success depends upon our ability to implement, expand, and adapt our network infrastructure and support services to accommodate an increasing amount of video traffic and evolving customer requirements at an acceptable cost. This has required and will continue to require that we enter into agreements with providers of infrastructure capacity, equipment, facilities, and support services on an ongoing basis. We cannot ensure that any of these agreements can be obtained on satisfactory terms and conditions. We also anticipate that future expansions and adaptations of our network infrastructure facilities may be necessary in order to respond to growth in the number of customers served.

A significant portion of our sales are through distribution channels including both system integrators and channel partners (collectively the "Service Providers") which have been difficult to project and, particularly volatile during the pandemic. Weakness in orders from our distribution channels may harm our operating results and financial condition. Sales to the Service Providers have been characterized by large and sporadic purchases, in addition to longer sales cycles. Product orders by the Service Providers decreased during 2021 and 2022 and at various times in the past we have experienced significant weakness in product orders from Service Providers. Product orders from the Service Providers could continue to decline and, as has been the case in the past, such weakness could persist over extended periods of time given fluctuating market conditions. Sales activity in this industry depends upon the stage of completion of expanding network infrastructures; the availability of funding; and the extent to which service providers are affected by regulatory, economic, and business conditions in the country of operations. Weakness in orders from this industry, including as a result of any slowdown in capital expenditures by service providers (which may be more prevalent during a global economic downturn, or periods of economic, political or regulatory uncertainty), could have a material adverse effect on our business, operating results, and financial condition. Such slowdowns may continue or recur in future periods. Orders from this industry could decline for many reasons other than the competitiveness of our products and services within their respective markets. For example, in the past, many of our Service Providers' customers have been materially and adversely affected by slowdowns in the general economy, by overcapacity, by changes in the Service Providers' market, by regulatory developments, and by constraints on capital availability, resulting in business failures and substantial reductions in spending and expansion plans. These conditions have materially harmed our business and operating results in the past and could affect our business and operating results in any future period. Finally, our Service Providers' customers typically have longer implementation cycles; require a broader range of services, including design services; demand that vendors take on a larger share of risks; often require acceptance provisions, which can lead to a delay in revenue recognition; and expect financing from vendors. All these factors can add further risk to business conducted with Service Providers.

Disruption of or changes in our distribution model could harm our sales and margins. If we fail to manage distribution of our products and services properly, or if our Service Providers' financial condition or operations weaken, our revenue and gross margins could be adversely affected. A significant portion of our products and services are sold through our distribution channels, and the remainder is sold through direct sales. Our distribution channels include systems integrators, channel partners, other resellers, and distributors. Systems integrators and channel partners typically sell directly to end users and often provide system installation, technical support, professional services, and other support services in addition to network equipment sales. Systems integrators also typically integrate our products into an overall solution, and a number of service providers are also systems integrators. Distributors stock inventory and typically sell to systems integrators, channel partners, and other resellers. We refer to sales through distributors as two-tier system of sales to the end customer. If sales through indirect channels increase, this may lead to greater difficulty in forecasting the mix of our products and, to a degree, the timing of orders from our customers.

Historically, we have seen fluctuations in our gross margins based on changes in the balance of our distribution channels. There can be no assurance that changes in the balance of our distribution model in future periods would not have an adverse effect on our gross margins and profitability. Some factors could result in disruption of or changes in our distribution model, which could harm our sales and margins, including the following: competition with some of our Service Providers, including through our direct sales, which may lead these channel partners to use other suppliers that do not directly sell their own products or otherwise compete with them; some of our Service Providers may demand that we absorb a greater share of the

risks that their customers may ask them to bear; some of our Service Providers may have insufficient financial resources and may not be able to withstand changes and challenges in business conditions; and revenue from indirect sales could suffer if our distributors' financial condition or operations weaken. In addition, we depend on our Service Providers globally to comply with applicable regulatory requirements. To the extent that they fail to do so, that could have a material adverse effect on our business, operating results, and financial condition.

Inventory management relating to our sales to our two-tier distribution channel is complex, and excess inventory may harm our gross margins. We must manage inventory relating to sales to our distributors effectively, because inventory held by them could affect our results of operations. Our distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high, or delay orders in anticipation of new products. They also may adjust their orders in response to the supply of our products and the products of our competitors that are available to them, and in response to seasonal fluctuations in end-user demand. Certain of our distributors generally request business terms that allow them to return a portion of inventory, receive credits for changes in selling price, and participate in various cooperative marketing programs. Inventory management remains an area of focus as we balance the need to maintain strategic inventory levels to ensure competitive lead times against the risk of inventory obsolescence because of rapidly changing technology and customer requirements. When facing component supply-related challenges, we have increased our efforts in procuring components in order to meet customer expectations. If we ultimately determine that we have excess inventory, we may have to reduce our prices and write down inventory, which in turn could result in lower gross margins.

We may experience material disconnections and/or reductions in the prices of our services and may not be able to replace the loss of revenues. Historically, we have experienced both significant disconnections of services and also reductions in the prices of our services. We endeavor to obtain long-term commitments from new customers, as well as expand our relationships with current customers. The disconnection of services by our significant customers or by several of our smaller customers could have a material adverse effect on our business, financial condition, and results of operations. Service contract durations and termination liabilities are defined within the terms and conditions of the Company's agreements with our customers. Termination of services in our existing agreements typically require a minimum of 30 days' notice and are subject to early termination penalties equal to the amount of accrued and unpaid charges including the remaining term length multiplied by any fixed monthly fees. The standard form of service agreement with us includes an auto-renewal clause at the end of each term if the customer does not choose to terminate service at that time. Certain customers and partners negotiate master agreements with custom termination liabilities that differ from our standard form of service agreement.

We are exposed to the credit and other counterparty risk of our customers in the ordinary course of our business. Our customers have varying degrees of creditworthiness, and we may not always be able to fully anticipate or detect deterioration in their creditworthiness and overall financial condition, which could expose us to an increased risk of nonpayment under our contracts with them. In the event that a material customer or customers default on their payment obligations to us, discontinue buying services from us or use their buying power with us to reduce its revenue, this could materially adversely affect our financial condition, results of operations or cash flows.

Failure to retain and recruit key personnel would harm our ability to meet key objectives. We have attracted a highly skilled management team and specialized workforce. Our future success is dependent in part on our ability to attract and retain highly skilled technical, managerial, sales and marketing personnel. Competition for these personnel is intense. Our inability to hire qualified personnel on a timely basis, or the departure of key employees (including Peter Holst, the Company's President and CEO) without a suitable replacement therefor could materially and adversely affect our business development and therefore, our business, prospects, results of operations and financial condition. Stock incentive plans are designed to reward employees for their long-term contributions and provide incentives for them to remain with us. Volatility or lack of positive performance in our stock price or equity incentive awards, or changes to our overall compensation program, including our stock incentive program, resulting from the management of share dilution and share-based compensation expense or otherwise, may also adversely affect our ability to retain key employees. As a result of one or more of these factors, we may increase our hiring in geographic areas outside the United States, which could subject us to additional geopolitical and exchange rate risk. The loss of services of any of our key personnel; the inability to retain and attract qualified personnel in the future; or delays in hiring required personnel, particularly engineering and sales personnel, could make it difficult to meet key objectives, such as timely and effective product introductions. In addition, companies in our industry whose employees accept positions with competitors frequently claim that competitors have engaged in improper hiring practices. We have received these claims in the past and may receive additional claims to this effect in the future.

Supply chain issues, including financial problems of contract manufacturers or component suppliers, or a shortage of adequate component supply or manufacturing capacity that increase our costs or cause a delay in our ability to fulfill orders, could have an adverse impact on our business and operating results, and our failure to estimate customer demand

properly may result in excess or obsolete component supply, which could adversely affect our gross margins. We rely on other companies to supply some components of our Mezzanine™ products and of our network infrastructure and the means to access our network. Certain products and services that we resell and certain components that we require are available only from limited sources. We could be adversely affected if such sources were to become unavailable to us on commercially reasonable terms. We cannot ensure that, on an ongoing basis, we will be able to obtain third-party services cost-effectively and on the scale and within the time frames that we require, if at all. Failure to obtain or to continue to make use of such third-party services would have a material adverse effect on our business, financial condition, and results of operations. The fact that we do not own or operate manufacturing facilities and that we are reliant on our supply chain could have an adverse impact on the supply of our products and on our business and operating results. Financial problems of either contract manufacturers or component suppliers, reservation of manufacturing capacity at our contract manufacturers by other companies, and industry consolidation occurring within one or more component supplier markets, such as the semiconductor market, in each case, could either limit supply or increase costs.

A reduction or interruption in supply, including disruptions on our global supply chain as a result of the COVID-19 pandemic; a significant increase in the price of one or more components; a failure to adequately authorize procurement of inventory by our contract manufacturers; a failure to appropriately cancel, reschedule or adjust our requirements based on our business needs; or a decrease in demand for our products could materially adversely affect our business, operating results and financial condition and could materially damage customer relationships. Furthermore, as a result of binding price or purchase commitments with suppliers, we may be obligated to purchase components at prices that are higher than those available in the current market. In the event that we become committed to purchase components at prices in excess of the current market price when the components are actually used, our gross margins could decrease. We have experienced longer than normal lead times in the past 12 months. In addition, vendors may be under pressure to allocate product to certain customers for business, regulatory or political reasons, and/or demand changes in agreed pricing as a condition of supply. Although we have generally secured additional supply or taken other mitigation actions when significant disruptions have occurred, if similar situations occur in the future or if we are unsuccessful in our mitigation efforts, they could have a material adverse effect on our business, results of operations, and financial condition.

Our growth and ability to meet customer demands depend in part on our ability to obtain timely deliveries of parts from our suppliers and contract manufacturers. We have experienced component shortages in the past, including shortages caused by manufacturing process issues, that have affected our operations. We may in the future experience a shortage of certain component parts as a result of our own manufacturing issues, manufacturing issues at our suppliers or contract manufacturers, capacity problems experienced by our suppliers or contract manufacturers including capacity or cost problems resulting from industry consolidation, or strong demand for those parts. Growth in the economy is likely to create greater pressures on us and our suppliers to accurately project overall component demand and component demands within specific product categories and to establish optimal component levels and manufacturing capacity, especially for labor-intensive components, components for which we purchase a substantial portion of the supply, or the re-ramping of manufacturing capacity for highly complex products. During periods of shortages or delays the price of components may increase, or the components may not be available at all, and we may also encounter shortages if we do not accurately anticipate our needs. We may not be able to secure enough components at reasonable prices or of acceptable quality to build new products in a timely manner in the quantities or configurations needed. Accordingly, our revenue and gross margins could suffer until other sources can be developed.

Our operating results would also be adversely affected if, anticipating greater demand than actually develops, we commit to the purchase of more components than we need, which is more likely to occur in a period of demand uncertainties such as we are currently experiencing. There can be no assurance that we will not encounter these problems in the future. Although in many cases we use standard parts and components for our products, certain components are presently available only from a single source or limited sources, and a global economic downturn and related market uncertainty could negatively impact the availability of components from one or more of these sources, especially during times such as we have recently seen when there are supplier constraints based on labor and other actions taken during economic downturns. We may not be able to diversify sources in a timely manner, which could harm our ability to deliver products to customers and seriously impact present and future sales.

Over the long term we intend to invest in engineering, sales, service and marketing activities, and in key priority and growth areas, and these investments may achieve delayed, or lower than expected, benefits which could harm our operating results. While we intend to focus on managing our costs and expenses, over the long term, we also intend to invest in personnel and other resources related to our engineering, sales, service, and marketing functions as we realign on and dedicate resources on key priority and growth areas. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments (including if our selection of areas for investment does not play out as we expect), or if the achievement of these benefits is delayed, our operating results may be adversely affected.

We have made and may continue to make acquisitions that could disrupt our operations and harm our operating results.

Our growth depends upon market growth, our ability to enhance our existing products, and our ability to introduce new products on a timely basis. We may address the need to develop new products and enhance existing products through acquisitions of other companies, product lines, technologies, and personnel. Acquisitions involve numerous risks, including the following:

- Difficulties in integrating the operations, systems, technologies, products and personnel of the acquired companies, particularly companies with large and widespread operations and/or complex products;
- Diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from acquisitions;
- Potential difficulties in completing projects associated with in-process research and development intangibles;
- Difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- Initial dependence on unfamiliar supply chains or relatively small supply partners;
- Insufficient revenue to offset increased expenses associated with acquisitions; and
- The potential loss of key employees, customers, distributors, vendors and other business partners of the companies we acquire following and continuing after announcement of acquisition plans.

Acquisitions may also cause us to:

- Issue common stock that would dilute our current shareholders' percentage ownership;
- Use a substantial portion of our cash resources, or incur debt;
- Significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- Assume liabilities;
- Record goodwill and intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges;
- Incur amortization expenses related to certain intangible assets;
- Incur tax expenses related to the effect of acquisitions on our legal structure;
- Incur large write-offs and restructuring and other related expenses; or
- Become subject to intellectual property or other litigation.

Mergers and acquisitions of high-technology companies are inherently risky and subject to many factors outside of our control, and no assurance can be given that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results, or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results. Prior acquisitions have resulted in a wide range of outcomes, from successful introduction of new products and technologies to a failure to do so. Even when an acquired company has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that pre-acquisition due diligence will have identified all possible issues that might arise with respect to such products. In addition, our effective tax rate for future periods is uncertain and could be impacted by mergers and acquisitions. Risks related to new product development also apply to acquisitions.

If our actual liability for sales and use taxes and federal regulatory fees is different from our accrued liability, it could have a material impact on our financial condition. Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. We review these rules and regulations periodically and, when we believe our services are subject to sales and use taxes in a particular state, we voluntarily engage state tax authorities in order to determine how to comply with their rules and regulations. Vendors of services, like us, are typically held responsible by taxing authorities for the collection and payment of any applicable sales taxes and federal fees. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our services, we may be liable for past taxes in addition to taxes going forward. Liability for past taxes may also include very substantial interest and penalty charges. Our customer contracts provide that our customers must pay all applicable sales taxes and fees. Nevertheless, customers may be reluctant to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes. If we are required to collect and pay back taxes and the associated interest and penalties, and if our customers fail or refuse to reimburse us for all or a portion of these amounts, we will have incurred unplanned expenses that may be substantial. Moreover, imposition of such taxes on our services going forward will effectively increase the cost of such services to our customers and may adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed. We may also become subject to tax audits or similar procedures in states where we already pay

sales and use taxes. The assessment of taxes, interest, and penalties as a result of audits, litigation, or otherwise could be materially adverse to our current and future results of operations and financial condition.

Risks Related to Cybersecurity and Regulations

Cyber-attacks, data breaches, malware, or a breach of our physical security systems may disrupt our business operations, result in the loss of critical and confidential information, harm our operating results and financial condition, and damage our reputation; and cyber-attacks or data breaches on our customers' networks, or in cloud-based services provided by or enabled by us, could result in claims of liability against us, damage our reputation or otherwise harm our business. In the ordinary course of providing video communications services, we transmit sensitive and proprietary information of our customers. We are dependent on the proper function, availability and security of our information systems, including without limitation those systems utilized in our operations. We have undertaken measures to protect the safety and security of our inventory and our information systems and the data maintained within those systems, and on an annual basis, we test the adequacy of our security measures. Despite our implementation of security measures, there can be no assurance our safety and security measures will detect and prevent security breaches in a timely manner or otherwise prevent damage or interruption of our systems and operations or inventory theft. The products and services we sell to customers, and our servers, data centers and the cloud-based solutions on which our data, and data of our customers, suppliers and business partners are stored, are vulnerable to improper functioning, cyber-attacks, data breaches, malware, and similar disruptions from unauthorized access or tampering by malicious actors or inadvertent error. Any such event could compromise our products, services and networks or those of our customers, and the proprietary information stored on our systems or those of our customers could be improperly accessed, processed, disclosed, lost or stolen, which could subject us to liability to our customers, suppliers, business partners and others, give rise to legal/regulatory action, and could have a material adverse effect on our business, operating results, and financial condition and may cause damage to our reputation. A security breach at any one of our physical facilities, such as that which occurred during 2022, could result in a significant loss of inventory, or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on our business, financial condition, and results of operations. Efforts to limit the ability of malicious actors to disrupt the operations of the Internet or undermine our own security efforts may be costly to implement and meet with resistance, and may not be successful. Breaches of security in our customers' networks, or in cloud-based services provided by or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, could result in claims of liability against us, damage our reputation, or otherwise harm our business.

Vulnerabilities and critical security defects, prioritization decisions regarding remedying vulnerabilities or security defects, failure of third-party providers to remedy vulnerabilities or security defects, or customers not deploying security releases or deciding not to upgrade products, services or solutions could result in claims of liability against us, damage our reputation or otherwise harm our business. The products and services we sell to customers inevitably contain vulnerabilities or critical security defects which have not been remedied and cannot be disclosed without compromising security. We may also make prioritization decisions in determining which vulnerabilities or security defects to fix, and the timing of these fixes, which could result in an exploit that compromises security. Customers also need to test security releases before they can be deployed which can delay implementation. In addition, we rely on third-party providers of software and cloud-based service, and we cannot control the rate at which they remedy vulnerabilities. Customers may also not deploy a security release or decide not to upgrade to the latest versions of our products, services or cloud-based solutions containing the release, leaving them vulnerable. Vulnerabilities and critical security defects, prioritization errors in remedying vulnerabilities or security defects, failure of third-party providers to remedy vulnerabilities or security defects, or customers not deploying security releases or deciding not to upgrade products, services or solutions could result in claims of liability against us, damage our reputation or otherwise harm our business.

Our business, operating results and financial condition could be materially harmed by regulatory uncertainty applicable to our products and services. Changes in regulatory requirements applicable to the industries in which we operate, in the United States and in other countries, could materially affect the sales of our products and services. In particular, changes in telecommunications regulations could impact our service provider customers' purchase of our products and offers, and they could also impact sales of our own regulated offers. In addition, evolving legal requirements restricting or controlling the collection, processing, or cross-border transmission of data, including regulation of cloud-based services, could materially affect our customers' ability to use, and our ability to sell, our products and offers. Additional areas of uncertainty that could impact sales of our products and offers include laws and regulations related to encryption technology, environmental sustainability, export control, product certification and national security controls applicable to our supply chain. Changes in regulatory requirements in these areas could have a material adverse effect on our business, operating results, and financial condition.

Our network could fail, which could negatively impact our revenues. Our success depends upon our ability to deliver reliable, high-speed access to our channels' and customers' data centers and upon the ability and willingness of our telecommunications providers to deliver reliable, high-speed telecommunications service through their networks. Our network and facilities, and other networks and facilities providing services to us, are vulnerable to damage, unauthorized access, or cessation of operations from human error and tampering, breaches of security, fires, earthquakes, severe storms, power losses, telecommunications failures, software defects, intentional acts of vandalism including computer viruses, and similar events. The occurrence of a natural disaster or other unanticipated problems at the network operations center, key sites at which we locate routers, switches and other computer equipment that make up the backbone of our service offering and hosted infrastructure, or at one or more of our partners' data centers, could substantially and adversely impact our business. We cannot ensure that we will not experience failures or shutdowns relating to individual facilities or even catastrophic failure of the entire network or hosted infrastructure. Any damage to, or failure of, our systems or service providers could result in reductions in, or terminations of, services supplied to our customers, which could have a material adverse effect on our business and results of operations.

Our network depends upon telecommunications carriers who could limit or deny us access to their network or fail to perform, which would have a material adverse effect on our business. We rely upon the ability and willingness of certain telecommunications carriers and other corporations to provide us with reliable high-speed telecommunications service through their networks. If these telecommunications carriers and other corporations decide not to continue to provide service to us through their networks on substantially the same terms and conditions (including, without limitation, price, early termination liability, and installation interval), if at all, it would have a material adverse effect on our business, financial condition, and results of operations. Additionally, many of our service level objectives are dependent upon satisfactory performance by our telecommunications carriers. If they fail to so perform, it may have a material adverse effect on our business.

Risks Related to Intellectual Property

Our failure to obtain or maintain the right to use certain intellectual property may negatively affect our business. Our future success and competitive position depend in part upon our ability to obtain and maintain certain proprietary intellectual property to be used in connection with our services. While we are not currently engaged in any intellectual property litigation, we could become subject to lawsuits in which it is alleged that we have infringed the intellectual property rights of others, or we could commence lawsuits against others who we believe are infringing upon our rights.

Third parties, including customers, may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents, and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. The asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers, or customers, alleging infringement of their proprietary rights with respect to our existing or future products or components of those products. Regardless of the merit of these claims, they can be time-consuming, result in costly litigation, and where claims are made by customers, resistance even to unmeritorious claims could damage customer relationships.

An adverse outcome as a defendant in any such litigation may result in impacts to the Company including, but not limited to:

- Payment of substantial damages;
- Diversion of technical and management personnel;
- Cessation of the use, development, or sale of services that infringe upon patented intellectual property;
- Entrance into license agreements; and
- Expending significant resources to develop or acquire a non-infringing technology.

There can be no assurance that that we would be successful in such litigation, that development or licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high court awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected. Our exposure to risks associated with the use of intellectual property may be increased as a result of acquisitions, as we have a lower level of visibility into the development process with respect to such technology or the care taken to safeguard against infringement risks.

An adverse outcome as plaintiff in any such litigation, in addition to the costs involved, may, among other things, result in the loss of the intellectual property (such as a patent) that was the subject of the lawsuit by a determination of invalidity or unenforceability, significantly increase competition as a result of such determination, and require the payment of penalties resulting from counterclaims by the defendant.

