

SONIC FOUNDRY INC
Form 10-Q
May 11, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly period ended March 31, 2017

OR

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

Commission File Number 000-30407

SONIC FOUNDRY, INC.
(Exact name of registrant as specified in its charter)

MARYLAND 39-1783372
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
222 West Washington Ave, Madison, WI 53703
(Address of principal executive offices)
(608) 443-1600
(Registrant's telephone number including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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Exchange Act.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the number of shares outstanding of each of the issuer's common equity as of the last practicable date:

Class	Outstanding May 5, 2017
Common Stock, \$0.01 par value	4,449,893

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PART I. FINANCIAL INFORMATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. For a more complete discussion of accounting policies and certain other information, refer to the Company’s annual report filed on Form 10-K for the fiscal year ended September 30, 2016.

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Item 1

Sonic Foundry, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except for share data)

(Unaudited)

	March 31, 2017	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 850	\$ 1,794
Accounts receivable, net of allowances of \$275 and \$225	12,156	11,646
Inventories	1,434	1,904
Prepaid expenses and other current assets	1,245	1,404
Total current assets	15,685	16,748
Property and equipment:		
Leasehold improvements	1,043	879
Computer equipment	6,445	5,837
Furniture and fixtures	891	825
Total property and equipment	8,379	7,541
Less accumulated depreciation and amortization	6,237	5,510
Property and equipment, net	2,142	2,031
Other assets:		
Goodwill	10,993	11,310
Customer relationships, net of amortization of \$857 and \$723	1,600	1,882
Product rights, net of amortization of \$349 and \$287	323	385
Other long-term assets	322	726
Total assets	\$ 31,065	\$ 33,082
Liabilities and stockholders' equity		
Current liabilities:		
Revolving lines of credit	\$ 4,022	\$ 1,772
Accounts payable	1,738	961
Accrued liabilities	1,817	1,883
Unearned revenue	10,824	12,834
Current portion of capital lease and financing arrangements	356	283
Current portion of notes payable, net of discounts	1,364	1,491
Current portion of subordinated note payable	—	93
Total current liabilities	20,121	19,317
Long-term portion of unearned revenue	1,880	1,257
Long-term portion of capital lease and financing arrangements	342	231
Long-term portion of notes payable and warrant debt, net of discounts	237	871
Derivative liability, at fair value	46	67
Other liabilities	386	259
Deferred tax liability	4,462	4,564
Total liabilities	27,474	26,566
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, authorized 500,000 shares; none issued	—	—
5% Preferred stock, Series B, voting, cumulative, convertible, \$.01 par value (liquidation preference at par), authorized 1,000,000 shares, none issued	—	—

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Common stock, \$.01 par value, authorized 10,000,000 shares; 4,462,609 and 4,424,275 shares issued and 4,449,893 and 4,411,559 shares outstanding, respectively	45	44	
Additional paid-in capital	197,603	197,064	
Accumulated deficit	(193,179)	(190,214))
Accumulated other comprehensive loss	(683)	(183))
Receivable for common stock issued	(26)	(26))
Treasury stock, at cost, 12,716 shares	(169)	(169))
Total stockholders' equity	3,591	6,516	
Total liabilities and stockholders' equity	\$ 31,065	\$ 33,082	

See accompanying notes to the condensed consolidated financial statements.

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Sonic Foundry, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except for share and per share data)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Revenue:				
Product and other	\$3,354	\$4,209	7,123	\$8,101
Services	5,206	5,403	10,744	10,602
Total revenue	8,560	9,612	17,867	18,703
Cost of revenue:				
Product and other	1,481	1,410	3,168	3,275
Services	1,015	929	1,926	1,775
Total cost of revenue	2,496	2,339	5,094	5,050
Gross margin	6,064	7,273	12,773	13,653
Operating expenses:				
Selling and marketing	4,008	4,467	8,818	8,879
General and administrative	1,468	1,376	2,918	2,847
Product development	1,862	1,644	3,813	3,258
Total operating expenses	7,338	7,487	15,549	14,984
Loss from operations	(1,274)	(214)	(2,776)	(1,331)
Non-operating income (expenses):				
Interest expense, net	(116)	(154)	(266)	(303)
Other income (expense), net	(89)	(61)	(77)	4
Total non-operating expenses	(205)	(215)	(343)	(299)
Loss before income taxes	(1,479)	(429)	(3,119)	(1,630)
Benefit (provision) for income taxes	23	(282)	154	(288)
Net loss	\$(1,456)	\$(711)	\$(2,965)	\$(1,918)
Loss per common share:				
– basic	\$(0.33)	\$(0.16)	\$(0.67)	\$(0.44)
– diluted	\$(0.33)	\$(0.16)	\$(0.67)	\$(0.44)
Weighted average common shares				
– basic	4,425,720	4,379,943	4,418,562	4,371,797
– diluted	4,425,720	4,379,943	4,418,562	4,371,797
See accompanying notes to the condensed consolidated financial statements				

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Sonic Foundry, Inc.