We may not be able to protect the rights to, or enforce, our intellectual property. We generally rely on patents, copyrights, trademarks, and trade secret laws to establish and maintain proprietary rights in our technology and products. We have been issued numerous patents, other patent applications are currently pending, and some of our intellectual property is not covered by any patent. As we further develop our services and related intellectual property, we expect to seek additional patent protection. Our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, we cannot assure that any of the patents owned by us or other patents that other parties license to us in the future will not be invalidated, circumvented, challenged, rendered unenforceable or licensed to others; any of our pending or future patent applications will be issued with the breadth of claim coverage sought by it, if issued at all; or any patents owned by or licensed to us, although valid, will not be dominated by a patent or patents to others having broader claims. Furthermore, many key aspects of networking technology are governed by industry-wide standards, which are usable by all market entrants, and there can be no assurance that patents will be issued from pending applications or that claims allowed on any patents will be sufficiently broad to protect our technology. Additionally, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States. The outcome of any actions taken in these foreign countries may be different than if such actions were determined under the laws of the United States. Although we are not dependent on any individual patent or group of patents for particular segments of the business for which we compete, if we are unable to protect our proprietary rights to the totality of the features (including aspects of products protected other than by patent rights) in a market, we may find ourselves at a competitive disadvantage to others who need not incur the substantial expense, time and effort required to create innovative products that have enabled us to be successful.

Failure to protect our existing intellectual property rights may result in the loss of our exclusivity or the right to use our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation and/or be enjoined from using such intellectual property.

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements. We cannot ensure that these agreements will not be breached, that we will have adequate remedies for any breach or that such persons will not assert rights to intellectual property arising out of these relationships.

A number of our solutions incorporate software provided under open-source licenses which may restrict or impose certain obligations on how we use or distribute our solutions or subject us to various risks and challenges, which could result in increased development expenses, delays or disruptions to the release or distribution of those solutions, inability to protect our intellectual property rights and increased competition. Certain significant components of our solutions incorporate or are based upon open-source software, and we may incorporate open-source software into other solutions in the future. Such open-source software is generally licensed under open-source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, "Apache-style" licenses, "BSD-style" licenses and other open-source licenses. The use of open-source software subjects us to a number of risks and challenges, including, but not limited to:

- If open-source software programmers, most of whom we do not employ, do not continue to develop and enhance open source technologies, our development expenses could increase and our product release and upgrade schedules could be delayed.
- Open-source software is open to further development or modification by anyone. As a result, others may develop such software to be competitive with our platform and may make such competitive software available as open source. It is also possible for competitors to develop their own solutions using open-source software, potentially reducing the demand for, and putting price pressure on, our solutions.
- The licenses under which we license certain types of open-source software may require that, if we modify the open source software we receive, we are required to make such modified software and other related proprietary software of ours publicly available without cost and on the same terms. In addition, some open-source licenses appear to be permissive in that internal use of the open source software is allowed, but prohibit commercial uses, or treat provision of cloud services as triggering the requirement to make proprietary software publicly available. Accordingly, we monitor our use of open-source software in an effort to avoid subjecting our proprietary software to such conditions and others we do not intend. Although we believe that we have complied with our obligations under the various

applicable licenses for open-source software that we use, our processes used to monitor how open-source software is used could be subject to error. In addition, there is little or no legal precedent governing the interpretation of terms in most of these licenses and licensors sometimes change their license terms. Therefore, any improper usage of open-source, including a failure to identify changes in license terms, could result in unanticipated obligations regarding our solutions and technologies, which could have an adverse impact on our intellectual property rights and our ability to derive revenue from solutions incorporating the open source software.

- If an author or other third party that distributes such open-source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur legal expenses defending against such allegations, or engineering expenses in developing a substitute solution.

If we are unable to successfully address the challenges of integrating offerings based upon open-source technology into our business, our business and operating results may be adversely affected and our development costs may increase.

We may incur non-cash impairment charges for our right-of-use and intangible assets which would negatively impact our operating results. The failure to use the full value of our right-of-use assets, such as that which occurred in during 2022, could result in significant impairment charges which could have an adverse effect on our results of operations.

The Company assesses the impairment of purchased intangible assets subject to amortization when events and circumstances indicate that the carrying value of the assets might not be recoverable. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments, related primarily to the future profitability and/or future value of the assets. Changes in the Company's strategic plan and/or other-than-temporary changes in market conditions could significantly impact these judgments and could require adjustments to recorded asset balances. As a result of declines in revenue for the Collaboration Products reporting segment, and decreases in our stock price, we concluded that triggering events had occurred and conducted impairment testing of our intangible assets during the year ended December 31, 2022. Based on the corresponding recoverability tests of the intangible assets for the Collaboration Products reporting unit, we determined that impairment changes of \$5.1 million were required for the year ended December 31, 2022. The recoverability test consisted of comparing the estimated undiscounted cash flows expected to be generated by those assets to the respective carrying amounts.

The fair value determinations underlying the quantitative aspect of our impairment testing require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. Estimating the fair value of our intangible assets requires us to make assumptions and estimates regarding our future plans, as well as industry, economic and regulatory conditions. If current expectations are not met, or if market factors outside of our control change significantly, then our intangible assets might become impaired in the future, adversely affecting our operating results. The carrying amounts of our intangible assets are susceptible to impairment risk if there are unfavorable changes in such assumptions, estimates, and market factors. To the extent that we experience future declines in revenue, business conditions deteriorate, or key assumptions and estimates differ significantly from our management's expectations, it may be necessary to recognize an impairment charge in the future.

Risks Related to Our Business Resulting from the Coronavirus Pandemic

The coronavirus pandemic is a serious threat to health and economic well-being affecting our employees, investors, customers, and other business partners. On March 11, 2020, the World Health Organization announced that infections of the novel Coronavirus (COVID-19) had become pandemic, and on March 13, 2020, the U.S. President announced a National Emergency relating to the disease. During 2020, 2021, 2022, and through the date of this Report, widespread infection in the United States and abroad prompted National, state, and local authorities to at times require or recommend social distancing and impose quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures, while intended to protect human life, have had serious adverse impacts on domestic and foreign economies, and these impacts could continue, in various degrees of severity and for an uncertain duration. The long-term effectiveness of economic stabilization efforts, including government payments to affected citizens and industries is uncertain.

The sweeping nature of the pandemic makes it extremely difficult to predict how the Company's business and operations will be affected in the longer run, but the pandemic materially affected our revenue and results of operations for the years ended December 31, 2021 and 2022, as we experienced delayed orders in our distribution channels as a direct result of customer implementation schedules shifting due to the ongoing COVID-19 pandemic. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Moreover, the coronavirus outbreak has had indeterminable adverse effects on general commercial activity and the world economy, and our business and results of operations could be adversely affected to the extent that this coronavirus or any other epidemic harms the global economy generally and/or the markets in which we operate specifically.

Further, our current and potential customers may likely be required to continue to allocate resources and adjust budgets to accommodate potential contingencies related to the effects of the coronavirus and measures required to be put in place to prevent and contain contamination of the virus. Uncertainties resulting from COVID-19 may result in customers delaying budget expenditures or re-allocating resources, which would result in a decrease in orders from these customers. Any such decrease in orders from these customers could cause a material adverse effect on our operations and financial results and our ability to generate positive cash flows. Further, our current service offerings and our future growth may be minimized to a point that would be detrimental to our business development activities.

Any of the foregoing factors, or other cascading effects of the coronavirus pandemic that are not currently foreseeable, could materially increase our costs, negatively impact our sales and damage the company's results of operations and its liquidity position, possibly to a significant degree. The duration of any such impacts cannot be predicted.

Risks to Owning Our Common Stock

Our stock price has fluctuated in the past, has recently been volatile and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses. Historically, our common stock has experienced substantial price volatility, particularly as a result of variations between our actual financial results and the published expectations of analysts and as a result of announcements by our competitors and us. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business, and security of our products or significant transactions can cause changes in our stock price. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, in particular, and that have often been unrelated to the operating performance of these companies. These factors, as well as general economic and political conditions and the announcement of proposed and completed acquisitions or other significant transactions, or any difficulties associated with such transactions, by us or our current or potential competitors, may materially adversely affect the market price of our common stock in the future. The market price for our common stock may be influenced by many factors, including the following:

- investor reaction to our business strategy;
- the success of competitive products or technologies;
- our ability to comply with the continued listing standards of the Nasdaq Capital Market;
- regulatory or legal developments in the United States and other countries, especially changes in laws or regulations applicable to our products;
- variations in our financial results or those of companies that are perceived to be similar to us;
- our ability or inability to raise additional capital and the terms on which we raise it;
- declines in the market prices of stocks generally;
- trading volume of our common stock;
- sales of our common stock by us or our stockholders;
- general economic, industry and market conditions;
- the transformation of our business to deliver more software and subscriptions offerings where revenue is recognized over time;
- fluctuations in demand for our products and services, especially with respect to distributors and partners, in part due to changes in the global economic environment;
- the introduction and market acceptance of new technologies and products, and our success in new evolving markets, and in emerging technologies, as well as the adoption of new standards;
- the ability of our customers, channel partners, contract manufacturers and suppliers to obtain financing or to fund capital expenditures, especially during a period of global credit market disruption or in the event of customer, channel partner, contract manufacturer or supplier financial problem;
- the overall movement toward industry consolidation among both our competitors and our customers;
- changes in sales and implementation cycles for our products and reduced visibility into our customers' spending plans and associated revenue;
- the timing, size and mix of orders from customers;
- manufacturing and customer lead times;
- how well we execute on our strategy and operating plans and the impact of changes in our business model that could result in significant restructuring charges;
- our ability to achieve targeted cost reductions;
- benefits anticipated from our investments;
- changes in tax law or accounting rules, or interpretations thereof;

- actual events, circumstances, outcomes and amounts differing from judgments, assumptions and estimates used in determining the values of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our Consolidated Financial Statements;
- other events or factors, including those resulting from such events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, such as the outbreak of COVID-19, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations, disrupt the operations of our suppliers or result in political or economic instability; and
- the failure of any bank and the resulting economic uncertainty caused by such failures.

These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Since the stock price of our common stock has fluctuated in the past, has been recently volatile and may be volatile in the future, investors in our common stock could incur substantial losses. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. There can be no guarantee that our stock price will remain at current prices or that future sales of our common stock will not be at prices lower than those sold to investors.

Throughout much of our corporate history, our common stock has been thinly traded, and therefore has therefore been susceptible to wide price swings. While our common stock has recently experienced increased trading volume, we cannot ensure that this level of trading volume will continue, or that the increased trading volumes will lessen the historic volatility in the price for our common stock. Thinly traded stocks are more susceptible to significant and sudden price changes and the liquidity of our common stock depends upon the presence in the marketplace of willing buyers and sellers. At any time, the liquidity of our common stock may decrease to the thinly traded levels it has experienced in the past, and we cannot ensure that any holder of our securities will be able to find a buyer for its shares. Further, we cannot ensure that an organized public market for our securities will continue or that there will be any private demand for our common stock.

Additionally, recently, securities of certain companies have experienced significant and extreme volatility in stock price due short sellers of shares of common stock, known as a "short squeeze." These short squeezes have caused extreme volatility in those companies and in the market and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment as the price per share has declined steadily as interest in those stocks have abated. While we have no reason to believe our shares would be the target of a short squeeze, there can be no assurance that we will not be in the future, and you may lose a significant portion or all of your investment if you purchase our shares at a rate that is significantly disconnected from our underlying value.

Penny stock regulations may impose certain restrictions on the marketability of our securities. The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Our common stock is presently subject to these regulations, which impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a "penny stock," unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the "penny stock" market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the "penny stock" held in the account and information on the limited market in "penny stocks." Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our securities and may negatively affect the ability of purchasers of our shares of common stock to sell such securities.

Future operating results may vary from quarter to quarter, and we may fail to meet the expectations of securities analysts and investors at any given time. We have experienced, and may continue to experience, significant quarterly fluctuations in operating results. Factors that cause fluctuation in our results of operations include lack of revenue growth or declines in revenue and declines in gross margins and increases in operating expenses. Accordingly, it is possible that in one or

more future quarters our operating results will be adversely affected and fall below the expectations of securities analysts and investors. If this happens, the trading price of our common stock may decline.

Sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could reduce the market price of our common stock and make it more difficult for us and our stockholders to sell our equity securities in the future. The sale into the public market of a significant number of shares of common stock by our existing shareholders, or the resale into the public market of shares issued in prior or future financings, could depress the trading price of our common stock and make it more difficult for us or our stockholders to sell equity securities in the future. Such transactions may include, but are not limited to (i) any future issuances by us of additional shares of our common stock or of other securities that are convertible or exchangeable for shares of common stock; and (ii) the resale of any previously issued but restricted shares of our common stock that become freely available for re-sale, whether through an effective registration statement or under Rule 144 of the Securities Act.

While the sale of shares to the public might increase the trading volume of our common stock and thus the liquidity of our stockholders' investments, the resulting increase in the number of shares available for public sale could drive the price of our common stock down, thus reducing the value of our stockholders' investment and perhaps hindering our ability to raise additional funds in the future.

We will need to raise additional capital by issuing securities or debt, which may cause significant dilution to our stockholders and restrict our operations. We will need to raise additional capital to fund our near and long-term operations. Additional financing may not be available when we need it or may not be available on favorable terms. To the extent that we raise additional capital by issuing equity securities, the terms of such an issuance may cause more significant dilution to our stockholders' ownership, and the terms of any new equity securities may have preferences over the combined organization's common stock. Any debt financing we enter into may involve covenants that restrict our operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on our ability to create liens, pay dividends, redeem stock or make investments.

Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment. The Company's certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of the company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of the board of directors or take other corporate actions, including effecting changes in the Company's management. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on its board of directors;
- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors or a majority of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the ability of our board of directors, by majority vote, to amend the Company's amended and restated bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the amended and restated bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

We could fail to satisfy the standards to maintain our listing on a stock exchange. We could fail to satisfy the standards for continued exchange listing on the Nasdaq Capital Market such as standards having to do with a minimum share price, the minimum number of public shareholders, a minimum amount of stockholders' equity or the aggregate market value of publicly held shares. On February 17, 2022, the Company received written notice from the Nasdaq Stock Market, LLC ("Nasdaq") indicating that the bid price for the Company's common stock (the "Common Stock"), for the last 30 consecutive business days, had closed below the minimum \$1.00 per share and, as a result, the Company was not in compliance with the \$1.00 minimum

bid price requirement for the continued listing on the Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”). In accordance with the Nasdaq Listing Rule 5810(c)(3)(A), the Company had a period of 180 calendar days, or until August 16, 2022, to regain compliance with the Bid Price Rule. On August 17, 2022, the Company received written notification from the Listing Qualifications Department of Nasdaq, granting the Company's request for a 180-day extension, or until February 13, 2023 to regain compliance with the Bid Price Rule. To regain compliance, the closing bid price of the Common Stock must have met or exceeded \$1.00 per share for a minimum of ten consecutive business days during this 180-day period. On January 3, 2023, the Company effected a 1-for-15 reverse stock split and the Company's shares of Common Stock began trading on a split-adjusted basis at the commencement of trading on January 4, 2023. On January 18, 2023, the Company received written notice from Nasdaq confirming the Company had regained compliance with the Bid Price Rule, and that the matter was now closed.

If the Company fails to satisfy the Bid Price Rule in the future and is not able to regain compliance, then the Nasdaq will notify the Company of its determination to delist its Common Stock. If we are unable to maintain our listing on the Nasdaq Capital Market, it would negatively affect, among other things (i) our ability to raise capital on terms we deem advisable, or at all, and (ii) the liquidity of our common stock. Failure to obtain financing, or obtaining financing on unfavorable terms, could result in a decrease in our stock price, would have a material adverse effect on future operating prospects and could require us to significantly reduce operations. Any holder of our securities should regard them as a long-term investment and should be prepared to bear the economic risk of an investment in such securities for an indefinite period.

General Risks

We incur significant accounting and administrative costs as a publicly traded corporation that impact our financial condition. As a publicly traded corporation, we incur certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if controls thought to be effective later fail, we may be forced to make additional expenditures, the amounts of which could be material. Some of our competitors are privately owned so their comparatively lower accounting and administrative costs can be a competitive disadvantage for us. Should our sales continue to decline or if we are unsuccessful at increasing prices to cover higher expenditures for internal controls and audits, our costs associated with regulatory compliance will rise as a percentage of sales.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders may not be confident in our financial reporting, which could adversely affect the price of our stock and harm our business. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in our annual report on Form 10-K our assessment of the effectiveness of our internal controls over financial reporting. Although we believe that we currently have adequate internal control procedures in place, we cannot be certain that our internal controls over financial reporting will remain effective. If we cannot adequately maintain the effectiveness of our internal controls over financial reporting, we may be subject to liability and/or sanctions or investigation by regulatory authorities, such as the SEC. Any such action could adversely affect our financial results and the market price of our common stock.

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. If we were unable to access all or a significant portion of the amounts we have deposited at financial institutions for any extended period of time, we may not be able to pay our operational expenses or make other payments until we are able to move our funds to accounts at one or more other financial institutions, which process could cause a temporary delay in making payments to our vendors and employees and cause other operational challenges.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease three facilities in Los Angeles, California providing office space. We also lease a facility in City of Industry, California, providing warehouse space. These leases expire between 2023 and 2024. During 2022, and through the date of this filing, we exited leases in Boston, Massachusetts, Dallas, Texas, and Austin, Texas. We currently occupy the warehouse space in City of Industry; we have subleases in place for the one Los Angeles property. With the exception of these spaces described

above, we currently operate out of remote employment sites with a remote office located at 25587 Conifer Road, Suite 105-231, Conifer, Colorado 80433. For additional information regarding our obligations under leases, see **Note 9 - Operating Lease Liabilities and Right-of-Use Assets** to the Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report.

Item 3. Legal Proceedings

From time to time, we are subject to various legal proceedings arising in the ordinary course of business, including proceedings for which we have insurance coverage. As of the date hereof, we are not party to any legal proceedings that we currently believe will have a material adverse effect on our business, financial position, results of operations or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Effective February 11, 2021, the Company’s common stock trades on the Nasdaq Capital Market under the symbol “OBLG.” Prior to February 11, 2021, the Company’s common stock traded on the NYSE American under the symbols “OBLG” and “GLOW”.

Subsequent to the date of this Report, on January 3, 2023, the Company effected a 1-for-15 reverse stock split for its Common Stock. All Common Stock share information in the discussion and tables of this Annual Report are shown as adjusted for this split.

On March 20, 2023, the closing sale price of our common stock was \$1.38 per share as reported on the Nasdaq Capital Market, and 2,063,308 shares of our common stock were issued and outstanding. As of March 20, 2023, there were 152 holders of record of our common stock. American Stock Transfer & Trust Company, LLC is the transfer agent and registrar of our common stock.

Dividends

Our board of directors has never declared or paid any cash dividends on our common stock and does not expect to do so for the foreseeable future. We currently intend to retain any earnings to finance the growth and development of our business. Our board of directors will make any future determination of the payment of dividends based upon conditions then existing, including our earnings, financial condition and capital requirements, as well as such economic and other conditions as our board of directors may deem relevant.

Recent Sales of Unregistered Securities

Not Applicable

Item 6. Reserved

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholders’ equity and cash flows for each of the years ended December 31, 2022 and 2021, and the related notes attached thereto. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future development plans, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. The discussion of results, causes and trends should not be construed to imply any conclusion that such results or trends will necessarily continue in the future.

Business

We are a provider of patented multi-stream collaboration products and managed services for video collaboration and network solutions.

Mezzanine™ Product Offerings

Our flagship product is called Mezzanine™, a family of turn-key products that enable dynamic and immersive visual collaboration across multi-users, multi-screens, multi-devices, and multi-locations (see further description of Mezzanine™ in Part I, Item 1). Mezzanine™ allows multiple people to share, control and arrange content simultaneously, from any location, enabling all participants to see the same content in its entirety at the same time in identical formats, resulting in dramatic enhancements to both in-room and virtual videoconference presentations. Applications include video telepresence, laptop and application sharing, whiteboard sharing and slides. Spatial input allows content to be spread across screens, spanning different walls, scalable to an arbitrary number of displays and interaction with our proprietary wand device. Mezzanine™ substantially enhances day-to-day virtual meetings with technology that accelerates decision making, improves communication, and increases productivity. Mezzanine™ scales up to support the most immersive and commanding innovation centers; across to link labs, conference spaces, and situation rooms; and down for the smallest work groups. Mezzanine's digital collaboration platform can be sold as delivered systems in various configurations for small teams to total immersion experiences. The family includes the 200 Series (two display screen), 300 Series (three screen), and 600 Series (six screen). We also sell maintenance and support contracts related to Mezzanine™.

Historically, customers have used Mezzanine™ products in traditional office and operating center environments such as conference rooms or other presentation spaces. As discussed below, sales of our Mezzanine product have been adversely affected by commercial response to the COVID-19 pandemic. Like many technology companies in recent months, we will continue to monitor and manage our costs relative to demand with the goal of growing the Company's revenue in the future. To the extent we believe new investments in product development, marketing, or sales are warranted as a result of changes in market demand, we believe additional capital will be required to fund those efforts and our ongoing operations.

Managed Services for Video Collaboration

We provide a range of managed services for video collaboration, from automated to orchestrated, to simplify the user experience in an effort to drive adoption of video collaboration throughout our customers' enterprise. We deliver our services through a hybrid service platform or as a service layer on top of our customers' video infrastructure. We provide our customers with i) managed videoconferencing, where we set up and manage customer videoconferences and ii) remote service management, where we provide 24/7 support and management of customer video environments.

Managed Services for Network

We provide our customers with network solutions that ensure reliable, high-quality and secure traffic of video, data and internet. Network services are offered to our customers on a subscription basis. Our network services business carries variable costs associated with the purchasing and reselling of this connectivity.

Results of Operations

Year Ended December 31, 2022 ("2022") versus Year Ended December 31, 2021 ("2021")

Segment Reporting

The Company currently operates in two segments for purposes of segment reporting: (1) "Collaboration Products," which represents the Oblong Industries business surrounding our Mezzanine™ product offerings and (2) "Managed Services," which represents the Oblong (formerly Glowpoint) business surrounding managed services for video collaboration and network solutions.

Certain information concerning the Company's segments for the years ended December 31, 2022 and 2021, is presented in the following table (in thousands):

	Year Ended December 31, 2022			
	Managed Services	Collaboration Products	Corporate	Total
Revenue	\$ 3,348	\$ 2,128	\$ —	\$ 5,476
Cost of revenues	2,273	1,657	—	3,930
Gross profit	\$ 1,075	\$ 471	\$ —	\$ 1,546
<i>Gross profit %</i>	32 %	22 %	— %	28 %
Allocated operating expenses	\$ 19	\$ 18,355	\$ —	\$ 18,374
Unallocated operating expenses	—	—	5,160	5,160
Total operating expenses	\$ 19	\$ 18,355	\$ 5,160	\$ 23,534
Income (loss) from operations	\$ 1,056	\$ (17,884)	\$ (5,160)	\$ (21,988)
Interest and other expense (income), net	12	(52)	—	(40)
Income (loss) before income taxes	\$ 1,044	\$ (17,832)	\$ (5,160)	\$ (21,948)
Income tax expense	\$ (4)	\$ (3)	\$ —	\$ (7)
Net income (loss)	\$ 1,048	\$ (17,829)	\$ (5,160)	\$ (21,941)
	Year Ended December 31, 2022			
Total assets	\$ 752	\$ 1,824	\$ 3,085	\$ 5,661

	Year Ended December 31, 2021			
	Managed Services	Collaboration Products	Corporate	Total
Revenue	\$ 4,270	\$ 3,469	\$ —	\$ 7,739
Cost of revenues	2,991	2,030	—	5,021
Gross profit	\$ 1,279	\$ 1,439	\$ —	\$ 2,718
<i>Gross profit %</i>	30 %	41 %	— %	35 %
Allocated operating expenses	\$ 591	\$ 7,879	\$ —	\$ 8,470
Unallocated operating expenses	—	—	6,042	6,042
Total operating expenses	\$ 591	\$ 7,879	\$ 6,042	\$ 14,512
Income (loss) from operations	\$ 688	\$ (6,440)	\$ (6,042)	\$ (11,794)
Interest and other (income) expense, net	22	(227)	(2,448)	(2,653)
Loss before income taxes	\$ 666	\$ (6,213)	\$ (3,594)	\$ (9,141)
Income tax benefit	\$ (15)	\$ (75)	—	\$ (90)
Net income (loss)	\$ 681	\$ (6,138)	\$ (3,594)	\$ (9,051)
	Year Ended December 31, 2021			
Total assets	\$ 1,053	\$ 18,615	\$ 8,939	\$ 28,607

Unallocated operating expenses in Corporate include costs that are not specific to a particular segment but are general to the group; included are expenses incurred for administrative and accounting staff, general liability and other insurance, professional fees and other similar corporate expenses. Unallocated assets consist of unrestricted cash.

Revenue. Total revenue decreased for the year ended December 31, 2022 compared to the year ended December 31, 2021.

The following table summarizes the changes in components of our revenue, and the significant changes in revenue are discussed in more detail below (in thousands):

	Year Ended December 31,			
	2022	% of Revenue	2021	% of Revenue
Revenue: Managed Services				
Video collaboration services	\$ 334	6 %	\$ 854	11 %
Network services	2,954	54 %	3,347	43 %
Professional and other services	60	1 %	69	1 %
Total Managed Services revenue	\$ 3,348	61 %	\$ 4,270	55 %
Revenue: Collaboration Products				
Visual collaboration product offerings	\$ 2,114	39 %	\$ 3,367	44 %
Licensing	14	— %	102	1 %
Total Collaboration Products revenue	\$ 2,128	39 %	\$ 3,469	45 %
Total consolidated revenue	\$ 5,476	100 %	\$ 7,739	100 %

Managed Services

- The year over year decrease in revenue for video collaboration services is mainly attributable to lower revenue from existing customers (either from reductions in price or level of services) and loss of customers to competition.
- The year over year decrease in revenue for network services is mainly attributable to net attrition of customers and lower demand for our services given the competitive environment and pressure on pricing that exists in the network services business.
- We expect revenue declines in our Managed Services segment will continue in the future.

Collaboration Products

- Historically, customers have used Mezzanine™ products in traditional office and operating center environments such as conference rooms or other presentation spaces. The year over year decrease in revenue for our product offerings is primarily attributable to the ongoing effects of the COVID-19 pandemic on our existing and target customers as they continue to evaluate behavioral changes in how and when employees choose to work from traditional office environments. The Company's results reflect the challenges of long and unpredictable sales cycles, delays in customer retrofit budgets for commercial real estate spaces, project delays, and prospective orders in our distribution channels as a direct result of partner and customer implementation schedules shifting due to the COVID-19 pandemic and its aftermath. The COVID-19 pandemic in particular has, and may continue to have, a significant economic and business impact on our Company. During 2021 and 2022, we experienced declines in revenue as our partners and customers across all sectors delayed potential orders in reaction to the ongoing impacts of the pandemic that caused our customers to suspend or postpone technology changes/upgrades due to budget and occupancy uncertainties. We continue to monitor the impact of the pandemic on our customers, suppliers and logistics providers; the significance and duration of the ongoing impact on us is still uncertain. Material adverse effects of the COVID-19 pandemic, and its aftermath, on market drivers, our partners and customers, suppliers or logistics providers may be expected to continue to significantly impact our operating results. We will continue to actively follow, assess and analyze the ongoing impact of the pandemic and adjust our organizational structure, strategies, plans and processes to respond. Because the situation continues to evolve, we cannot reasonably estimate the ultimate impact to our business, results of operations, cash flows and financial position that the pandemic may have. Continuation of the ongoing effects of the pandemic, and government actions in response thereto, could cause further disruptions to our operations and the operations of our customers, suppliers and logistics partners and may be expected to continue to significantly adversely affect our near-term and long-term revenues, earnings, liquidity and cash flows.

Cost of Revenue (exclusive of depreciation and amortization and casualty loss). Cost of revenue, exclusive of depreciation and amortization and casualty loss, includes all internal and external costs related to the delivery of revenue. Cost of revenue also includes taxes which have been billed to customers. Cost of revenue by segment is presented in the following table (in thousands):

	Year Ended December 31,	
	2022	2021
Cost of Revenue		
Managed Services	\$ 2,273	\$ 2,991
Collaboration Products	1,657	2,030
Total cost of revenue	\$ 3,930	\$ 5,021

The year over year decrease in cost of revenue is mainly attributable to lower costs associated with the decrease in revenue during the same period. The Company's gross profit as a percentage of revenue was 28% in 2022 compared to 35% in 2021. This decrease in gross profit was primarily due to the decline in gross profit percentage for our Collaboration Products segment, as we maintained certain levels of personnel and other fixed costs to deliver lower revenue.

Operating expenses are presented in the following table (in thousands):

	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Operating expenses:				
Research and development	\$ 1,699	\$ 2,913	\$ (1,214)	(42)%
Sales and marketing	1,431	2,195	(764)	(35)%
General and administrative	5,278	6,363	(1,085)	(17)%
Impairment charges	12,740	305	12,435	4077 %
Casualty loss, net	483	—	483	100 %
Depreciation and amortization	1,903	2,736	(833)	(30)%
Total operating expenses	\$ 23,534	\$ 14,512	\$ 9,022	62 %

Research and Development. Research and development expenses include internal and external costs related to developing features and enhancements to our existing product offerings. The year over year decrease in research and development expenses for 2022 compared to 2021 is primarily attributable to lower personnel costs due to reduced headcount, partially offset by a \$270,000 increase in consulting and outsourced labor costs between these periods.

Sales and Marketing. The year over year decrease in sales and marketing expenses for 2022 compared to 2021 is primarily attributable to lower office costs due to fewer real estate leases, and lower personnel costs due to reduced headcount.

General and Administrative. General and administrative expenses include direct corporate expenses related to costs of personnel in the various corporate support categories, including executive, legal, finance and accounting, human resources and information technology. The year over year decrease in general and administrative expenses in 2022 compared to 2021 is mainly attributable to decreases of \$767,000 in stock-based expense and \$203,000 in credit losses from accounts receivable, and lower consulting and professional fees and general office expenses, partially offset by an increase in personnel expenses, primarily attributable to receiving an Employee Retention Credit ("ERC") during 2021.

Impairment Charges. The impairment charges in 2022 are attributable to impairment charges of \$7,367,000 related to goodwill, impairment charges of \$5,133,000 related to intangible assets, impairment charges of \$59,000 related to property and equipment, and impairment charges of \$179,000 related to right-of-use assets associated with two of our Los Angeles, CA leases. The impairment charges in 2021 were attributable to impairment charges on property and equipment of \$98,000 and impairment charges on intangible assets of \$207,000 no longer in service. Future declines of our revenue, cash flows and/or market capitalization may give rise to a triggering event that may require the Company to record impairment charges in the future related to our intangible assets and other long-lived assets.

Casualty Loss. In June 2022, the Company discovered that \$533,000 of inventory was stolen from the Company's warehouse in City of Industry, California. The theft is being investigated further by the Los Angeles, CA Sheriff's Department and claims have been filed with the Company's insurance carriers. During 2022, we received a recovery payment from one of our insurance policies of \$50,000, resulting in a net casualty loss of \$483,000 on our Consolidated Statements of Operations. Subsequent to the date of this report, we received notification from our other insurance carrier that they determined the

Company was entitled to insurance proceeds of \$315,000 relating to our inventory theft claim. The Company is currently in negotiations with the insurance carrier with the objective of increasing their determination of proceeds. We will offset the casualty loss with the recognition of any proceeds once received from our insurance carrier.

Depreciation and Amortization. The year over year decrease in depreciation and amortization expenses in 2022 compared to 2021 is mainly attributable to the disposition and impairment of certain assets during 2021 and 2022 as well as a decrease in depreciation as certain assets became fully depreciated.

Loss from Operations. The year over year increase in the Company's loss from operations is mainly attributable to the significant impairment charges recorded in 2022, as well as higher operating expenses and lower revenue and gross profit as addressed above.

Interest and Other Income, Net. Interest and other income, net in 2022 was primarily comprised of interest income related to our cash accounts, partially offset by interest expense. Interest and other income, net in 2021 was primarily comprised of (i) other income resulting from the settlement of an office lease, and (ii) a gain on extinguishment of debt resulting from the forgiveness of our Paycheck Protection Program loan (the "PPP Loan").

Income Tax Benefit. We recorded an income tax benefit of \$7,000 in 2022 and income tax benefit of \$90,000 in 2021 (see **Note 16 - Income Taxes** to our Consolidated Financial Statements).

Liquidity and Capital Resources

As of December 31, 2022, we had \$3,085,000 of cash and \$2,959,000 of working capital. For the years ended December 31, 2022 and 2021, we incurred net losses of \$21,941,000 and \$9,051,000, respectively, and net cash used in operating activities was \$5,934,000 and \$7,732,000, respectively.

Net cash provided by investing activities for the year ended December 31, 2022 was \$19,000, primarily related to the sale of property and equipment, compared to net cash used in investing activities of \$49,000 for the year ended December 31, 2021 primarily related to purchases of property and equipment.

There was no cash flow related to financing activities for the year ended December 31, 2022. Net cash provided by financing activities in 2021 was attributable to net proceeds of \$11,504,000 from an equity financing.

Future Capital Requirements and Going Concern

Our capital requirements in the future will continue to depend on numerous factors, including the timing and amount of revenue, customer renewal rates and the timing of collection of outstanding accounts receivable, in each case particularly as it relates to our major customers, the expense to deliver services, expense for sales and marketing, expense for research and development, capital expenditures, and the cost involved in protecting intellectual property rights. The Company believes that, based on our current projection of revenue, expenses, capital expenditures, and cash flows, it will not have sufficient resources to fund its operations for the next twelve months following the filing of this Report. We believe additional capital will be required to fund operations and provide growth capital including investments in technology, product development and sales and marketing. To access capital to fund operations or provide growth capital, we will need to raise capital in one or more debt and/or equity offerings. There can be no assurance that we will be successful in raising necessary capital or that any such offering will be on terms acceptable to the Company. If we are unable to raise additional capital that may be needed on terms acceptable to us, it could have a material adverse effect on the Company. The factors discussed above raise substantial doubt as to our ability to continue as a going concern. The accompanying Consolidated Financial Statements do not include any adjustments that might result from these uncertainties.

See **Note 15 - Commitments and Contingencies** to our Consolidated Financial Statements for discussion regarding certain additional factors that could impact the Company's liquidity in the future.

Critical Accounting Policies

We prepare our Consolidated Financial Statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Our significant accounting policies are described in **Note 1 - Business Description and Significant Accounting Policies** to our Consolidated Financial Statements attached hereto. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606.

The Company recognizes revenue using the five-step model as prescribed by Topic 606:

- Identification of the contract, or contracts, with a customer;
- Identification of the distinct performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies a performance obligation.

The Company’s managed videoconferencing services are offered to our customers on either a usage basis or on a subscription basis. Our network services are offered to our customers on a subscription basis. Revenue for these services is generally recognized on a monthly basis as services are performed. Revenue related to professional services is recognized at the time the services are performed. The costs associated with obtaining a customer contract are deferred on our consolidated balance sheet and amortized over the expected life of the customer contract. Deferred revenue as of December 31, 2022 totaled \$1,000 as certain performance obligations were not satisfied as of this date. During the year ended December 31, 2022, the Company recorded \$7,000 of revenue that was included in deferred revenue as of December 31, 2021. During the year ended December 31, 2021, the Company recorded \$24,000 of revenue that was included in deferred revenue as of December 31, 2020.

The Company’s visual collaboration products are composed of hardware and embedded software sold as a complete package, and generally include installation and maintenance services. Revenue for hardware and software is recognized upon shipment to the customer. Installation revenue is recognized upon completion of installation, which also triggers the beginning of recognition of revenue for maintenance services which range from one to three years. Revenue is recognized over time for maintenance services. Licensing agreements are for the Company’s core technology platform, g-speak, and are generally one year in length. Revenue for these services is recognized ratably over the service period. Deferred revenue, as of December 31, 2022, totaled \$549,000 as certain performance obligations were not satisfied as of this date. During the year ended December 31, 2022, the Company recorded \$776,000 of revenue that was included in deferred revenue as of December 31, 2021. During the year ended December 31, 2021, the Company recorded \$1,193,000 of revenue that was included in deferred revenue as of December 31, 2020.

Revenue recorded over time for the years ended December 31, 2022 and 2021 was \$970,000 and \$1,809,000, respectively. Revenue recorded at a period in time for the years ended December 31, 2022 and 2021 was \$4,506,000 and \$5,930,000, respectively.

Long-Lived Assets, Goodwill, and Intangible Assets

Property and Equipment

Property and equipment are accounted for in accordance with ASC Topic 360 “*Property, Plant, and Equipment*” (“ASC Topic 360”), stated at cost, and are depreciated using the straight-line method over the estimated economic lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of either the asset’s useful life or the related lease term. Depreciation is computed on the straight-line method for financial reporting purposes. Property and equipment assets, net of accumulated depreciation, totaled \$3,000 and \$159,000 as of December 31, 2022 and 2021, respectively.

Intangible Assets

Intangible assets are accounted for in accordance with ASC Topic 350 “*Intangibles - Goodwill and Other*” (“ASC Topic 350”), and intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which initially ranged from five to twelve years. Intangible assets, net of accumulated amortization totaled \$604,000 and \$7,562,000 as of December 31, 2022 and 2021, respectively.

Goodwill

Goodwill is accounted for in accordance with ASC Topic 350 and is not amortized. Goodwill is subject to periodic testing for impairment. As of December 31, 2021, goodwill of \$7,367,000 was recorded on our Consolidated Balance Sheet in connection with the October 1, 2019 acquisition of Oblong Industries. As a result of the impairment charges discussed below, there was no goodwill recorded on our Consolidated Balance Sheet as of December 31, 2022.

Operating Lease Right-of-use-assets

Right-of-use Assets are accounted for in accordance with ASC Topic 842 “Leases” (“ASC Topic 842”), and are amortized using a straight-line method over the estimated life of the lease. Right-of-use assets, net totaled \$142,000 and \$659,000, as of December 31, 2022 and 2021, respectively.

The Company primarily leases facilities for office, warehouse, and data center space under non-cancellable operating leases for its U.S. and international locations, and accounts for these leases in accordance with ASC-842. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Since our lease arrangements do not provide an implicit rate, we use our estimated incremental borrowing rate for the expected remaining lease term at commencement date in determining the present value of future lease payments.

Impairment

The Company assesses the impairment of our long-lived assets subject to amortization when events and circumstances indicate that the carrying value of the assets might not be recoverable. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments, related primarily to the future profitability and/or future value of the assets. Changes in the Company’s strategic plan and/or other-than-temporary changes in market conditions could significantly impact these judgments and could require adjustments to recorded asset balances. Long-lived assets are evaluated for impairment whenever an event or change in circumstances has occurred that could have a significant adverse effect on the fair value of long-lived assets.

During the year ended December 31, 2022, we considered the declines in revenue for the Collaboration Products reporting segment and the decline in the Company’s market capitalization to be triggering events for an impairment test of our long-lived and intangible for this reporting unit. Based on the corresponding recoverability tests of the asset group for this reporting unit, it was determined that the carrying value exceeded the gross cash flows of the asset group. The recoverability tests consisted of comparing the estimated undiscounted cash flows expected to be generated by those assets to the respective carrying amounts, and involves significant judgements and assumptions, related primarily to the future revenue and profitability of the assets.

For the year ended December 31, 2022, the Company recorded impairment charges on property and equipment assets of \$59,000. See **Note 5 - Property and Equipment** for further discussion. During the year ended December 31, 2021, the Company recorded impairment charges of \$98,000 on property and equipment assets.

For the year ended December 31, 2022, the Company recorded impairment charges of \$5,133,000 on purchased intangible assets. See **Note 7 - Intangible Assets** for further discussion. The Company recorded impairment Charges of \$207,000 to purchased intangible assets for the year ended December 31, 2021.

We tested goodwill for impairment on an annual basis, on September 30th of each year, unless events occurred or circumstances changed indicating that the fair value of the goodwill may be below its carrying amount. During the year ended December 31, 2022, we considered the sustained decline in our stock price to be a triggering event for an interim goodwill impairment test, as of both March 31, 2022 and June 30, 2022. To determine the fair value of the reporting unit for the goodwill impairment test, we used a weighted average of the discounted cash flow method and market-based method.

During the year ended December 31, 2022, we recorded impairment charges of \$7,367,000, related to the tests discussed above. See **Note 6 - Goodwill** for further discussion. No impairments were recorded for Goodwill during the year ended December 31, 2021.

Right-of-use assets are tested for impairment using guidance from ASC Topic 360. For the year ended December 31, 2022, the Company recorded aggregate impairment charges of \$179,000 on two right-of-use assets. See **Note 9 - Operating Lease**

Liabilities and Right-of-Use Assets for further discussion. There were no right-of-use asset impairments for the year ended December 31, 2021.

Off-Balance Sheet Arrangements

As of December 31, 2022 and 2021, we had no off-balance sheet arrangements.

Recent Accounting Pronouncements

See the sections titled “Summary of Significant Accounting Policies-Recently adopted accounting pronouncements” and “Recent accounting pronouncements not yet adopted” in **Note 1 - Business Description and Significant Accounting Policies** to our Consolidated Financial Statements for more information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The information required by this Item 8 is incorporated by reference herein from Item 15, Part IV, of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2022. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2022, the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms and are designed to ensure that information required to be disclosed by the Company in the reports we file or submit under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2022 and have concluded that no change has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Annual Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes, in accordance with U.S. GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the 2013 framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the

Treadway Commission (“COSO”). The COSO framework summarizes each of the components of a company’s internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on this evaluation, the Company’s management concluded that our internal control over financial reporting was effective as of December 31, 2022.

Item 9B. Other Information

None.

Item 9C. Disclosures Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Board of Directors

Our Board of Directors currently consists of five directors. The current Board members include four independent directors and our chief executive officer. The core responsibility of our Board of Directors is to exercise its business judgment to act in what it reasonably believes to be in the best interests of the Company and its stockholders. Further, members of the Board fulfill their responsibilities consistent with their fiduciary duty to the stockholders, and in compliance with all applicable laws and regulations. The primary responsibilities of the Board include:

- Oversight of management performance and assurance that stockholder interests are served;
- Oversight of the Company’s business affairs and long-term strategy; and
- Monitoring adherence to the Company’s standards and policies, including, among other things, policies governing internal controls over financial reporting.