Condensed Consolidated Statements of Comprehensive Loss

(in thousands)

(Unaudited)

	Three Months		Six Months Ended	
	Ended March 31,		March 31,	
	2017	2016	2017	2016
Net loss	\$(1,456)	\$(711)	\$(2,965)	\$(1,918)
Foreign currency translation adjustment	373	367	(500)	313
Comprehensive loss	\$(1,083)	\$(344)	\$(3,465)	\$(1,605)
See accompanying notes to the condensed consolidated financial statements				

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Sonic Foundry, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six Months Ended March 31,	
	2017	2016
Operating activities		
Net loss	\$(2,965)	\$(1,918)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of other intangibles	282	362
Depreciation and amortization of property and equipment	757	801
Provision for doubtful accounts	50	(50)
Deferred taxes	(15)	178
Stock-based compensation expense related to stock options	386	521
Remeasurement gain on subordinated debt	(6)	(2)
Remeasurement gain on derivative liability	(21)	(33)
Changes in operating assets and liabilities:		
Accounts receivable	(701)	2,077
Inventories	457	284
Prepaid expenses and other current assets	511	(61)
Accounts payable and accrued liabilities	798	(1,002)
Other long-term liabilities	141	(43)
Unearned revenue	(1,296)	(73)
Net cash provided by (used in) operating activities	(1,622)	1,041
Investing activities		
Purchases of property and equipment	(586)	(149)
Net cash used in investing activities	(586)	(149)
Financing activities		
Proceeds from notes payable	—	500
Proceeds from line of credit	12,529	5,445
Payments on notes payable	(907)	(862)
Payments on line of credit	(10,249)	(5,932)
Payment of debt issuance costs	(26)	(10)
Proceeds from issuance of common stock and warrants	21	31
Payments on capital lease and financing arrangements	(150)	(129)
Net cash provided by (used in) financing activities	1,218	(957)
Changes in cash and cash equivalents due to changes in foreign currency	46	(27)
Net decrease in cash and cash equivalents	(944)	(92)
Cash and cash equivalents at beginning of period	1,794	1,976
Cash and cash equivalents at end of period	\$850	\$1,884
Supplemental cash flow information:		
Interest paid	\$277	\$310
Income taxes paid, foreign	27	10
Non-cash financing and investing activities:		
Property and equipment financed by capital lease or accounts payable	341	246
Debt discount	—	16
Stock issued for board of director's fees	133	164
See accompanying notes to the condensed consolidated financial statements.		

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Sonic Foundry, Inc.
 Notes to Condensed Consolidated Financial Statements
 March 31, 2017
 (Unaudited)

1. Basis of Presentation and Significant Accounting Policies Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature. Operating results for the six month period ended March 31, 2017 are not necessarily indicative of the results that might be expected for the year ending September 30, 2017.

Reclassifications

Reclassifications have been made to the condensed consolidated financial statements to conform to the March 31, 2017 presentation. These reclassifications had no effect on the Company's net loss or stockholders' equity as previously reported.

Inventory Valuation

Inventory consists of raw materials and supplies used in the assembly of Mediasite recorders and finished units. Inventory of completed units and spare parts are carried at the lower of cost or market, with cost determined on a first-in, first-out basis.

Inventory consists of the following (in thousands):

	March 31, 2017	September 30, 2016
Raw materials and supplies	\$117	\$ 149
Finished goods	1,317	1,755
	\$1,434	\$ 1,904

Capitalized Software Development Costs

Software development costs incurred in conjunction with product development are charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs are capitalized and reported at the net realizable value of the related product. Typically the period between achieving technological feasibility of the Company's products and the general availability of the products has been short. Consequently, software development costs qualifying for capitalization are typically immaterial and are generally expensed to research and development costs, as incurred. Upon product release, the amortization of software development costs is determined annually as the greater of the amount computed using the ratio of current gross revenues for the products to their total of current and anticipated future gross revenues, or the straight-line method over the estimated economic life of the products, expected to be three years. Amortization expense of software development costs of \$0 thousand and \$89 thousand is included in Cost of Revenue – Product for the six months ended March 31, 2017 and 2016, respectively. The gross amount of capitalized external and internal development costs was \$533 thousand at March 31, 2017 and September 30, 2016 and was fully amortized during the fiscal year ended September 30, 2016. There were no software development efforts that qualified for capitalization for the six months ended March 31, 2017 or 2016, respectively.