Our Board of Directors conducts its business through meetings of the Board and through activities of the standing committees, as further described below. The Board and each of the standing committees meet throughout the year and also holds special meetings and acts by written consent from time to time, as appropriate. Board agendas include regularly scheduled executive sessions of the independent directors to meet without the presence of management. The Board has delegated various responsibilities and authority to different committees of the Board, as described below. Members of the Board have access to all of our members of management outside of Board meetings.

Our Board of Directors met and/or acted by written consent four times during the year ended December 31, 2022. During this period, each director attended 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors held during the period for which he was a director and (ii) the total number of meetings of committees of the Board of Directors on which he served, held during the period for which he served. The Company does not have a policy with regard to directors’ attendance at our annual meetings of stockholders.

The following table sets forth information with respect to our Board of Directors as of the date of this Report.

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>
Jason Adelman (1)(2)(3)	53	Director, Chairman of the Compensation Committee, Chairman of the Nominating Committee
Matthew Blumberg (1)(3)	52	Chairman of the Board
Peter Holst	54	Director, President and Chief Executive Officer
James S. Lusk (1)(2)(3)	67	Director, Chairman of the Audit Committee
Deborah Meredith (2)(3)	63	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating Committee

Biographies for Board of Directors

Jason Adelman, Director. Mr. Adelman joined our Board of Directors in July 2019. Mr. Adelman is the Founder and Managing Member of Burnham Hill Capital Group, LLC, a privately held financial advisory firm, and serves as Managing Member of Cipher Capital Partners LLC, a private investment fund. Mr. Adelman also serves as a member of the board of directors of Trio-Tech International (NYSE American:TRT). Prior to founding Burnham Hill Capital Group, LLC in 2003, Mr. Adelman served as Managing Director of Investment Banking at H.C. Wainwright and Co., Inc. Mr. Adelman graduated from the University of Pennsylvania with a B.A. in Economics, cum laude, and from Cornell Law School with a J.D.

In considering Mr. Adelman as a director of the Company, the Board reviewed, among other qualifications, his experience and expertise in finance, accounting, banking and management based on his experience with Burnham Hill Capital Group LLC, Cipher Capital Partners LLC, and H. C. Wainwright & Co. Mr. Adelman qualifies as an "audit committee financial expert" under the applicable SEC rules and accordingly contributes to the Board of Directors his understanding of generally accepted accounting principles and his skills in auditing, as well as in analyzing and evaluating financial statements.

Matthew Blumberg, Chairman of the Board. Mr. Blumberg joined our Board of Directors in August 2021 and has served as the Chairman of the Board since our 2021 annual meeting of stockholders (December 16, 2021). Since April 2020, Mr. Blumberg is the Co-Founder and Chief Executive Officer of Bolster, an on-demand executive talent marketplace that helps accelerate companies' growth by connecting them with experienced, highly vetted executives for interim, fractional, advisory, project-based or board roles. From 1999 to June 2019, Mr. Blumberg served as Chairman and CEO of Return Path, Inc., a software company. He also co-founded and currently serves as Chairman of Path Forward.ORG, a nonprofit organization on a mission to empower people to restart their careers after time spent focused on caregiving, working with more than 60 companies including Apple, Amazon, Walmart, Intuit, Campbell's Soup, PayPal, Verizon and Oracle. Mr. Blumberg is also an author and frequent public speaker. He was recognized as one of New York's 100 most influential technology leaders by the *Silicon Alley Insider* in 2008, was one of *Crain's New York* Top Entrepreneurs in 2012 and an Ernst & Young Entrepreneur of the Year finalist in 2012. He has served as a board member of numerous corporate, nonprofit and community organizations. Mr. Blumberg attended Princeton University where he graduated summa cum laude with an A.B. in Urban Planning in 1992.

In considering Mr. Blumberg as a director of the Company, the Board reviewed his experience and expertise in work force matters and the leadership he has shown in his positions with current and prior companies. Mr. Blumberg qualifies as an "audit committee financial expert" under the applicable SEC rules and accordingly contributes to the Board of Directors his understanding of generally accepted accounting principles and his skills in auditing, as well as in analyzing and evaluating financial statements.

Peter Holst, President and Chief Executive Officer. Prior to being named President and CEO in January 2013, Mr. Holst served as the Company's Senior Vice President for Business Development since October 1, 2012. Mr. Holst has served as a director of the Company since January 2013 and as Chairman of the Board from July 2019 up until the 2021 annual meeting of shareholders. Mr. Holst has more than 29 years of experience in the collaboration industry. Prior to joining the Company, Mr. Holst served as the Chief Executive Officer of Affinity VideoNet, Inc., and as the President and Chief Operating Officer of Raindance Communications. Mr. Holst holds a degree in Business Administration from the University of Ottawa.

In considering Mr. Holst as a director of the Company, the Board reviewed his extensive knowledge and expertise in the communication services industry, and the leadership he has shown in his positions with prior companies.

James S. Lusk, Director. Mr. Lusk joined our Board of Directors in February 2007. Mr. Lusk is currently the Chief Financial Officer of Sutherland Global Services, a global provider of business process transformation and technology management services. Mr. Lusk joined Sutherland in July 2015. From 2007 until July 2015, Mr. Lusk was Executive Vice President of ABM Industries Incorporated (NYSE:ABM), a leading provider of facility solutions, and served as ABM's Chief

Financial Officer from 2007 until April 2015. Prior to joining ABM, he served as Vice President, Business Services and Chief Operating Officer for the Europe, Middle East and Africa region for Avaya from 2005 to 2007. Mr. Lusk has also served as Chief Financial Officer and Treasurer of BioScrip/MIM, President of Lucent Technologies' Business Services division, and interim Chief Financial Officer and Corporate Controller of Lucent Technologies. Mr. Lusk earned his B.S. (Economics), cum laude, from the Wharton School, University of Pennsylvania, and his M.B.A (Finance) from Seton Hall University. He is a certified public accountant and was inducted into the AICPA Business and Industry Leadership Hall of Fame in 1999.

In considering Mr. Lusk as a director of the Company, the Board reviewed his extensive expertise and knowledge regarding finance and accounting matters, as well as compensation, risk assessment and corporate governance. Mr. Lusk qualifies as an "audit committee financial expert" under the applicable SEC rules and accordingly contributes to the Board of Directors his understanding of generally accepted accounting principles and his skills in auditing, as well as in analyzing and evaluating financial statements.

Deborah Meredith, Director. Ms. Meredith joined our Board of Directors in August 2021. Ms. Meredith currently serves, and has served for the last 19 years, as a board member, advisor and consultant to several high-tech companies with extensive experience in strategic roles with privately held start-up companies such as Proofpoint, Aviatix, Qventus, Alation and Kinsa Health. Ms. Meredith has more than three decades of experience working hands-on with company founders to assemble world-class teams, architect software products and establish a roadmap for operational success. Ms. Meredith earned a master's degree in computer science from Stanford University and an undergraduate degree in both computer science and mathematics from the University of Michigan.

In considering Ms. Meredith as a director of the Company, the Board reviewed her experience and expertise in the technology industry and the leadership she has shown in her positions with prior companies.

Director Independence

On February 12, 2021, the Company transferred the listing of our common stock from the NYSE American Stock Exchange (the "NYSE American") to the Nasdaq Capital Market ("Nasdaq"). Our Board of Directors has determined that each of our current directors, other than Mr. Holst, qualifies as "independent" in accordance with the rules of the Nasdaq. Because Mr. Holst is an employee of the Company, he does not qualify as independent.

The Nasdaq independence definition includes a series of objective tests, such as that the director is neither an executive officer nor an employee of the Company and has not engaged in various types of business dealings with the Company. In addition, as further required by the Nasdaq rules, the Board has made a subjective determination as to each independent director that no relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and the Company with regard to each director's business and personal activities as they may relate to the Company and the Company's management, including each of the matters set forth under "Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence." below.

Board Committees

The Board has an audit committee, a compensation committee, and a nominating committee, and may form special committees as is required from time to time. Each of the committees regularly report on their activities and actions to the full Board. The charters for the audit committee, the compensation committee, and the nominating committee are available on the Company's website at www.oblong.com. The contents of our website are not incorporated by reference into this document for any purpose.

Audit Committee

The audit committee currently consists of Mr. Lusk (chair), Mr. Blumberg, and Mr. Adelman. Our Board of Directors has determined that all members of the audit committee are "independent" within the meaning of the listing standards of Nasdaq and the SEC rules governing audit committees and "financially literate" for purposes of applicable Nasdaq listing standards. In addition, our Board of Directors has determined that each of Messrs. Lusk, Blumberg, and Adelman have the accounting and related financial management expertise to satisfy the requirements of an "audit committee financial expert," as determined pursuant to the rules and regulations of the SEC. The audit committee consults and meets with our independent registered public accounting firm, Chief Financial Officer and accounting personnel, reviews potential conflict of interest situations where appropriate, and reports and makes recommendations to the full Board of Directors regarding such matters. The audit committee met four times during the year ended December 31, 2022.

Compensation Committee

Our compensation committee currently consists of Mr. Adelman (chair), Mr. Lusk, and Ms. Meredith. Each member of the compensation committee meets the applicable independence requirements of the Nasdaq, including the additional independence test required for compensation committee members. In affirmatively determining the independence of the compensation committee members, we considered all factors specifically relevant to determining whether each of the directors has a relationship to the Company that is material to that director's ability to be independent from management in connection with the duties of a compensation committee member. The compensation committee met and/or acted by written consent two times during the year ended December 31, 2022.

The compensation committee is responsible for establishing and administering our executive compensation policies. The role of the compensation committee is to (i) formulate, evaluate and approve compensation of the Company's directors, executive officers and key employees, (ii) oversee all compensation programs involving the use of the Company's stock and (iii) produce, if required under applicable securities laws, a report on executive compensation for inclusion in the Company's proxy statement for its annual meeting of stockholders. The duties and responsibilities of the compensation committee under its charter include:

- annually reviewing and making recommendations to the Board with respect to compensation of directors, executive officers and key employees of the Company;
- annually reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and recommending to the Board the Chief Executive Officer's compensation levels based on this evaluation;
- reviewing competitive practices and trends to determine the adequacy of the executive compensation program;
- approving and overseeing compensation programs for executive officers involving the use of the Company's stock;
- approving and administering cash incentives for executives, including oversight of achievement of performance objectives, and funding for executive incentive plans;
- annually performing a self-evaluation on the performance of the compensation committee; and
- making regular reports to the Board concerning the activities of the compensation committee.

When appropriate, the compensation committee may, in carrying out its responsibilities, form and delegate authority to subcommittees. The Chief Executive Officer plays a role in determining the compensation of our other executive officers by evaluating the performance of those executive officers. The Chief Executive Officer's evaluations are then reviewed by the compensation committee. This process leads to a recommendation for any changes in salary, bonus terms and equity awards, if any, based on performance, which recommendations are then reviewed and approved by the compensation committee.

Nominating Committee

Our nominating committee currently consists of Mr. Adelman (chair), Mr. Blumberg, Mr. Lusk, and Ms. Meredith. Each member of the nominating committee meets the independence requirements of the Nasdaq. The nominating committee is responsible for assessing the performance of our Board of Directors and making recommendations to our Board regarding nominees for the Board. The nominating committee met and/or acted by written consent one time during the year ended December 31, 2022.

The nominating committee considers qualified candidates to serve as a member of our Board of Directors that are suggested by our stockholders. Nominees recommended by stockholders will be given appropriate consideration and evaluated in the same manner as other nominees. Stockholders can suggest qualified candidates for director by writing to our Corporate Secretary at 25587 Conifer Road, Suite 105-231, Conifer, Colorado 80433. Stockholder submissions that are received in accordance with our by-laws and that meet the criteria outlined in the nominating committee charter are forwarded to the members of the nominating committee for review. Stockholder submissions must include the following information:

- a statement that the writer is our stockholder and is proposing a candidate for our Board of Directors for consideration by the nominating committee;

- the name of and contact information for the candidate;
- a statement of the candidate's business and educational experience;
- information regarding each of the factors set forth in the nominating committee charter sufficient to enable the nominating committee to evaluate the candidate;
- a statement detailing any relationship between the candidate and any of our customers, suppliers or competitors;
- detailed information about any relationship or understanding between the proposing stockholder and the candidate; and
- a statement that the candidate is willing to be considered and willing to serve as our director if nominated and elected.

In considering potential new directors, the nominating committee will review individuals from various disciplines and backgrounds. Among the qualifications to be considered in the selection of candidates are broad experience in business, finance or administration; familiarity with national and international business matters; familiarity with our industry; and prominence and reputation. While there is no formal policy with regard to consideration of diversity in identifying director nominees, the nominating committee will consider diversity in business experience, professional expertise, gender and ethnic background, along with various other factors when evaluating director nominees. The nominating committee will also consider whether the individual has the time available to devote to the work of our Board of Directors and one or more of its committees.

The nominating committee will also review the activities and associations of each candidate to ensure that there is no legal impediment, conflict of interest or other consideration that might hinder or prevent service on our Board of Directors. In making its selection, the nominating committee will bear in mind that the foremost responsibility of a director of a corporation is to represent the interests of the stockholders as a whole. The nominating committee will periodically review and reassess the adequacy of its charter and propose any changes to the Board of Directors for approval.

Contacting the Board of Directors

Any stockholder who desires to contact our Board of Directors, committees of the Board of Directors and individual directors may do so by writing to: Oblong, Inc., 25587 Conifer Road, Suite 105-231, Conifer, Colorado 80433, Attention: David Clark, Corporate Secretary. Mr. Clark will direct such communication to the appropriate persons.

Board Leadership Structure and Role in Risk Oversight

Mr. Holst has served as the Company's President and Chief Executive Officer since January 2013 and served as the Chairman of the Company's Board of Directors from July 2019 up until our 2021 annual meeting of stockholders. Effective on the date of the 2021 annual meeting of stockholders, Mr. Blumberg replaced Mr. Holst as the Chairman of the Board of Directors.

To ensure a strong and independent Board, as discussed herein, the Board has affirmatively determined that all directors of the Company, other than Mr. Holst, are independent within the meaning of the Nasdaq listing standards currently in effect. Our Corporate Governance Guidelines provide that non-management directors shall meet in regular executive session without management present.

The Board has an active role, directly and through its committees, in the oversight of the Company's risk management efforts. The Board carries out this oversight role through several levels of review. The Board regularly reviews and discusses with members of management information regarding the management of risks inherent in the operation of the Company's business and the implementation of the Company's strategic plan, including the Company's risk mitigation efforts.

Each of the Board's committees also oversees the management of the Company's risks that are under each committee's areas of responsibility. For example, the audit committee oversees management of accounting, auditing, external reporting, internal controls and cash investment risks. The nominating committee oversees and assesses the performance of the Board and makes recommendations to the Board from time to time regarding nominees for the Board. The compensation committee oversees risks arising from compensation practices and policies. While each committee has specific responsibilities for oversight of risk, the Board is regularly informed by each committee about such risks. In this manner the Board is able to coordinate its risk oversight.

We have adopted a code of conduct and ethics, as amended effective October 12, 2015, that applies to all of our employees, directors and officers, including our Chief Executive Officer, Chief Financial Officer and our finance team. The full text of our code of conduct and ethics (as amended) is posted on our website at www.oblong.com and will be made available to stockholders without charge, upon request, in writing to the Corporate Secretary at 25587 Conifer Road, Suite 105-231, Conifer, CO 80433. Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our principal executive officer, principal financial officer, principal accounting officer or controller or person performing similar functions will be included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver, unless website posting of such amendments or waivers is then permitted by the rules of the national securities exchange on which the Company trades.

Biographies for Executive Officers

Peter Holst, President and Chief Executive Officer (CEO). See “Biographies for Board of Directors” above for Mr. Holst’s biography.

David Clark, Chief Financial Officer. Mr. Clark, 54, joined the Company in March 2013 as Chief Financial Officer (“CFO”). Mr. Clark has more than 30 years of experience in finance and accounting. Prior to joining the Company, Mr. Clark served as Vice President of Finance, Treasurer and acting CFO for Allos Therapeutics, a publicly traded biopharmaceutical company, and as CFO of Seurat Company (formerly XOR, Inc.), an e-commerce managed services company. Mr. Clark started his career with seven years in the audit practice of PricewaterhouseCoopers LLP. Mr. Clark is an active Certified Public Accountant and received a Master of Accountancy and a B.S. in Accounting from the University of Denver.

Family Relationships

There are no family relationships between the officers and directors of the Company.

Legal Proceedings

During the past ten years none of our directors or executive officers was involved in any legal proceedings described in subparagraph (f) of Item 401 of Regulation S-K.

Item 11. Executive Compensation

On January 3, 2023, the Company effected a 1-for-15 reverse stock split. All share information in the following compensation discussion and tables are shown as adjusted for this stock split.

Director Compensation

The Company’s director compensation plan provides that non-employee directors are entitled to receive annually: (i) a grant of restricted stock or restricted stock units (“RSUs”) awarded under the Company’s 2019 Equity Incentive Plan (pro-rated as necessary for the period of service from the director’s date of appointment to the Board of Directors until the next annual meeting of stockholders); and (ii) a retainer fee of \$20,000. The annual fee is payable in equal quarterly installments on the first business day following the end of the calendar quarter, in cash or shares of restricted stock, as chosen by the director, on an annual basis on or before December 31 of the applicable fiscal year. The annual equity grants to directors are normally made as of the date of the annual meeting of the Company’s stockholders. Grants of restricted stock or RSUs vest on the first anniversary of the grant date or earlier upon the occurrence of certain termination events or upon a change in control of the Company. Vested RSUs are settled in shares of Common Stock on a 1-for-1 basis upon the earliest of (i) the tenth anniversary of the grant date of the RSUs, (ii) a change in control (as defined in the award agreement) of the Company and (iii) the date of a director’s separation from service.

The Company’s director compensation plan provides that non-employee directors are also entitled to receive annually: (i) an additional cash payment of \$20,000 to the chairman of its Board of Directors, (ii) an additional cash payment of \$10,000 to the chairperson of its audit committee, (iii) an additional cash payment of \$5,000 to each of the chairpersons of its compensation committee and nominating committee, and (iv) an additional cash payment of \$3,000 to each non-chair member of any standing committee, in each case payable in equal quarterly installments in arrears. In addition, the Company may establish special committees of the Board from time to time and provide for additional retainers in connection therewith.

The following table represents compensation for the Company's non-employee directors during the year ended December 31, 2022. All compensation for Peter Holst, the Company's President and CEO, during the year ended December 31, 2022 is included in the Summary Compensation Table under "Executive Compensation" below.

Name	Cash Fees Earned (\$)	Stock Awards(\$)	Total(\$)
Jason Adelman	33,000	None	33,000
Matthew Blumberg	46,000	None	46,000
James S. Lusk	36,000	None	36,000
Deborah Meredith	26,000	None	26,000

As of December 31, 2022, Mr. Lusk has 167 outstanding vested stock options and 42 unvested restricted stock awards. In addition, as of December 31, 2022, 1,929 vested RSUs issued to Mr. Lusk remain outstanding due to the deferred payment provisions set forth in these RSU awards. No other equity awards were outstanding, as of December 31, 2022, for the remaining non-employee directors.

Executive Compensation

Summary Compensation Table

The following table sets forth, for the years ended December 31, 2022 and 2021, the compensation awarded to, paid to, or earned by: Peter Holst, Chairman, President and CEO; David Clark, CFO, Treasurer and Secretary. No other executive officer earned more than \$100,000 during the year ended December 31, 2022, so the Company only has two named executive officers for this period.

Name and Principal Positions	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Peter Holst	2022	295,000 (1)	147,000	—	9,130 (2)	451,130
Director, President and CEO	2021	246,340	200,000	—	8,693 (2)	455,033
David Clark	2022	260,000 (1)	65,000	—	7,800 (2)	332,800
CFO, Treasurer and Secretary	2021	242,164	100,000	—	8,688 (2)	350,852

(1) Effective July 1, 2021, the annual salaries for Mr. Holst and Mr. Clark were increased to \$295,000 and \$260,000, respectively.

(2) Represents matching contributions under the Company's 401(k) Plan for Mr. Holst of \$9,130 for 2022 and \$8,693 for 2021; for Mr. Clark of \$7,800 for 2022 and \$8,688 for 2021.

Outstanding Equity Awards at 2022 Fiscal Year-End

The table set forth below presents information concerning outstanding stock option awards held by certain named executive officers at December 31, 2022.

Name	Grant Date	Option Awards			Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock that Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (\$)
Peter Holst	1/13/2013	5,834	297.00	1/13/2023	—	—
David Clark	3/25/2013	667	226.50	3/25/2023	—	—

(1) All stock option awards held by Messrs Holst and Clark were fully vested and exercisable as of December 31, 2022.

401(k) Plan

The Company maintains a tax-qualified 401(k) plan on behalf of its eligible employees, including its named executive officers. Pursuant to the terms of the plan, for fiscal years 2022 and 2021, eligible employees may defer up to 80% of their

salary each year, and the Company matched 50% of an employee's contributions on the first 6% of the employee's salary. This matching contribution vests over four years.

Agreements with Named Executive Officers

We have entered into employment agreements with our current named executive officers. All named executive officers, whether or not subject to an employment agreement, are "at will" employees of the Company.

Peter Holst Employment Agreement.

On January 13, 2013, the Board appointed Peter Holst as the Company's President and Chief Executive Officer, and as a member of the Board. In connection with his appointment, the Company entered into an employment agreement with Mr. Holst, which was subsequently amended and restated as of January 28, 2016 and as of July 19, 2019 (as amended and restated, the "Holst Employment Agreement"). Pursuant to the Holst Employment Agreement, Mr. Holst receives an annual base salary of \$295,000 and is eligible to receive an annual incentive bonus equal to 100% of his base salary, at the discretion of the compensation committee of the Board based on meeting certain financial and non-financial goals.

Under the terms of the Holst Employment Agreement, if Mr. Holst's employment is terminated outside of a "change in control" (as defined in the Holst Employment Agreement) (i) by the Company without "cause" or by Mr. Holst for "good reason" (as such terms are defined therein) or (ii) as a result of the expiration of the term of the Holst Employment Agreement caused by the Company's election not to renew such agreement, then he will be entitled to receive the following payments and benefits, subject to his execution and non-revocation of an effective general release of claims in favor of the Company:

- 12 months' base salary, payable in equal monthly installments in accordance with the Company's normal payroll practices;
- 100% of his maximum annual target bonus payable for the calendar year in which such termination occurs;
- 100% accelerated vesting of Mr. Holst's then-unvested shares of restricted stock and RSUs (if any); and
- payment (or reimbursement) of the COBRA premiums for continuation of coverage for Mr. Holst and his eligible dependents under the Company's then existing medical, dental and prescription insurance plans for a period of 12 months.

In addition to the above payments and benefits, in the event that Mr. Holst's employment is terminated during the 18-month period following a "change in control" (i) by the Company without "cause" or by Mr. Holst for "good reason" or (ii) as a result of the expiration of the term of the Holst Employment Agreement caused by the Company's election not to renew such agreement, then he will be entitled to receive the following payments and benefits, subject to his execution and non-revocation of an effective general release of claims in favor of the Company:

- 24 months' base salary, payable in equal monthly installments in accordance with the Company's normal payroll practices;
- 100% of his maximum annual target bonus payable for the calendar year in which such termination occurs;
- a pro-rated portion of his maximum annual target bonus for the calendar year in which the effective date of termination occurs;
- 80% accelerated vesting of Mr. Holst's then-unvested shares of restricted stock and RSUs (if any); and
- payment (or reimbursement) of the COBRA premiums for continuation of coverage for Mr. Holst and his eligible dependents under the Company's then existing medical, dental and prescription insurance plans for a period of 12 months.

In consideration of the payments and benefits under the Holst Employment Agreement, Mr. Holst is restricted from engaging in competitive activities for 12 months after the termination of his employment, as well as prohibited from soliciting the Company's clients and employees and from disclosing the Company's confidential information.

The Holst Employment Agreement contains a “best after-tax benefit” provision, which provides that, to the extent that any amounts payable under the Holst Employment Agreement would be subject to the federal tax levied on certain “excess parachute payments” under Section 4999 of the Code, the Company will either pay Mr. Holst the full amount due under the Holst Employment Agreement or, alternatively, reduce his payments to the extent that no Section 4999 excise tax would be due, whichever provides the highest net after-tax benefit to Mr. Holst.

David Clark Employment Agreement.

On March 25, 2013, the Company entered into an employment agreement with David Clark in connection with his appointment as Chief Financial Officer of the Company, which was subsequently amended and restated on July 19, 2019 (as amended and restated, the “Clark Employment Agreement”). Pursuant to the Clark Employment Agreement, Mr. Clark receives an annual base salary of \$260,000 and is eligible to receive an annual incentive bonus equal to 50% of his base salary, at the discretion of the compensation committee of the Board, based on meeting certain financial and non-financial goals.

Under the terms of the Clark Employment Agreement, if Mr. Clark’s employment is terminated outside of a “change in control” (as defined in the Clark Employment Agreement) (i) by the Company without “cause” or by Mr. Clark with or without “good reason” (as such terms are defined therein) or (ii) as a result of the expiration of the term of the Clark Employment Agreement caused by the Company’s election not to renew such agreement, then he will be entitled to receive the following payments and benefits, subject to his execution and non-revocation of an effective general release of claims in favor of the Company:

- Six months’ base salary, payable in equal monthly installments in accordance with the Company’s normal payroll practices;
- 50% of his maximum annual target bonus payable for the calendar year in which such termination occurs;
- a pro-rated portion of his maximum annual target bonus for the calendar year in which the effective date of termination occurs;
- 100% accelerated vesting of Mr. Clark’s then-unvested shares of restricted stock and RSUs (if any); and
- payment (or reimbursement) of the COBRA premiums for continuation of coverage for Mr. Clark and his eligible dependents under the Company’s then existing medical, dental and prescription insurance plans for a period of six months.

In addition to the above payments and benefits, in the event that Mr. Clark’s employment is terminated during the 18-month period following a “change in control” by the Company without “cause” or by Mr. Clark for “good reason,” then he will also be entitled to receive (i) increased severance equal to 18 months’ base salary, (ii) 100% of his maximum annual target bonus payable for the calendar year in which such termination occurs, and (iii) extended payment (or reimbursement) of the COBRA premiums for 12 months. In such event, Mr. Clark will be entitled to receive 80% accelerated vesting of his then-unvested shares of restricted stock and RSUs (if any).

In consideration of the payments and benefits under the Clark Employment Agreement, Mr. Clark is restricted from engaging in competitive activities for six months after the termination of his employment, as well as prohibited from soliciting the Company’s clients and employees and from disclosing the Company’s confidential information.

Potential Payments to Named Executive Officers upon Termination or Change-in-Control

In accordance with the terms of the Company’s 2007 Stock Incentive Plan and 2014 Equity Incentive Plan, upon a “Change in Control” or “Corporate Transaction” (as each such term is defined in such Plans), all shares of restricted stock, RSUs and all unvested options, including those held by the named executive officers, immediately vest and become exercisable, as applicable. No named executive officer is entitled to accelerated vesting in connection with a termination for cause. In accordance with the terms of the Company’s 2019 Equity Incentive Plan, the Company is given authority to accelerate the timing of the exercise/vesting provisions of awards under such plan in the event of certain change in control or other corporate transactions.

See “Agreements with Named Executive Officers” above for a discussion of certain payments the Company could be required to make upon the termination of a Named Executive Officer.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our capital stock, as of March 20, 2023, by each of the following:

- each person (or group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) known by us to own beneficially more than 5% of any class of our voting securities;
- the named executive officers set forth in the Summary Compensation Table under “Executive Compensation” above;
- each of our directors and director nominees; and
- all of our directors and executive officers as a group.

The amounts and percentages in the table below are based on 2,063,308 shares of Common Stock issued and outstanding as of March 20, 2023, as adjusted for the 1-for-15 reverse split effected on January 3, 2023. As used in this table, “beneficial ownership” means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is considered the beneficial owner of securities that can be acquired within 60 days of such date through the exercise or conversion of any option, warrant or other derivative security. Shares of Common Stock subject to options, restricted stock units (“RSUs”), warrants or other derivative securities which are currently exercisable or convertible or are exercisable or convertible within such 60 days are considered outstanding for computing the ownership percentage of the person holding such options, RSUs, warrants or other derivative security, but are not considered outstanding for computing the ownership percentage of any other person.

Name and Address of Beneficial Owners (1)	Common Stock	
	Amount and Nature of Beneficial Ownership (2)(3)	Percent of Class
Named Executive Officers and Directors:		
Peter Holst	27,567 (4)	1.3 %
David Clark	3,929 (5)	0.2 %
James S. Lusk	6,228 (6)	0.3 %
Jason Adelman	43,067 (7)	2.1 %
Matthew Blumberg	— (8)	— %
Deborah Meredith	— (9)	— %
All directors and executive officers as a group (6 people)	80,791	3.9 %
Greater than 5% Owners:		
Foundry Group, 700 Front St., Suite 104, Louisville, CO 80027	522,634 (10)	25.3 %
StepStone Group LP, 4225 Executive Square, Suite 1600, La Jolla, CA 90237	246,178 (11)	11.9 %
Morgan Stanley Funds 100 Front Street West Conshohocken, PA 19428	170,183 (12)	8.2 %

(1) Unless otherwise noted, the address of each person listed is c/o Oblong, Inc., 25587 Conifer Road, Suite 105-231, Conifer, CO 80433.

(2) All shares shown as adjusted for the 1-for-15 reverse stock split effected January 3, 2023.

(3) Unless otherwise indicated by footnote, the named persons have sole voting and investment power with respect to the shares of Common Stock beneficially owned.

(4) Includes 21,733 shares of Common Stock and 5,834 shares of Common Stock subject to stock options presently exercisable.

(5) Includes 3,262 shares of Common Stock and 667 shares of Common Stock subject to stock options presently exercisable.

(6) Based on ownership information from the Form 4 filed by Mr. Lusk with the SEC on August 20, 2021. Includes 3,634 shares of Common Stock, 667 shares of Common Stock subject to stock options presently exercisable, and 1,927 shares of Common Stock issuable from vested RSUs (for which the shares of Common Stock have not yet been delivered in accordance with the terms of these RSUs).

(7) Based on ownership information from the Form 4 filed by Mr. Adelman with the SEC on August 20, 2021. Mr. Adelman beneficially owns 43,067 shares of Common Stock, of which 37,967 shares are held directly by Mr. Adelman and 5,100 shares are held in a retirement plan.

(8) Based on ownership information from the Form 3 filed by Mr. Blumberg with the SEC on August 25, 2021.

(9) Based on ownership information from the Form 3 filed by Ms. Meredith with the SEC on August 25, 2021.

(10) Based on ownership information from an amendment to Schedule 13D filed on February 22, 2021.

(11) Based on ownership information from an amendment to Schedule 13G/A filed on February 11, 2022.

(12) Based on records from the Company's transfer agent as of March 6, 2023.

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2022, information regarding our common stock that may be issued under the Company's equity compensation plans, as adjusted for the 1-for-15 reverse stock split effected on January 3, 2023:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Stock Options (a)	Weighted Average Exercise Price of Outstanding Stock Options (b)	Number of Securities to be Issued Upon Vesting of Outstanding Restricted Stock Units (*) (c)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Columns (a) & (c)) (a) & (c)
Equity compensation plans approved by security holders	16,668	\$ 143.63	—	177,567

(*) As of December 31, 2022, 1,929 vested RSUs remain outstanding under the Company's 2014 Equity Incentive Plan, as shares of common stock have not yet been delivered for these units in accordance with the terms of the RSUs.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Other than compensation arrangements for our directors and named executive officers, which are described elsewhere in this Annual Report, there have been no transactions since January 1, 2021 to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed the lesser of (1) \$120,000 or (2) one percent of the average of our total assets at year-end for the last two completed fiscal years; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest.

Policy on Future Related Party Transactions

Transactions with related parties, including the transactions referred to above, are reviewed and approved by independent members of the Board of Directors of the Company in accordance with the Company's written Code of Business Conduct and Ethics.

Director Independence

See Item 10. Director Independence and Item 10. Board Leadership Structure and Role in Risk Oversight for information regarding the independence of our directors.

Item 14. Principal Accounting Fees and Services

The audit committee, composed entirely of independent, non-employee members of the Board of Directors, appointed the firm of EisnerAmper LLP, Iselin, New Jersey ("EisnerAmper"), PCAOB identification number 274, as the independent registered public accounting firm for the audit of the Consolidated Financial Statements of the Company and its subsidiaries for the fiscal years ending December 31, 2022 and 2021. As our independent registered public accounting firm, EisnerAmper audited our Consolidated Financial Statements for the fiscal year ending December 31, 2022, reviewed the related interim quarters, and performed audit-related services and consultation in connection with various accounting and financial reporting matters. EisnerAmper may also perform certain non-audit services for our Company. The audit committee has determined that the provision of the services provided by EisnerAmper as set forth herein are compatible with maintaining EisnerAmper's independence and the prohibitions on performing non-audit services set forth in the Sarbanes-Oxley Act and relevant SEC rules.

Audit Fees

EisnerAmper, our principal accountant, billed us approximately \$269,000 for professional services for the audit of our annual Consolidated Financial Statements for the 2022 fiscal year and the reviews of the Consolidated Financial Statements included in our quarterly reports on Form 10-Q for the 2022 fiscal year. EisnerAmper billed us \$299,000 for professional services for the audit of our annual Consolidated Financial Statements for the 2021 fiscal year and the reviews of the Consolidated Financial Statements included in our quarterly reports on Form 10-Q for the 2021 fiscal year.

Audit-Related Fees

EisnerAmper did not bill us in the 2022 and 2021 fiscal years for any audit-related fees.

Tax Fees

EisnerAmper did not bill us in the 2022 and 2021 fiscal years for any professional services rendered for tax compliance, tax advice or tax planning.

All Other Fees

EisnerAmper did not bill us for products and services, other than the audit described above, during the 2022 and 2021 fiscal years.

Audit Committee Pre-Approval Policy

The audit committee is required to pre-approve the engagement of EisnerAmper to perform audit and other services for the Company. Our procedures for the pre-approval by the audit committee of all services provided by EisnerAmper comply with SEC regulations regarding pre-approval of services. Services subject to these SEC requirements include audit services, audit-related services, tax services and other services. The audit engagement is specifically approved, and the auditors are retained by the audit committee. The audit committee also has adopted policies and procedures for pre-approving all non-audit work performed by EisnerAmper. In accordance with audit committee policy and the requirements of law, all services provided by EisnerAmper in the 2022 and 2021 fiscal years were pre-approved by the audit committee and all services to be provided by EisnerAmper will be pre-approved. Pre-approval includes audit services, audit-related services, tax services and other services. To avoid certain potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its auditing firm. We obtain these services from other service providers as needed.

PART IV

Item 15. Exhibits, Financial Statement Schedules

A. The following documents are filed as part of this Report:

1. Consolidated Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets at December 31, 2022 and 2021	F-3
Consolidated Statements of Operations for the years ended December 31, 2022 and 2021	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022 and 2021	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021	F-6
Notes to Consolidated Financial Statements	F-8

2. Financial Statement Schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

3. Exhibits:

A list of exhibits required to be filed as part of this Report is set forth in the Exhibit Index on page 50 of this Form 10-K, which immediately precedes such exhibits, and is incorporated by reference.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit Number	Description
2.1†	Agreement and Plan of Merger, dated September 12, 2019, by and among the Registrant, Oblong Industries, Inc. and Glowpoint Merger Sub II, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 16, 2019, and incorporated herein by reference).
2.2	Amendment to Agreement and Plan of Merger, dated October 1, 2019, by and among the Registrant, Oblong Industries, Inc. and Glowpoint Merger Sub II, Inc. (filed as Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed with the SEC on October 7, 2019, and incorporated herein by reference).
3.1*	Amended and Restated Certificate of Incorporation, as amended.
3.2	Amended and Restated By-laws (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on December 8, 2011, and incorporated herein by reference).
4.1	Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed with the SEC on June 6, 2007, and incorporated herein by reference).
4.2	Certificate of Designations, Preferences and Rights of Series D Preferred Stock (filed as Exhibit 4.6 to the Registrant's Current Report on Form 8-K filed with the SEC on September 24, 2007, and incorporated herein by reference).
4.3	Certificate of Designations, Preferences and Rights of Series A-2 Preferred Stock of the Registrant (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 11, 2009, and incorporated herein by reference).
4.4	Certificate of Designations, Preferences and Rights of Perpetual Series B Preferred Stock of the Registrant (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 30, 2010, and incorporated herein by reference).
4.5	Certificate of Designations, Preferences and Rights of Perpetual Series B-1 Preferred Stock of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 9, 2011, and incorporated herein by reference).
4.6	Certificate of Designations of Rights, Powers, Preferences, Privileges and Restrictions of the 0% Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 14, 2017, and incorporated herein by reference).
4.7	Certificate of Designations of Rights, Powers, Preferences, Privileges and Restrictions of the 0% Series C Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 25, 2018, and incorporated herein by reference).
4.8	Certificate of Designations of the 6.0% Series D Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 7, 2019, and incorporated herein by reference).
4.9	Certificate of Designations of the 6.0% Series E Convertible Preferred Stock (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on October 7, 2019, and incorporated herein by reference).
4.10	Form of Common Stock Purchase Warrant (filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 16, 2020, and incorporated herein by reference).
4.11	Form of Series A Common Stock Purchase Warrant (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 28, 2021, and incorporated herein by reference).
4.12	Form of Series B Common Stock Purchase Warrant (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 28, 2021, and incorporated herein by reference).
4.13	Form of Amendment to Series A Warrants (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 3, 2022, and incorporated herein by reference).
4.14	Form of Amendment to Series A Warrants (filed as Exhibit 4.1 to the Registrant's Current Report of Form 8-K filed with the SEC on January 3, 2023, and incorporated herein by reference).
4.15*	Description of Common Securities.
10.1#	Form of Stock Option Award Agreement (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 15, 2012, and incorporated herein by reference).
10.2#	Form of Restricted Stock Award Agreement (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed with the SEC on March 15, 2012, and incorporated herein by reference).
10.3#	Glowpoint, Inc. 2014 Equity Incentive Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 2, 2014, and incorporated herein by reference).
10.4#	2015 Form of Performance-Vested Restricted Stock Unit Agreement (Executive Officers) (filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 5, 2015, and incorporated herein by reference).

10.5#	2015 Form of Performance-Vested Restricted Stock Unit Agreement (Employees) (filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 5, 2015, and incorporated herein by reference).
10.6#	2016 Form of Performance-Vested Restricted Stock Unit Agreement (Executive Officers) (filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2017, and incorporated herein by reference).
10.7#	2016 Form of Performance-Vested Restricted Stock Unit Agreement (Employees) (filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2017, and incorporated herein by reference).
10.8#	Form of Time-Vested Restricted Stock Unit Agreement (Executive Officers) (filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 5, 2015, and incorporated herein by reference).
10.9#	Form of Time-Vested Restricted Stock Unit Agreement (Employees) (filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 5, 2015, and incorporated herein by reference).
10.10#	Form of Restricted Stock Grant Agreement (filed as Exhibit 10.12 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 31, 2017, and incorporated herein by reference).
10.11#	Form of Director Restricted Stock Unit Agreement (filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed with the SEC on March 5, 2015, and incorporated herein by reference).
10.12#	Form of Indemnification Agreement for directors and officers (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 2, 2014, and incorporated herein by reference).
10.13	Form of Securities Purchase Agreement, dated October 23, 2017 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 23, 2017, and incorporated herein by reference).
10.14	Form of Securities Purchase Agreement, dated January 22, 2018 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 22, 2018, and incorporated herein by reference).
10.15#	First Amendment to the Glowpoint, Inc. 2014 Equity Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 1, 2018, and incorporated herein by reference).
10.16	Representation Agreement, dated July 19, 2019, by and among the Registrant and the Stockholders named therein (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 25, 2019, and incorporated herein by reference).
10.17#	Second Amended and Restated Employment Agreement, by and between the Registrant and Peter Holst, dated July 19, 2019 (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on July 25, 2019, and incorporated herein by reference).
10.18#	Amended and Restated Employment Agreement, by and between the Registrant and David Clark, dated July 19, 2019 (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on July 25, 2019, and incorporated herein by reference).
10.19	Series E Preferred Stock Purchase Agreement, dated October 1, 2019, by and among the Registrant and the Purchasers party thereto (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 7, 2019, and incorporated herein by reference).
10.20	Registration Rights Agreement, dated October 1, 2019, by and among the Registrant and the Purchasers party thereto (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on October 7, 2019, and incorporated herein by reference).
10.21#	Glowpoint, Inc. 2019 Equity Incentive Plan (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2019, and incorporated herein by reference).
10.22	Form of Securities Purchase Agreement (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 16, 2020, and incorporated herein by reference).
10.23	Form of Securities Purchase Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 28, 2021, and incorporated herein by reference).
10.24	Separation Agreement dated March 4, 2022, between the Company and Pete Hawkes (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 8, 2022, and incorporated herein by reference).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm-EisnerAmper LLP.
24.1	Power of Attorney (included in the signature page hereto)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32.1**	Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer.
101.INS	Inline XBRL Instance Document

101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

Constitutes a management contract, compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith.

† Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 21, 2023

OBLONG, INC.

By: /s/ Peter Holst
Peter Holst
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Peter Holst and David Clark jointly and severally, his attorneys-in-fact, each with power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant as of this 21st day of March 2023 in the capacities indicated.

<u>/s/ Peter Holst</u> Peter Holst	President and Chief Executive Officer
<u>/s/ David Clark</u> David Clark	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ Matthew Blumberg</u> Matthew Blumberg	Chairman of the Board
<u>/s/ Jason Adelman</u> Jason Adelman	Director
<u>/s/ James Lusk</u> James Lusk	Director
<u>/s/ Deborah Meredith</u> Deborah Meredith	Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Oblong, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Oblong, Inc. and Subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

As discussed in Note 2 to the financial statements, the Company has incurred and expects to continue to incur losses that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Critical Audit Matters

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

Goodwill Impairment Assessment

The Company performs goodwill impairment testing on an annual basis on September 30 or when events occur or circumstances change that would indicate the carrying value of the reporting unit exceeds its fair value. For reporting units evaluated using a quantitative assessment, the fair values are determined using a weighting of an income approach and a market approach. An impairment loss is recognized when the carrying amount of a reporting unit’s net assets exceeds the estimated fair value of the reporting unit. These estimates are subject to significant management judgment, including the determination of many factors such as, but not limited to, sales growth rates and discount rates developed using market observable inputs and considering risk regarding future performance. Changes in these estimates can have a significant impact on the determination of cash flows and fair value. In 2022, the Company determined that triggering events relating to the Company’s declining stock price required interim impairment evaluations of goodwill. Based on the impairment tests, the Company recorded impairment charges of \$7.3 million during the year ended December 31, 2022. As a result of the impairment charges recorded, the carrying value of goodwill was reduced to zero.

We identified the goodwill impairment assessment as a critical audit matter because of the significant management judgment and subjectivity in developing the fair value measurement of the collaboration products reporting unit. This required a high degree of

auditor judgement and an increase in audit effort to perform procedures and evaluate audit evidence related to the revenue growth rates, estimated costs, and the discount rate assumptions utilized in the income approach.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) obtaining an understanding of management's process and evaluating the design of controls related to the goodwill impairment assessment; (ii) testing management's process for developing the fair value estimate; (iii) evaluating the appropriateness of the valuation model used in management's estimate which includes analyzing Management's reconciliation of the two reporting units' fair value to the market capitalization of the Company; (iv) testing the completeness, accuracy, and relevance of underlying data used in the model; and (v) evaluating the reasonableness of the revenue growth rates and assumptions used by management. Evaluating management's assumptions related to the revenue growth rates, estimated costs and the discount rate involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit, and (iv) performing analyses over significant estimates and assumptions. We involved valuation professionals with specialized skills and knowledge when performing audit procedures to evaluate the reasonableness of Management's estimates and assumptions related to the selection of discount rates.

Intangible Asset Impairment Assessment

Intangible assets were comprised of developed technology, trade names, and distributor relationships in the Collaboration Products reporting segment. The Company assesses the impairment of intangible assets subject to amortization when events and circumstances indicate that the carrying value of the assets might not be recoverable. Estimates and assumptions are utilized in the valuations, including projected cash flows, revenue growth rates, and the estimated useful lives of the assets. These estimates are subject to significant management judgment. Changes in these estimates can have a significant impact on the determination of cash flows and could potentially result in future impairments. In 2022, the Company considered the decline in revenue for the Collaboration Products reporting segment and the declining market capitalization of the Company to be a triggering event for a recoverability test of its intangible assets. Based on the corresponding recoverability tests, the Company recorded impairment charges of \$5.1 million during the year ended December 31, 2022.

We identified the intangible asset impairment assessment as a critical audit matter because of the significant management judgment and subjectivity in developing the undiscounted cash flows utilized in the impairment assessment. This required a high degree of auditor judgement and significant audit effort to perform procedures and evaluate audit evidence related to the projected cash flows including revenue growth rates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) obtaining an understanding of management's process and evaluating the design of controls related to the intangible asset impairment assessment; (ii) testing management's process for developing the undiscounted cash flow estimate; (iii) testing the completeness, accuracy, and relevance of underlying data used in the model; (iv) evaluating the reasonableness of the revenue growth rates and assumptions used by management, including the estimated useful lives of the intangible assets, and (v) evaluating and testing the appropriateness of the valuation model used in management's estimate to determine the fair value of the asset group. Evaluating management's assumptions related to the revenue growth rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the collaboration products segment asset group, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/ EisnerAmper LLP

We have served as the Company's auditor since 2010.
EISNERAMPER LLP
Iselin, New Jersey
March 21, 2023

OBLONG, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value, stated value and shares)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	\$ 3,085	\$ 8,939
Current portion of restricted cash	—	61
Accounts receivable, net	415	849
Inventory, net	723	1,821
Prepaid expenses and other current assets	649	1,081
Total current assets	4,872	12,751
Property and equipment, net	3	159
Goodwill	—	7,367
Intangibles, net	604	7,562
Operating lease, right-of-use assets, net	142	659
Other assets	40	109
Total assets	<u>\$ 5,661</u>	<u>\$ 28,607</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	184	259
Accrued expenses and other current liabilities	1,074	959
Current portion deferred revenue	436	783
Operating lease liabilities, current	219	492
Total current liabilities	1,913	2,493
Long-term liabilities:		
Operating lease liabilities, net of current portion	17	236
Deferred revenue, net of current portion	114	381
Total long-term liabilities	131	617
Total liabilities	2,044	3,110
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Common stock, \$.0001 par value; 150,000,000 shares authorized; 2,070,861 shares issued and 2,063,308 outstanding at December 31, 2022 and 2,062,030 shares issued and 2,054,477 outstanding at December 31, 2021	—	—
Treasury stock, 7,553 shares at December 31, 2022 and 2021	(181)	(181)
Additional paid-in capital	227,645	227,584
Accumulated deficit	(223,847)	(201,906)
Total stockholders' equity	3,617	25,497
Total liabilities and stockholders' equity	<u>\$ 5,661</u>	<u>\$ 28,607</u>

OBLONG, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,	
	2022	2021
Revenue	\$ 5,476	\$ 7,739
Cost of revenue (exclusive of depreciation and amortization and casualty loss)	3,930	5,021
Gross profit	1,546	2,718
Operating expenses:		
Research and development	1,699	2,913
Sales and marketing	1,431	2,195
General and administrative	5,278	6,363
Impairment charges	12,740	305
Casualty loss, net	483	—
Depreciation and amortization	1,903	2,736
Total operating expenses	23,534	14,512
Loss from operations	(21,988)	(11,794)
Interest and other expense (income), net		
Interest and other expense	19	22
Gain on extinguishment of debt	—	(2,448)
Interest and other income	(59)	(227)
Total interest and other income, net	(40)	(2,653)
Loss before income taxes	(21,948)	(9,141)
Income tax benefit	(7)	(90)
Net loss	\$ (21,941)	\$ (9,051)
Preferred stock dividends	—	1
Undeclared dividends	—	366
Induced conversion of Series A-2 Preferred Stock	—	300
Warrant modification	—	37
Net loss attributable to common stockholders	\$ (21,941)	\$ (9,755)
Net loss attributable to common stockholders per share:		
Basic and diluted net loss per share	\$ (10.62)	\$ (5.48)
Weighted-average number of shares of common stock:		
Basic and diluted	2,065	1,779

See accompanying notes to consolidated financial statements

OBLONG, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except shares of Series A-2, Series D and Series E Preferred Stock)

	Series A-2 Preferred Stock		Series D Preferred Stock		Series E Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2020	45	\$ —	1,697,958	\$ —	131,579	\$ —	533	\$ —	8	\$ (181)	\$ 215,093	\$ (192,855)	\$ 22,057
Net loss	—	—	—	—	—	—	—	—	—	—	—	(9,051)	(9,051)
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	713	—	713
Series D & E Preferred Stock conversion	—	—	(1,697,022)	—	(131,579)	—	1,251	—	—	—	—	—	—
Forfeiture of Series D Stock	—	—	(81)	—	—	—	—	—	—	—	—	—	—
Series D shares exchanged for tax	—	—	(855)	—	—	—	—	—	—	—	—	—	—
Series A2 Preferred Stock conversion	(45)	—	—	—	—	—	6	—	—	—	—	—	—
Issuance of stock for services	—	—	—	—	—	—	1	—	—	—	274	—	274
Issuance of shares from financing, net of issuance costs	—	—	—	—	—	—	267	—	—	—	11,504	—	11,504
Issuance of stock on vested restricted stock units	—	—	—	—	—	—	13	—	—	—	—	—	—
Balance at December 31, 2021	—	—	—	—	—	—	2,071	—	8	(181)	227,584	(201,906)	25,497
Net loss	—	—	—	—	—	—	—	—	—	—	—	(21,941)	(21,941)
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	146	—	146
Forfeiture of unvested stock options	—	—	—	—	—	—	—	—	—	—	(85)	—	(85)
Balance at December 31, 2022	—	\$ —	—	\$ —	—	\$ —	2,071	\$ —	8	\$ (181)	\$ 227,645	\$ (223,847)	\$ 3,617

See accompanying notes to consolidated financial statements

OBLONG, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2022	2021
Cash flows from Operating Activities:		
Net loss	\$ (21,941)	\$ (9,051)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,903	2,736
Bad debt expense	118	321
Non-cash lease expense from right-of-use assets	349	495
Stock-based compensation	146	597
Stock-based expense for services	—	390
Forfeiture of unvested stock options	(85)	—
Gain on disposal of assets	(2)	—
Gain on extinguishment of liabilities	—	(2,675)
Casualty loss on inventory	483	—
Impairment charges - property and equipment	61	98
Impairment charges - intangible assets	5,133	207
Impairment charges - right-of use assets	179	—
Impairment charges - goodwill	7,367	—
Changes in assets and liabilities:		
Accounts receivable	316	1,996
Prepaid expenses and other current assets	432	(901)
Inventory	615	(390)
Other assets	69	(3)
Accounts payable	(75)	(54)
Accrued expenses and other current liabilities	115	(19)
Deferred revenue	(614)	(559)
Lease liabilities	(503)	(920)
Net cash used in operating activities	(5,934)	(7,732)
Cash flows from Investing Activities:		
Proceeds on sale of equipment	30	1
Purchases of property and equipment	(11)	(50)
Net cash provided by (used in) investing activities	19	(49)
Cash flows from Financing Activities:		
Proceeds from stock issuance, net of offering costs	—	11,504
Net cash provided by financing activities	—	11,504
Net (decrease) increase in cash and restricted cash	(5,915)	3,723
Cash and restricted cash at beginning of year	9,000	5,277
Cash and restricted cash at end of year	\$ 3,085	\$ 9,000
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 7	\$ 9

See accompanying notes to consolidated financial statements

Reconciliation of cash and restricted cash			
Cash	\$	3,085	\$ 8,939
Current portion of restricted cash		—	61
Total cash and restricted cash	\$	3,085	\$ 9,000
Non-cash investing and financing activities:			
New operating lease agreement	\$	11	\$ 60
Modification of operating lease agreement	\$	—	\$ 192
Warrant modification	\$	—	\$ 37
Accrued preferred stock dividends	\$	—	\$ 1
Inducement to convert Series A-2 Preferred Stock to common	\$	—	\$ 300

OBLONG, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Business Description and Significant Accounting Policies

Business Description

Oblong, Inc. (“Oblong” or “we” or “us” or the “Company”) was formed as a Delaware corporation in May 2000 and is a provider of patented multi-stream collaboration technologies and managed services for video collaboration and network applications. Prior to March 6, 2020, Oblong, Inc. was named Glowpoint, Inc. (“Glowpoint”). On March 6, 2020, Glowpoint changed its name to Oblong, Inc.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Oblong and our 100%-owned subsidiaries (i) GP Communications, LLC (“GP Communications”), whose business function is to provide interstate telecommunications services for regulatory purposes, and (ii) Oblong Industries, Inc. All inter-company balances and transactions have been eliminated in consolidation. The U.S. Dollar is the functional currency for all subsidiaries.

During 2022, the Company ceased operations through Oblong Industries’ 100%-owned subsidiaries (i) Oblong Industries Europe, S.L. and (ii) Oblong Europe Limited, and combined the operations into Oblong Industries, Inc. There was no activity in either subsidiary in 2022 and, as of December 31, 2022, Oblong Industries Europe, S.L. has been dissolved and Oblong Europe, Limited is in liquidation.

Segments

Effective October 1, 2019, the former businesses of Glowpoint (now Oblong, Inc.) and Oblong Industries have been managed separately, and involve different products and services. Accordingly, the Company currently operates in two segments for purposes of segment reporting: (1) “Collaboration Products” which represents the Oblong Industries business surrounding our Mezzanine™ product offerings and (2) “Managed Services” which represents the Oblong (formerly Glowpoint) business surrounding managed services for video collaboration and network solutions. See **Note 14 - Segment Reporting** for further discussion.

Use of Estimates

Preparation of the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) 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 Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates made. We continually evaluate estimates used in the preparation of our Consolidated Financial Statements for reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. The significant areas of estimation include determining the allowance for doubtful accounts, the estimated lives and recoverability of property and equipment and intangible assets, the inputs used in the valuation of goodwill and intangible assets in connection with our impairment tests, and the inputs used in the fair value of equity based awards.

Cash and Restricted Cash

As of December 31, 2022, our total cash balance was \$3,085,000, and all cash was unrestricted. As of December 31, 2021, our total cash balance of \$9,000,000 included current restricted cash of \$61,000. The restricted cash pertained to one letter of credit that served as the security deposit for our leased office space in Boston, Massachusetts, and was secured by an equal amount of cash pledged as collateral, and such cash was held in a restricted bank account. The Boston lease, and thereby the letter of credit, in the amount of \$61,000, expired in February 2022 and the cash was released.

Accounts Receivable and Provision for Estimated Credit Losses

Accounts receivable are customer obligations due under normal trade terms. The Company sells its Managed Services products to end-users, and its Collaboration products to both resell partners and end-users. The Company extends credit to its customers based on their credit worthiness and on historical data, and performs ongoing credit evaluations of our customers’

financial condition. The Company maintains an allowance for doubtful accounts, related to accounts receivable, for future expected bad debt resulting from the inability or unwillingness of our customers to make required payments. We estimate our allowance for doubtful accounts based on relevant information such as historical experience, current economic conditions, and future expectations of specifically identified customer balances. This allowance is adjusted as appropriate to reflect current conditions. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. We do not obtain collateral from our customers to secure accounts receivable.

Net accounts receivable consisted of the following:

	As of December 31,	
	2022	2021
Accounts receivable	\$ 624,000	\$ 949,000
Allowance for doubtful accounts	(209,000)	(100,000)
Accounts receivable, net	\$ 415,000	\$ 849,000

During the years ended December 31, 2022 and 2021, the Company recorded bad debt of \$118,000 and \$321,000, respectively. As of December 31, 2020, accounts receivable and the allowance for doubtful accounts were \$3,348,000 and \$182,000, respectively.

Employee Retention Credit

The CARES Act provided an employee retention credit (“ERC”), which was a refundable tax credit against certain payroll taxes. Upon determination that the Company had complied with all of the conditions required to receive the credit, the Company qualified and filed to claim the ERC. The Company reflected the ERC as a reduction to the respective captions on the consolidated statements of operations associated with the employees to which the payroll tax benefit related. For the year ended December 31, 2021, the Company recorded a \$874,000 reduction to operating expense. There was no ERC for the year ended December 31, 2022. During the year ended December 31, 2021, the company collected \$558,000 of the ERC and, as of December 31, 2022, \$316,000 remains outstanding.

Inventory

Inventory consists of finished goods and was determined using average costs and was stated at the lower of cost or net realizable value. The Company periodically performs analyses to identify obsolete or slow-moving inventory.

Fair Value of Financial Instruments

The Company considers its cash, accounts receivable, accounts payable and lease obligations to meet the definition of financial instruments. The carrying amount of cash, accounts receivable and accounts payable approximated their fair value due to the short maturities of these instruments. The carrying amounts of our lease obligations (see **Note 9 - Operating Lease Liabilities and Right-of-Use Assets**) approximated their fair values, which were based on borrowing rates that were available to the Company for loans with similar terms, collateral, and maturity.

The Company measures fair value as required by Accounting Standards Codification (“ASC”) Topic 820 “*Fair Value Measurements and Disclosures*” (“ASC Topic 820”). ASC Topic 820 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. ASC Topic 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

- Level 3 - unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606.

The Company recognizes revenue using the five-step model as prescribed by Topic 606:

- Identification of the contract, or contracts, with a customer;
- Identification of the distinct performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies a performance obligation.

The Company’s managed videoconferencing services are offered to our customers on either a usage basis or on a subscription. Our network services are offered to our customers on a subscription basis. Revenue for these services is generally recognized on a monthly basis as services are performed. Revenue related to professional services is recognized at the time the services are performed. The costs associated with obtaining a customer contract were previously expensed in the period they were incurred. Under Topic 606, these payments are deferred on our consolidated balance sheets and amortized over the expected life of the customer contract. Deferred revenue as of December 31, 2022 totaled \$1,000 as certain performance obligations were not satisfied as of this date. During the year ended December 31, 2022, the Company recorded \$7,000 of revenue that was included in deferred revenue as of December 31, 2021. During the year ended December 31, 2021, the Company recorded \$24,000 of revenue that was included in deferred revenue as of December 31, 2020.

The Company’s visual collaboration products are composed of hardware and embedded software sold as a complete package, and generally include installation and maintenance services. Revenue for hardware and software is recognized upon shipment to the customer. Installation revenue is recognized upon completion of installation, which also triggers the beginning of recognition of revenue for maintenance services which range from one to three years. Revenue is recognized over time for maintenance services. Professional services are contracts with specific customers for software development, visual design, interaction design, engineering, and project support. These contracts vary in length, and revenue is recognized over time as services are rendered. Licensing agreements are for the Company’s core technology platform, g-speak, and are generally one year in length. Revenue for these services is recognized ratably over the service period. Deferred revenue, as of December 31, 2022, totaled \$549,000 as certain performance obligations were not satisfied as of this date. During the year ended December 31, 2022, the Company recorded \$776,000 of revenue that was included in deferred revenue as of December 31, 2021. During the year ended December 31, 2021, the Company recorded \$1,193,000 of revenue that was included in deferred revenue as of December 31, 2020.

Revenue recorded over time for the years ended December 31, 2022 and 2021 was \$970,000 and \$1,809,000, respectively. Revenue recorded at a period in time for the years ended December 31, 2022 and 2021 was \$4,506,000 and \$5,930,000, respectively.

The Company disaggregates its revenue by geographic region. See **Note 14 - Segment Reporting** for more information.

Taxes Billed to Customers and Remitted to Taxing Authorities

We recognize taxes billed to customers in revenue and taxes remitted to taxing authorities in our cost of revenue. For the years ended December 31, 2022 and 2021, we included taxes of \$207,000 and \$264,000, respectively, in revenue and we included taxes of \$217,000 and \$271,000, respectively, in cost of revenue.

Long-Lived Assets, Goodwill, and Intangible Assets

Property and Equipment

Property and equipment are accounted for in accordance with ASC Topic 360 “*Property, Plant, and Equipment*” (“ASC Topic 360”), stated at cost, and are depreciated using the straight-line method over the estimated economic lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of either the asset’s useful life or the related lease term. Depreciation is computed on the straight-line method for financial reporting purposes. Property and equipment assets, net of accumulated depreciation, totaled \$3,000 and \$159,000 as of December 31, 2022 and 2021, respectively.

Intangible Assets

Intangible assets are accounted for in accordance with ASC Topic 350 “*Intangibles - Goodwill and Other*” (“ASC Topic 350”), and intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which initially ranged from five to twelve years. Intangible assets, net of accumulated amortization totaled \$604,000 and \$7,562,000 as of December 31, 2022 and 2021, respectively.

Goodwill

Goodwill is accounted for in accordance with ASC Topic 350 and is not amortized. Goodwill is subject to periodic testing for impairment. As of December 31, 2021, goodwill of \$7,367,000 was recorded on our Consolidated Balance Sheet in connection with the October 1, 2019 acquisition of Oblong Industries. As a result of the impairment charges discussed below, there was no goodwill recorded on our Consolidated Balance Sheet as of December 31, 2022.

Operating Lease Right-of-use-assets

Right-of-use Assets are accounted for in accordance with ASC Topic 842 “*Leases*” (“ASC Topic 842”), and are amortized using a straight-line method over the estimated life of the lease. Right-of-use assets, net totaled \$142,000 and \$659,000, as of December 31, 2022 and 2021, respectively.

The Company primarily leases facilities for office, warehouse, and data center space under non-cancellable operating leases for its U.S. locations, and accounts for these leases in accordance with ASC-842. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Since our lease arrangements do not provide an implicit rate, we use our estimated incremental borrowing rate for the expected remaining lease term at commencement date in determining the present value of future lease payments.

Impairment

The Company assesses the impairment of our long-lived assets subject to amortization when events and circumstances indicate that the carrying value of the assets might not be recoverable. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments, related primarily to the future profitability and/or future value of the assets. Changes in the Company’s strategic plan and/or other-than-temporary changes in market conditions could significantly impact these judgments and could require adjustments to recorded asset balances. Long-lived assets are evaluated for impairment whenever an event or change in circumstances has occurred that could have a significant adverse effect on the fair value of long-lived assets.

During the year ended December 31, 2022, we considered the declines in revenue for the Collaboration Products reporting segment and the decline in the Company’s market capitalization to be triggering events for an impairment test of our long-lived and intangible for this reporting unit. Based on the corresponding recoverability tests of the asset group for this reporting unit, it was determined that the carrying value exceeded the gross cash flows of the asset group. The recoverability tests consisted of comparing the estimated undiscounted cash flows expected to be generated by those assets to the respective carrying amounts, and involves significant judgements and assumptions, related primarily to the future revenue and profitability of the assets.

For the year ended December 31, 2022, the Company recorded net impairment charges on property and equipment assets of \$59,000. See **Note 5 - Property and Equipment** for further discussion. During the year ended December 31, 2021, the Company recorded impairment charges of \$98,000 on property and equipment assets.

For the year ended December 31, 2022, the Company recorded impairment charges of \$5,133,000 on purchased intangible assets. See **Note 7 - Intangible Assets** for further discussion. The Company recorded impairment Charges of \$207,000 to purchased intangible assets for the year ended December 31, 2021.

We tested goodwill for impairment on an annual basis, on September 30th of each year, unless events occurred or circumstances changed indicating that the fair value of the goodwill may be below its carrying amount. During the year ended December 31, 2022, we considered the sustained decline in our stock price to be a triggering event for an interim goodwill impairment test, as of both March 31, 2022 and June 30, 2022. To determine the fair value of the reporting unit for the goodwill impairment test, we used a weighted average of the discounted cash flow method and market-based method.

During the year ended December 31, 2022, we recorded impairment charges of \$7,367,000, related to the tests discussed above. See **Note 6 - Goodwill** for further discussion. No impairments were recorded for Goodwill during the year ended December 31, 2021.

Right-of-use assets are tested for impairment using guidance from ASC Topic 360. For the year ended December 31, 2022, the Company recorded aggregate impairment charges of \$179,000 on two right-of-use assets. See **Note 9 - Operating Lease Liabilities and Right-of-Use Assets** for further discussion. There were no right-of-use asset impairments for the year ended December 31, 2021.

Operating Leases

Operating leases are accounted for in accordance with ASC Topic 842 “Leases” (“ASC Topic 842”), and the liabilities are amortized using a straight-line method over the estimated life of the lease. The remaining operating lease liability as of December 31, 2022 and 2021 was \$236,000 and \$728,000, respectively. See **Note 9 - Operating Lease Liabilities and Right-of-Use Assets** for further discussion.

Operating lease expense is recognized on a straight-line basis over the lease term. Variable lease payments are not included in the lease payments to measure the lease liability and are expensed as incurred. The Company’s leases have remaining terms of one to fourteen months and some of the leases include a Company option to extend the lease term for less than twelve months to five years, or more, which if reasonably certain to exercise, the Company includes in the determination of lease payments. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases with an initial term of 12 months or less, with the exception of leases for real property, are not recognized on the balance sheet and the expense for these short-term leases is recognized on a straight-line basis over the lease term. Common area maintenance fees (or CAMs) and other charges related to leases are expensed as incurred.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and trade accounts receivable. We place our cash needed for operations in commercial checking accounts, and the majority of our cash is held in a money market fund. Commercial bank balances may from time to time exceed federal insurance limits. Deposits are insured by the Federal Deposit Insurance Corporation (the “FDIC”) in an amount up to \$250,000 for any depositor, any deposit in excess of this insured amount could be lost. As of December 31, 2022, cash held in banks, and the corresponding amounts in excess of the FDIC insured amounts were as follows:

Bank	Cash at December 31,2022	Excess over FDIC Insured Amount
Silicon Valley Bank	\$ 260,000	\$ 10,000
Morgan Stanley - SS&C for US Funds	2,795,000	2,795,000
Resolve Group, UK	30,000	30,000
Total	\$ 3,085,000	\$ 2,835,000

Income Taxes

We use the asset and liability method to determine our income tax expense or benefit. Deferred tax assets and liabilities are computed based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that are expected to be in effect when the differences are expected to be recovered or settled. Any resulting net deferred tax assets are evaluated for recoverability and, accordingly, a valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax asset will not be realized.

Stock-based Compensation

Stock-based awards have been accounted for as required by ASC Topic 718 “*Compensation – Stock Compensation*” (“ASC Topic 718”). Under ASC Topic 718 stock-based awards are valued at fair value on the date of grant, and that fair value is recognized over the requisite service period. The Company accounts for forfeitures when they occur.

Research and Development

Research and development expenses include internal and external costs related to developing new service offerings and features and enhancements to our existing product offerings.

Treasury Stock

Purchases and sales of treasury stock are accounted for using the cost method. Under this method, shares acquired are recorded at the acquisition price directly to the treasury stock account. Upon sale, the treasury stock account is reduced by the original acquisition price of the shares and any difference is recorded in additional paid in capital, on a first-in first-out basis. The Company does not recognize a gain or loss to income from the purchase and sale of treasury stock.

Casualty Loss

In June 2022, the Company discovered that \$533,000 of inventory was stolen from the Company’s warehouse in City of Industry, California. The theft is being investigated further by the Los Angeles, CA Sheriff’s Department and claims have been filed with the Company’s insurance carriers. During 2022, we received a recovery payment from one of our insurance policies of \$50,000, resulting in a net casualty loss of \$483,000 on our Consolidated Statement of Operations. In February 2023, we received notification from our other insurance carrier that they determined the Company was entitled to insurance proceeds of \$315,000 relating to our inventory theft claim. The Company is currently in negotiations with the insurance carrier with the objective of increasing their determination of insurance proceeds. We will offset the casualty loss with the recognition of any proceeds once received from our insurance carrier.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

There are no new accounting pronouncements that are expected to have a significant impact on financial statements.

In June 2016 the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326),” which was subsequently amended in February 2020 by ASU 2020-02, “Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842).” The amendments introduce an impairment model that is based on expected credit losses, rather than incurred losses, to estimate credit losses on certain types of financial instruments (e.g., loans and held-to-maturity securities), including certain off-balance sheet financial instruments (e.g., loan commitments). The expected credit losses should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments, over the contractual term. Financial instruments with similar risk characteristics may be grouped together when estimating expected credit losses. The update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted the new guidance, as of January 1, 2023, and it did not have a material impact on the Consolidated Financial Statements.

Note 2 - Liquidity and Going Concern

As of December 31, 2022, we had \$3,085,000 of available cash, and \$2,959,000 of working capital. For the years ended December 31, 2022 and 2021, we incurred net losses of \$21,941,000 and \$9,051,000, respectively, and net cash used in operating activities was \$5,934,000 and \$7,732,000, respectively.

Future Capital Requirements and Going Concern

Our capital requirements in the future will continue to depend on numerous factors, including the timing and amount of revenue for the Company, customer renewal rates and the timing of collection of outstanding accounts receivable, in each case particularly as it relates to the Company's major customers, the expense to deliver services, expense for sales and marketing, expense for research and development, capital expenditures. The Company believes that, based on the its current projection of revenue, expenses, capital expenditures, and cash flows, it will not have sufficient resources to fund its operations for the next twelve months following the filing of this Report. We believe additional capital will be required to fund operations and provide growth capital including investments in technology, product development and sales and marketing. To access capital to fund operations or provide growth capital, we will need to raise capital in one or more debt and/or equity offerings. There can be no assurance that we will be successful in raising necessary capital or that any such offering will be on terms acceptable to the Company. If we are unable to raise additional capital that may be needed on terms acceptable to us, it could have a material adverse effect on the Company. The factors discussed above raise substantial doubt as to our ability to continue as a going concern. The accompanying Consolidated Financial Statements do not include any adjustments that might result from these uncertainties.

Note 3 - Inventory

Inventory (gross) was \$1,175,000 and \$2,552,000 as of December 31, 2022 and 2021, respectively, and consisted primarily of equipment related to our Mezzanine™ product offerings, including cameras, tracking hardware, computer equipment, display equipment and amounts related to our Collaboration Products segment. Inventory consists of finished goods, was determined using average costs, and was stated at the lower of cost or net realizable value.

The Company periodically performs analyses to identify obsolete or slow-moving inventory. As of December 31, 2022 and 2021, reserves for obsolete or slow moving inventory were recorded of \$452,000 and \$731,000, respectively. Inventory is shown net of the obsolescence reserve on our Consolidated Balance Sheet. The reserve adjustment recorded to cost of goods sold was a net increase of \$316,000 and \$525,000 for the years ended December 31, 2022 and 2021, respectively.

Note 4 - Prepaid Expenses and Other Current Assets

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

	December 31	
	2022	2021
Prepaid expenses	\$ 131	\$ 340
Employee Retention Credit receivable	316	316
Other current assets	90	164
Prepaid software licenses	112	261
Prepaid expenses and other current assets	<u>\$ 649</u>	<u>\$ 1,081</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following (in thousands):

	December 31,		Estimated Useful Life
	2022	2021	
Network equipment and software	\$ 1,913	\$ 4,665	3 to 5 Years
Computer equipment and software	294	\$ 5,070	3 to 5 Years
Leasehold improvements	—	\$ 690	(*)
Office furniture and equipment	—	\$ 92	3 to 10 Years
	2,207	10,517	
Accumulated depreciation	(2,204)	(10,358)	
Property and equipment, net	\$ 3	\$ 159	

(*) – Depreciated over the shorter period of the estimated useful life (five years) or the lease term.

Related depreciation expense was \$78,000 and \$365,000 for the years ended December 31, 2022 and December 31, 2021, respectively.

During the year ended December 31, 2022, the Company disposed of fixed assets of \$7,928,000, the corresponding accumulated depreciation of \$7,900,000, and received proceeds on the sale of \$30,000 which resulted in a gain on disposal of \$2,000. In addition, during the year ended December 31, 2022, the Company considered the declines in revenue for the Collaboration Products reporting segment and the decline in the Company's market capitalization to be triggering events for an impairment test of assets for this segment. Based on the corresponding recoverability tests of the asset group for this reporting unit, it was determined that the carrying value exceeded the gross cash flows of the asset group. The recoverability test consisted of comparing the estimated undiscounted cash flows expected to be generated by those assets to the respective carrying amounts, and involves significant judgements and assumptions, related primarily to the future revenue and profitability of the assets. Based on the fair value of the asset group, which was determined using a market approach, we recorded impairment charges of \$393,000 on fixed assets and the corresponding accumulated depreciation of \$332,000, resulting in an impairment loss of \$61,000 on the carrying value of the assets. During the year ended December 31, 2021, the Company recorded impairment charges of \$98,000.

Note 6 - Goodwill

As of December 31, 2022 and 2021, goodwill was zero and \$7,367,000, respectively. This goodwill as of December 31, 2021 was recorded in connection with the October 1, 2019 acquisition of Oblong Industries (our Collaboration Products reporting unit).

We tested goodwill for impairment on an annual basis on September 30 of each year, or more frequently if events occurred or circumstances changed indicating that the fair value of the goodwill may be below its carrying amount. To determine the fair value of the reporting unit for the goodwill impairment test, we used a weighted average of the discounted cash flow method and market-based method.

We considered the sustained decline in our stock price to be a triggering event for an interim goodwill impairment test, as of both March 31, 2022 and June 30, 2022, and we recorded impairment charges against the carrying value of goodwill of \$7,367,000 during the first half of 2022 as the carrying amount of the Collaboration Products reporting unit exceeded its fair value on the test dates. These charges are recognized as "Impairment Charges" on our Consolidated Statement of Operations. Following these impairment charges, our goodwill value was reduced to zero.

Note 7 - Intangible Assets

The following table presents the components of net intangible assets (in thousands):

	December 31,	
	2022	2021
Developed technology	\$ 486	\$ 10,060
Trade names	204	2,410
Distributor relationships	—	310
Total intangible assets	690	12,780
Accumulated amortization	(86)	(5,218)
Intangible assets, net	\$ 604	\$ 7,562

At each reporting period, we determine if there was a triggering event that may result in an impairment of our intangible assets.

Collaboration Products Reportable Segment

During the year ended December 31, 2022, we considered the declines in revenue for the Collaboration Products reporting segment and the decline in the Company's market capitalization to be triggering events for an impairment test of intangible assets for this segment. Based on the corresponding recoverability tests of the asset group for this segment, it was determined that the carrying value exceeded the gross cash flows of the asset group. The recoverability test consisted of comparing the estimated undiscounted cash flows expected to be generated by those assets to the respective carrying amounts, and involves significant judgements and assumptions, related primarily to the future revenue and profitability of the assets. Based on the fair value of the asset group, which was determined using a market approach, we recorded impairment charges of \$5,133,000 for the year ended December 31, 2022. Additionally, as part of our evaluation at September 30, 2022, we re-evaluated the remaining useful lives of our amortizing intangible assets and, based on our current plan, we adjusted its remaining useful life to 2 years. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets.

Managed Services Reportable Segment

During the year ended December 31, 2021, our Managed Services segment stopped offering video meeting suites ("VMS") services. VMS services were a component of our video collaboration services revenue stream and contributed to the cash flows relating to the affiliate network intangible asset. As a result, we identified the cessation of our VMS services to be a triggering event for a recoverability test of the affiliate network intangible asset. Based on the corresponding recoverability test, we deemed the affiliate network intangible asset to have no remaining value. Therefore, we recorded an impairment charge of \$207,000 for the year ended December 31, 2021.

Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which initially ranged from five years to twelve years in accordance with ASC Topic 350.

Related amortization expense was \$1,825,000 and \$2,371,000 for the years ended December 31, 2022 and 2021, respectively. Amortization expense for each of the remaining years will be as follows (in thousands):

2023	\$ 345
2024	259
Total	\$ 604

Note 8 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31,	
	2022	2021
Compensation costs	\$ 707	\$ 551
Taxes and regulatory fees	59	92
Customer deposits	128	145
Professional fees	57	69
Other accrued expenses and liabilities	123	102
	<u>\$ 1,074</u>	<u>\$ 959</u>

Note 9 - Operating Lease Liabilities and Right-of-Use Assets

We lease three facilities in Los Angeles, California providing office space and one facility in City of Industry, California, providing warehouse space. These leases expire between 2023 and 2024. During 2022, and through the date of this filing, we exited office space leases in Boston, Massachusetts, Dallas, Texas, Austin, Texas, and a residential lease in Los Angeles, California. We currently occupy the warehouse space in City of Industry; however, we do not occupy any of the office space in Los Angeles. We have a sublease in place for one of the Los Angeles properties and have impaired the right-of-use assets associated with the other two Los Angeles properties. With the exception of these spaces described above, we currently operate out of remote employment sites with a remote office located at 25587 Conifer Road, Suite 105-231, Conifer, Colorado 80433.

Lease expenses, net of common charges, for the years ended December 31, 2022 and 2021 were \$502,000 and \$778,000, respectively. Sublet proceeds for the years ended December 31, 2022 and 2021 were \$140,000 and \$321,000, respectively.

The following provides balance sheet information related to leases as of December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Assets		
Operating lease, right-of-use asset, net	\$ 142	\$ 659
Liabilities		
Current portion of operating lease liabilities	\$ 219	\$ 492
Operating lease liabilities, net of current portion	17	236
Total operating lease liabilities	<u>\$ 236</u>	<u>\$ 728</u>

The following table summarizes the future undiscounted cash payments reconciled to the lease liability (in thousands):

Year Ending December 31,	
2023	\$ 225
2024	17
Total lease payments	242
Effect of discounting	(6)
Total lease liability	236
Less: current portion of lease liabilities	219
Operating lease liabilities, net of current portion	<u>\$ 17</u>

The following table provides a reconciliation of activity for our right-of-use ("ROU") assets and lease liabilities (in thousands):

	Right-of-Use Asset	Operating Lease Liability
Balance at December 31, 2020	\$ 903	\$ 1,432
Additions	60	60
Terminations and Modifications	192	156
Amortizations and Reductions	(496)	(920)
Balance at December 31, 2021	659	728
Additions	11	11
Terminations and Modifications	—	—
Amortizations and Reductions	(349)	(503)
Impairment Charges	(179)	—
Balance at December 31, 2022	<u>\$ 142</u>	<u>\$ 236</u>

The ROU assets and lease liabilities are recorded on the Company's consolidated balance sheets as of December 31, 2022 and December 31, 2021.

During the year ended December 31, 2022, we entered into a residential lease in Los Angeles, CA. The new lease commenced in August 2022 and had a term of five months. The new lease resulted in an addition to ROU Assets, and corresponding increase to lease liability, of \$11,000.

During the year ended December 31, 2022, we vacated two of the properties in Los Angeles, California. These properties are under leases until May 2023 and management does not expect to be able to sublet the properties given the limited time remaining on the leases. Therefore, an impairment charge of \$179,000 was recorded for these assets during the year ended December 31, 2022.

During the year ended December 31, 2022, the Company exited three of its leases, one in Dallas, Texas, one in Boston, Massachusetts, and one in Los Angeles, California. The Boston lease expired in the first quarter of 2022, the Dallas lease expired in the second quarter of 2022, and the Los Angeles residential lease expired in the fourth quarter of 2022. The Company elected to not renew the expired releases. In February 2023, the Company exited the Austin, Texas lease upon its expiration.

Note 10 - Capital Stock

Common Stock

Subsequent to the end of the year, on January 3, 2023, the Company effected a 1-for-15 reverse stock split of its Common Stock. All Common Stock share information (including treasury share information) in our Consolidated Financial Statements and in the following capital stock discussion and tables are shown as adjusted for this stock split retrospectively for all periods represented herein.

The Company's common stock, par value \$0.0001 per share (the "Common Stock"), is listed on the Nasdaq Capital Market ("Nasdaq"). As of December 31, 2022 we had 150,000,000 shares of our \$0.0001 par value Common Stock authorized, with 2,070,861 and 2,063,308 shares issued and outstanding, respectively.

The following table provides a summary of Common Stock activity for the years ended December 31, 2022 and 2021 (in thousands):

Issued Shares as of December 31, 2020	533
Issuances from Private Placements	267
Issuances from Preferred Stock Conversions	1,257
Issuances related to vested restricted units	13
Issuance of shares for services	1
Issued Shares as of December 31, 2021	2,071
Less Treasury Shares:	8
Outstanding Shares as of December 31, 2021	<u>2,063</u>
Issued Shares as of December 31, 2022	2,071
Less Treasury Shares:	8
Outstanding Shares as of December 31, 2022	<u>2,063</u>

During the year ended and December 31, 2021, 1,257,000 shares of the Company's Common stock were issued in relation to preferred stock conversions, and 13,000 shares were issued upon the vesting of restricted stock units, respectively. See **Note 11 - Preferred Stock** and **Note 12 - Stock Based Compensation** for further information.

Issuance for Professional Service Fees

On January 21, 2021, the Company issued 1,000 shares of Common Stock as payment for services, with a fair value equal to \$100,000, related to a financial advisory agreement entered into on January 15, 2021.

During the year ended December 31, 2021, the Company recorded stock-based professional services expense of \$390,000 relating to the issuance of the shares above, which is included as a component of general and administrative expense in the accompanying consolidated Statements of Operations.

Issuance Pursuant to Equity Financing

On June 30, 2021, the Company closed on a concurrent public offering of 267,000 shares of Common Stock, Series A Warrants to purchase 66,667 shares of the Company's Common Stock at an exercise price of \$60.00 per share, and private placement of Series B Warrants to purchase 200,000 shares of common stock at an exercise price of \$66.00 per share for gross proceeds of \$12,400,000. Issuance costs for this transaction were \$896,000, resulting in net proceeds of \$11,504,000.

Warrants

On June 30, 2021, the Company issued Series A Warrants to purchase up to 66,667 shares of Common Stock, and Series B Warrants to purchase up to 200,000 shares of Common Stock, pursuant to a securities purchase agreement with certain accredited investors. The Series A Warrants had an original term of 6 months and are initially exercisable at \$60.00 per share. The Series B Warrants have a term of 3 years, commencing six months and one day from the date of issuance, and are initially exercisable at \$66.00 per share. All of the warrants are subject to cashless exercise if, at the time of exercise, the Warrant Shares are not subject to an effective resale registration statement. The Warrants are also subject to adjustment in the event of (i) stock splits and dividends, (ii) subsequent rights offerings, (iii) pro-rata distributions, and (iv) certain fundamental transactions, including but not limited to the sale of the Company, business combinations, and reorganizations. The Warrants do not have any price protection or price reset provisions with respect to future issuances of securities. The fair value of the Series A and B Warrants was recorded to additional paid-in capital during the year ended December 31, 2021. As of December 31, 2022, no warrants had been exercised.

On December 31, 2021, the Company agreed with all the holders of Series A Warrants to amend the terms of the Series A Warrants to extend the Termination Date from January 4, 2022 to January 4, 2023. All other terms of the Series A Warrants will remain in full force and effect. The modification resulted in an incremental value adjustment, and deemed dividend, of \$37,000, which was recorded to additional paid in capital on December 31, 2022.

On January 3, 2023, the Company agreed with all the holders of Series A Warrants to amend the terms of the Series A Warrants to extend the Termination Date from January 4, 2023 to January 4, 2024. All other terms of the Series A Warrants will remain in full force and effect.

Warrants outstanding as of December 31, 2022 are as follows:

Issue Date	Warrants Issued	Exercise Price	Expiration Date
October 21, 2020	34,767	\$ 61.20	April 22, 2023
December 6, 2020	41,667	82.35	June 7, 2023
June 30, 2021 - Series A*	66,667	60.00	January 4, 2024
June 30, 2021 - Series B	200,000	66.00	June 28, 2024
	<u>343,101</u>		

*The Series A warrant' expiration date has been updated to reflect the extension described above that occurred on January 3, 2023.

Warrant activity for the years ended December 31, 2022 and 2021 is presented below:

	Outstanding	
	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, December 31, 2020	76,434	\$ 72.75
Granted	266,667	64.50
Warrants outstanding and exercisable, December 31, 2021	343,101	66.34
Warrants outstanding and exercisable, December 31, 2022	<u>343,101</u>	<u>\$ 66.34</u>

Treasury Shares

The Company maintains Treasury Stock for the Common Stock shares bought back by the Company when they withhold shares to cover taxes on stock compensation transactions. There were no treasury stock transactions during the years ended December 31, 2022 and 2021, and the treasury shares outstanding were 7,553 as of December 31, 2022 and 2021.

Note 11 - Preferred Stock

On January 3, 2023, the Company effected a 1-for-15 reverse stock split for its Common Stock. All Common Stock share information in the following Preferred Stock discussion are shown as adjusted for this stock split retrospectively for all periods represented herein.

Our Certificate of Incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock. As of December 31, 2022 and 2021, we had 1,938,250 designated shares of preferred stock and no shares of preferred stock issued and outstanding.

Series A-2 Preferred Stock

As of December 31, 2022 and 2021, there were no shares of Series A-2 Preferred Stock issued and outstanding.

On January 28, 2021, the Company entered into an agreement with the holder of the Series A-2 Preferred Stock to convert the stated value of all outstanding shares of the Series A-2 Preferred Stock, 45 shares, into 5,620 shares of the Company's common stock, at a negotiated conversion price of \$60 per share, after taking into consideration accrued and unpaid dividends. The incremental cost of inducing the conversion was approximately \$300,000 and was treated similar to a preferred dividend, increasing the net loss attributable to common stockholders.

Series D and E Preferred Stock

As of December 31, 2022 and 2021, there were no shares of Series D and E Preferred Stock issued and outstanding.

During the year ended December 31, 2021, 81 restricted shares of Series D Preferred Stock were forfeited, and, in 2021, 855 shares of Series D Preferred Stock were surrendered to cover the taxes on vested shares.

On February 12, 2021, the Company converted 1,697,022 shares of Series D Preferred Stock and 131,579 shares of Series E Preferred Stock into 1,161,130 and 89,678 shares of Common Stock, respectively, after taking into consideration all accrued and unpaid dividends.

Note 12 - Stock Based Compensation

On January 3, 2023, the Company effected a 1-for-15 reverse stock split for its Common Stock. All Common Stock share information in the following stock-based compensation discussion and tables are shown as adjusted for this stock split retrospectively for all periods represented herein.

2019 Equity Incentive Plan

On December 19, 2019, the Oblong, Inc. 2019 Equity Incentive Plan (the “2019 Plan”) was approved by the Company’s stockholders at the Company’s 2019 Annual Meeting of Stockholders. The 2019 Plan is an omnibus equity incentive plan pursuant to which the Company may grant equity and cash incentive awards to certain key service providers of the Company and its subsidiaries. As of December 31, 2022, the share pool available for new grants under the 2019 Plan is 177,567.

Stock Options

On June 28, 2021, the Company granted 20,000 stock options to certain employees. These options have a term of 10 years, vest equally over 3 years, 1/3 upon each anniversary of the grant date, and have an exercise price of \$48.75 per share. Using the Black-Scholes option pricing model, the options were determined to have a fair value of \$744,000 which is being expensed ratably over the vesting term. No stock options were granted during the year ended December 31, 2022. The fair value of each stock option granted was estimated using the following assumptions:

	June 28, 2021
Risk free interest rate	0.47%
Expected option lives	3 years
Expected volatility	1.36
Estimated forfeiture rate	—
Expected dividend yields	—
Weighted average grant date fair value of options	\$37.20

A summary of stock options expired and forfeited under our plans and options outstanding as of, and changes made during, the years ended December 31, 2022 and 2021 is presented below:

	Outstanding		Exercisable	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable, December 31, 2020	7,169	\$ 294.63	7,169	\$ 294.63
Granted	20,000	48.75		
Options outstanding and exercisable, December 31, 2021	27,169	113.63	7,169	294.63
Vested	—	—	3,332	48.75
Expired	(501)	410.18	(501)	410.18
Forfeited	(10,000)	48.75	—	—
Options outstanding and exercisable, December 31, 2022	16,668	\$ 143.63	10,000	\$ 206.85

Additional information as of December 31, 2022 is as follows:

Range of price	Outstanding Exercisable			Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$0.00 – \$100.00	10,000	8.50	\$ 48.75	3,332	\$ 48.75
\$100.01 – \$200.00	167	0.50	135.00	167	135.00
\$201.01 – \$300.00	6,501	0.17	289.77	6,501	289.77
	16,668	3.06	\$ 143.63	10,000	\$ 206.85

The intrinsic value of vested and unvested options were not significant for all periods presented. Net stock compensation expense, related to stock options, for the year ended December 31, 2022 was \$61,000, made up of \$146,000 in expense offset by \$85,000 related to forfeiture credits. There was \$125,000 stock compensation expense, recorded as a component of General and Administrative expense and a net credit of \$64,000 recorded as a component of Research and Development expense, related to stock options for the year ended December 31, 2022. As of December 31, 2022, there was \$185,000 remaining as unrecognized stock-based compensation expense for options, which will be recognized over a weighted average period of 1.50 years. The recognized stock-based compensation expense for options for the year ended December 31, 2021 was \$126,000.

Restricted Stock Awards

As of December 31, 2022 and 2021, there were 42 unvested restricted stock awards outstanding, with a weighted average grant date price of \$235.87. The awards were issued in 2014 and vest over the lesser of ten years, a change in control, or separation from the company. Due to the variability of the vesting, the expense was amortized over an average service period of five years; therefore, there is no stock-based compensation expense for restricted stock awards for the years ended December 31, 2022 and 2021.

Restricted Stock Units

On August 18, 2021, the Company granted 13,334 restricted stock units (“RSUs”) to certain board members. These RSUs vested immediately upon issuance. The price per share of the Company’s common stock was \$32.85 on the grant date, resulting in a total fair value of \$438,000 which was included in general and administrative expense, as stock-based compensation expense, upon issuance. No RSUs were granted during the year ended December 31, 2022 and there was no stock compensation expense related to RSUs for the year ended December 31, 2022. There was no remaining unrecognized stock-based compensation expense for RSUs at December 31, 2022.

As of December 31, 2022 and 2021, there were no unvested RSUs outstanding and 1,929 vested RSUs remain outstanding as shares of common stock have not yet been delivered for these units in accordance with the terms of the RSUs.

Restricted Series D Preferred Stock

In connection with the acquisition of Oblong Industries, all options to purchase shares of Oblong Industries’ common stock held by existing employees of Oblong Industries were canceled and exchanged for an aggregate of 49,967 restricted shares of Series D Preferred Stock (“Restricted Series D Preferred Stock”), which were subject to vesting over a two-year period following the Closing Date. This vesting period and compensation expense were accelerated, in February 2021, when the Restricted Series D shares were converted to shares of Common Stock. Refer to **Note 11 - Preferred Stock** for discussion on the conversion of the Series D Restricted Preferred Stock.

Stock-based compensation expense relating to Restricted Series D Preferred Stock is allocated as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Research and development	\$ —	\$ 17
Sales, general and administrative	—	16
	<u>\$ —</u>	<u>\$ 33</u>

During the years ended December 31, 2022 and 2021, 81 and 28,618 shares of Restricted Series D Preferred Stock were forfeited, respectively and no shares were outstanding and there was no remaining unrecognized stock-based compensation related to Restricted Series D Preferred Stock as of December 31, 2022.

Note 13 - Net Loss Per Share

On January 3, 2023, the Company effected a 1-for-15 reverse stock split for its Common Stock. All Common Stock share information in the following net loss per share discussion and tables are shown as adjusted for this stock split retrospectively for all periods represented herein.

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The weighted-average number of shares of common stock outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. Certain restricted shares, although classified as issued and outstanding at December 31, 2022 and December 31, 2021, are considered contingently returnable until the restrictions lapse and will not be included in the basic net loss per share calculation until the shares are vested. Unvested shares of our restricted stock do not contain non-forfeitable rights to dividends and dividend equivalents. Vested RSUs (for which shares of common stock have not yet been delivered) are included in the calculations of basic net loss per share. Unvested RSUs are not included in calculations of basic net loss per share, as they are not considered issued and outstanding at time of grant.

Diluted net loss per share is computed by giving effect to all potential shares of common stock, including warrants, stock options, RSUs, and unvested restricted stock awards, to the extent they are dilutive. For the year ended December 31, 2022, all such common stock equivalents have been excluded from diluted net loss per share as the effect to net loss per share would be anti-dilutive (due to the net losses).

The following table sets forth the computation of the Company's basic and diluted net loss per share (in thousands, except per share data):

	Year Ended December 31,	
	2022	2021
Numerator:		
Net loss	\$ (21,941)	\$ (9,051)
Less: preferred stock dividends	—	1
Less: undeclared dividends	—	366
Less: conversion inducement	—	300
Less: warrant modification	—	37
Net loss attributable to common stockholders	<u>\$ (21,941)</u>	<u>\$ (9,755)</u>
Denominator:		
Weighted-average number of shares of common stock for basic net loss per share	<u>2,065</u>	<u>1,779</u>
Basic net loss per share	<u>\$ (10.62)</u>	<u>\$ (5.48)</u>

The weighted-average number of shares, for the years ended December 31, 2022 and 2021, includes 1,929 shares of vested RSUs, as discussed in **Note 12 - Stock Based Compensation**.

The following table represents the potential shares that were excluded from the computation of weighted-average number of shares of common stock in computing the diluted net loss per share for the periods presented because including them would have had an anti-dilutive effect:

	Year Ended December 31,	
	2022	2021
Outstanding stock options	16,668	27,169
Warrants	343,101	343,101

Note 14 - Segment Reporting

Effective October 1, 2019, the former businesses of Glowpoint (now Oblong, Inc.) and Oblong Industries have been managed separately, and involve different products and services. Accordingly, the Company currently operates in two segments for purposes of segment reporting: (1) “Collaboration Products” which represents the Oblong Industries business surrounding our Mezzanine™ product offerings and (2) “Managed Services” which represents the Oblong (formerly Glowpoint) business surrounding managed services for video collaboration and network solutions.

Certain information concerning the Company’s segments for the years ended December 31, 2022 and 2021 is presented in the following tables (in thousands):

	Year Ended December 31, 2022			
	Managed Services	Collaboration Products	Corporate	Total
Revenue	\$ 3,348	\$ 2,128	\$ —	\$ 5,476
Cost of revenues	2,273	1,657	—	3,930
Gross profit	\$ 1,075	\$ 471	\$ —	\$ 1,546
<i>Gross profit %</i>	32 %	22 %	— %	28 %
Allocated operating expenses	\$ 19	\$ 18,355	\$ —	\$ 18,374
Unallocated operating expenses	—	—	5,160	5,160
Total operating expenses	\$ 19	\$ 18,355	\$ 5,160	\$ 23,534
Income (loss) from operations	\$ 1,056	\$ (17,884)	\$ (5,160)	\$ (21,988)
Interest and other expense (income), net	12	(52)	—	(40)
Income (loss) before income taxes	\$ 1,044	\$ (17,832)	\$ (5,160)	\$ (21,948)
Income tax expense	\$ (4)	\$ (3)	\$ —	\$ (7)
Net income (loss)	\$ 1,048	\$ (17,829)	\$ (5,160)	\$ (21,941)
	As of December 31, 2022			
Total assets	\$ 752	\$ 1,824	\$ 3,085	\$ 5,661

	Year Ended December 31, 2021			
	Managed Services	Collaboration Products	Corporate	Total
Revenue	\$ 4,270	\$ 3,469	\$ —	\$ 7,739
Cost of revenues	2,991	2,030	—	5,021
Gross profit	\$ 1,279	\$ 1,439	\$ —	\$ 2,718
<i>Gross profit %</i>	30.0 %	41.5 %	— %	35.1 %
Allocated operating expenses	\$ 591	\$ 7,879	\$ —	\$ 8,470
Unallocated operating expenses	—	—	6,042	6,042
Total operating expenses	\$ 591	\$ 7,879	\$ 6,042	\$ 14,512
Income (loss) from operations	\$ 688	\$ (6,440)	\$ (6,042)	\$ (11,794)
Interest and other (income) expense, net	22	(227)	(2,448)	(2,653)
Loss before income taxes	\$ 666	\$ (6,213)	\$ (3,594)	\$ (9,141)
Income tax benefit	\$ (15)	\$ (75)		\$ (90)
Net income (loss)	\$ 681	\$ (6,138)	\$ (3,594)	\$ (9,051)
	As of December 31, 2021			
Total assets	\$ 1,053	\$ 18,615	\$ 8,939	\$ 28,607

Unallocated operating expenses include costs for the year ending December 31, 2022 and 2021 that are not specific to a particular segment but are general to the group; included are expenses incurred for administrative and accounting staff, general liability and other insurance, professional fees and other similar corporate expenses. Unallocated assets consist of unrestricted cash.

For the years ended December 31, 2022 and 2021, no material revenue was attributable to any individual foreign country. Approximately 1% of foreign revenue is billed in foreign currency and foreign currency gains and losses are not material. Revenue by geographic area is allocated as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Domestic	\$ 2,781	\$ 4,614
Foreign	2,695	3,125
	\$ 5,476	\$ 7,739

Disaggregated information for the Company's revenue has been recognized in the accompanying consolidated statements of operations and is presented below according to contract type (dollars in thousands):

	Year Ended December 31,			
	2022	% of Revenue	2021	% of Revenue
Revenue: Managed Services				
Video collaboration services	\$ 334	6.1 %	\$ 854	11.0 %
Network services	2,954	53.9 %	3,347	43.3 %
Professional and other services	60	1.1 %	69	0.9 %
Total Managed Services revenue	\$ 3,348	61.1 %	\$ 4,270	55.2 %
Revenue: Collaboration Products				
Visual collaboration product offerings	\$ 2,114	38.6 %	\$ 3,367	43.5 %
Licensing	14	0.3 %	102	1.3 %
Total Collaboration Products revenue	\$ 2,128	38.9 %	\$ 3,469	44.8 %
Total revenue	\$ 5,476	100.0 %	\$ 7,739	100.0 %

The Company's long-lived assets were 100% located in domestic markets as of December 31, 2022 and 2021.

The Company considers a significant customer to be one that comprises more than 10% of the Company's consolidated revenues or accounts receivable. The loss of or a reduction in sales or anticipated sales to our most significant or several of our smaller customers could have a material adverse effect on our business, financial condition and results of operations.

Concentration of revenues was as follows:

	Segment	Year Ended December 31, 2022	
		2022	2021
		% of Revenue	% of Revenue
Customer A	Managed Services	46.8 %	34.7 %

Concentration of accounts receivable was as follows:

	Segment	As of December 31,	
		2022	2021
		% of Accounts Receivable	% of Accounts Receivable
Customer A	Managed Services	42.8 %	24.9 %
Customer B	Collaboration Products	22.0 %	8.5 %
Customer C	Collaboration Products	— %	20.0 %
Customer D	Managed Services	4.3 %	18.2 %

Note 15 - Commitments and Contingencies

From time to time, we are subject to various legal proceedings arising in the ordinary course of business, including proceedings for which we have insurance coverage. As of the date hereof, we are not party to any legal proceedings that we currently believe will have a material adverse effect on our business, financial position, results of operations or liquidity.

COVID-19

On March 11, 2020, the World Health Organization announced that infections of the novel Coronavirus (COVID-19) had become pandemic, and on March 13, 2020, the U.S. President announced a National Emergency relating to the disease. National, state and local authorities have at times required or recommended social distancing and imposed or are considering quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures,

while intended to protect human life, have had serious adverse impacts on domestic and foreign economies of uncertain severity and duration. The sweeping nature of the coronavirus pandemic makes it extremely difficult to predict how the Company's business and operations will be affected in the long run. The COVID-19 pandemic, and its aftermath, have materially affected our revenue and results of operations for the years ended December 31, 2022, 2021, and 2020. The decreases in our revenue are primarily attributable to the effects of the global pandemic on our channel partners and customers as they evaluate how and when to re-open their commercial real estate footprints. The Company's results reflect the challenges due to long and unpredictable sales cycles, delays in customer retrofit budgets, project starts, and supply delayed orders in our distribution channels as a direct result of customer implementation schedules shifting due to the COVID-19 pandemic, and its aftermath. The COVID-19 pandemic in particular has, and may continue to have, a significant economic and business impact on our Company. During 2022, 2021 and 2020, we have seen a continuing weakness in revenue as our customers across all sectors delayed order placements in reaction to the ongoing impacts of the COVID-19 pandemic that caused our customers to suspend or postpone real estate retrofit projects due to budget and occupancy uncertainties. We continue to monitor the ongoing impact of the COVID-19 pandemic on our customers, suppliers and logistics providers, and to evaluate governmental actions being taken to curtail and respond to the spread of the virus. The significance and duration of the ongoing impact on us is still uncertain. Material adverse effects of the COVID-19 pandemic, and its aftermath, on market drivers, our customers, suppliers or logistics providers could significantly impact our operating results. We will continue to actively follow, assess and analyze the ongoing impact of the COVID-19 pandemic and adjust our organizational structure, strategies, plans and processes to respond. Because the situation continues to evolve, we cannot reasonably estimate the ultimate impact to our business, results of operations, cash flows and financial position that the ongoing effects of the COVID-19 pandemic may have. Continuation of the ongoing effects of the COVID-19 pandemic, and government actions in response thereto, could cause further disruptions to our operations and the operations of our customers, suppliers and logistics partners and could significantly adversely affect our near-term and long-term revenues, earnings, liquidity and cash flows.

Note 16 - Income Taxes

The following table sets forth pretax book loss (in thousands):

	Year Ended December 31,	
	2022	2021
United States	\$ (21,948)	\$ (9,340)
Foreign	—	199
Total	<u>\$ (21,948)</u>	<u>\$ (9,141)</u>

The following table sets forth income before taxes and the income tax expense for the years ended December 31, 2022 and 2021 (in thousands):

	Year Ended December 31,	
	2022	2021
Current:		
Federal	\$ —	\$ —
Foreign	(4)	(75)
State	(3)	(15)
Total current	<u>(7)</u>	<u>(90)</u>
Total deferred	—	—
Income tax benefit	<u>\$ (7)</u>	<u>\$ (90)</u>

Our effective tax rate differs from the statutory federal tax rate for the years ended December 31, 2022 and 2021 as shown in the following table (in thousands):

	Year Ended December 31,	
	2022	2021
U.S. federal income taxes at the statutory rate	\$ (4,609)	\$ (1,919)
Goodwill impairment	1,547	—
Current Year Permanent Adjustment, Paycheck Protection Program loan forgiveness	—	(514)
State taxes, net of federal effects	(375)	(464)
Adjustment to U.S. NOLs, UK Anti-Hybrid	—	(1,837)
U.S. Federal and state NOL carryforward adjustment for expired NOLs	76	78
Change in valuation allowance	3,273	4,662
True up of prior year foreign tax expense	—	(108)
Other	81	12
Income tax benefit	\$ (7)	\$ (90)

The tax effect of the temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2022 and 2021 is presented below (in thousands):

	Year Ended December 31,	
	2022	2021
Deferred tax assets (liabilities):		
Tax benefit of operating loss carry forward - Federal	\$ 28,459	\$ 26,902
Tax benefit of operating loss carry forward - State	6,429	6,225
Accrued expenses	147	88
Deferred revenue	129	287
Stock-based compensation	420	449
Fixed assets	116	287
Goodwill	28	102
Inventory	106	197
Intangible amortization	(80)	(1,777)
R&D credit	2,154	2,154
Texas margin tax temporary credit	74	139
Other	101	62
Total deferred tax asset, net of deferred tax liabilities	38,492	35,220
Valuation allowance	(38,492)	(35,220)
Net deferred tax asset	\$ —	\$ —

The ending balances of the deferred tax asset have been fully reserved, reflecting the uncertainties as to realizability evidenced by the Company's historical results. The change in valuation allowance for the year ended December 31, 2022 is an increase of \$3,272,600. The change in valuation allowance for the year ended December 31, 2021 was a increase of \$4,678,000.

We and our subsidiary file federal and state tax returns on a consolidated basis. On October 1, 2019 Oblong, Inc. acquired the stock of Oblong Industries Inc. that resulted in Oblong Industries Inc.'s shareholders now owning 75% of Oblong, Inc. Therefore, an "ownership change" occurred on this date (as defined under Section 382 of the Internal Revenue Code of 1986, as amended), which places an annual limitation on the utilization of the net operating loss ("NOL") carryforwards accumulated before the ownership change. If additional ownership changes occur in the future, the use of the net operating loss carryforwards could be subject to further limitation.

As a result of this annual limitation and the limited carryforward life of the accumulated NOLs, we determined that the 2019 ownership change resulted in the permanent loss of approximately \$30,880,000 of tax NOL carryforwards. At December 31, 2021, we had federal net operating loss carryforwards of \$128,447,000 available to offset future federal taxable income, after Section 382 limitation considerations. At December 31, 2022, we had federal net operating loss carryforwards of \$135,517,000 available to offset future federal taxable income, after section 382 limitation considerations. Of this amount, \$75,456,000 will expire in various amounts from 2023 through 2037. As of December 31, 2022 and 2021, the Company also

has various state net operating loss carryforwards of \$104,886,000 and \$101,035,000, respectively. The determination of the state net operating loss carryforwards is dependent upon apportionment percentages and state laws that can change, from year to year and impact the amount of such carryforwards. The Company has Research and Development credits of \$2,154,000 at December 31, 2022 and 2021. The Research and Development credit begins to expire at the end of 2026.

There were no significant matters determined to be unrecognized tax benefits taken or expected to be taken in a tax return, in accordance with ASC Topic 740 “*Income Taxes*” (“ASC 740”), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements, that have been recorded on the Company’s Consolidated Financial Statements for the years ended December 31, 2022 and 2021. The Company does not anticipate a material change to unrecognized tax benefits in the next twelve months.

Additionally, ASC 740 provides guidance on the recognition of interest and penalties related to unrecognized tax benefits. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2022 and 2021.

The Internal Revenue Service may generally access additional income tax for the most recent three years. This would generally prevent the Internal Revenue Service from opening an examination for years ended on or before December 31, 2019. However, there are exceptions that can extend the statute of limitations to six years, and in some cases, prevent the statute of limitations from ever expiring.

Note 17 - 401(k) Plan

We have adopted a retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan covers substantially all employees who meet minimum age and service requirements. Company contributions to the 401(k) plan for the years ended December 31, 2022 and 2021 were \$93,000 and \$130,000, respectively.

Note 18 - Related Party Transactions

Effective August 16, 2021, Matthew Blumberg was appointed to the Company’s Board of Directors. Mr. Blumberg is the Co-Founder and CEO of Bolster, an on-demand executive talent marketplace that helps accelerate companies’ growth by connecting them with experienced, highly vetted executives for interim, fractional, advisory, project-based or board roles. During the year ended December 31, 2021, the Company paid Bolster \$31,000 for fractional labor. There were no services provided by, or payments made to, Bolster during the year ended December 31, 2022.