Fair Value of Financial Instruments

Nonfinancial Assets Measured at Fair Value on a Nonrecurring Basis

The Company's goodwill, intangible assets and other long-lived assets are nonfinancial assets that were acquired either as part of a business combination, individually or with a group of other assets. These nonfinancial assets were initially

measured and recognized at amounts equal to the fair value determined as of the date of acquisition. Fair value measurements of reporting units are estimated using an income approach involving discounted or undiscounted cash flow models and the public company guideline method that contain certain Level 3 inputs requiring management judgment, including projections of economic conditions and customer demand, revenue and margins, changes in competition, operating costs, working capital requirements, and new product

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introductions. Fair value measurements of the reporting units associated with the Company's goodwill balances are estimated at least annually at the beginning of the fourth quarter of each fiscal year for purposes of impairment testing. Fair value measurements associated with the Company's intangible assets and other long-lived assets are estimated when events or changes in circumstances such as market value, asset utilization, physical change, legal factors, or other matters indicate that the carrying value may not be recoverable.

In determining the fair value of financial assets and liabilities, the Company currently utilizes market data or other assumptions that it believes market participants would use in pricing the asset or liability in the principal or most advantageous market, and adjusts for non-performance and/or other risk associated with the Company as well as counterparties, as appropriate. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices which are available in active markets for identical assets or liabilities accessible to the Company at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to Level 1, as this level provides the most reliable measure of fair value, while giving the lowest priority to Level 3.

Financial Liabilities Measured at Fair Value on Recurring Basis

The initial fair values of PFG debt and warrant debt (see Note 4) were based on the present value of expected future cash flows and assumptions about current interest rates and the creditworthiness of the Company (Level 3). The fair value of the bifurcated conversion feature represented by the warrant derivative liability which is measured at fair value on a recurring basis is based on a Black Scholes option pricing model with assumptions for stock price, exercise price, volatility, expected term, risk free interest rate and dividend yield similar to those described for share-based compensation which were generally observable (Level 2).

Financial liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
March 31, 2017				
Derivative liability	—	46	—	46
	\$	—\$ 46	\$	—\$ 46
September 30, 2016				
Derivative liability	—	67	—	67
	\$	—\$ 67	\$	—\$ 67

Included below is a summary of the changes in our Level 3 fair value measurements (in thousands):

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	PFG Debt, net of discount	Warrant Debt
Balance at September 30, 2016	\$ 1,225	\$ 102
Activity during the current period:		
Payments to PFG	(404)	—
Change in fair value	37	10
Balance at March 31, 2017	\$ 858	\$ 112

Financial Instruments Not Measured at Fair Value

The Company's other financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt instruments, excluding the PFG debt. The book values of cash and cash equivalents, accounts receivable, debt (excluding the PFG debt) and accounts payable are considered to be representative of their respective fair values. The carrying value of capital lease obligations and debt (excluding the PFG debt), including the current portion, approximates fair market value as the variable and fixed rate approximates the current market rate of interest available to the Company.

Legal Contingencies

When legal proceedings are brought or claims are made against the Company and the outcome is uncertain, we are required to determine whether it is probable that an asset has been impaired or a liability has been incurred. If such impairment or liability is probable and the amount of loss can be reasonably estimated, the loss must be charged to earnings.

When it is considered probable that a loss has been incurred, but the amount of loss cannot be estimated, disclosure but not accrual of the probable loss is required. Disclosure of a loss contingency is also required when it is reasonably possible, but not probable, that a loss has been incurred and there is a possibility the loss could be material.

No legal contingencies were recorded or were required to be disclosed for the six months ended March 31, 2017 and 2016, respectively.

Stock Based Compensation

The Company uses a lattice valuation model to account for all employee stock options granted. The lattice valuation model is a more flexible analysis to value options because of its ability to incorporate inputs that change over time, such as actual exercise behavior of option holders. The Company uses historical data to estimate the option exercise and employee departure behavior in the lattice valuation model. Expected volatility is based on historical volatility of the Company's stock. The Company considers all employees to have similar exercise behavior and therefore has not identified separate homogeneous groups for valuation. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods the options are expected to be outstanding is based on the U.S. Treasury yields in effect at the time of grant. Forfeitures are based on actual behavior patterns.

The fair value of each option grant is estimated using the assumptions in the following table:

	Six Months Ended March 31,	
	2017	2016
Expected life	4.9 years	4.9-5.0 years
Risk-free interest rate	1.08%-1.44%	0.85%-1.23%
Expected volatility	56.98%-59.84%	53.75%-55.15%
Expected forfeiture rate	10.17%-10.22%	10.61%-11.76%

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Expected exercise factor 1.32-1.35 1.43-1.44

Expected dividend yield 0% 0%

A summary of option activity at March 31, 2017 and changes during the six months then ended is presented below:

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	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Period in Years
Outstanding at October 1, 2016	1,602,822	\$ 9.51	6.6
Granted	313,520	4.75	9.8
Exercised	—	—	0.0
Forfeited	(42,797)	24.84	1.9
Outstanding at March 31, 2017	1,873,545	8.36	6.5
Exercisable at March 31, 2017	1,274,006	9.26	5.4

A summary of the status of the Company's non-vested shares and changes during the six month period ended March 31, 2017 is presented below:

	2017	Weighted-Average Grant Date Fair Value
Non-vested Shares	Shares	
Non-vested at October 1, 2016	539,985	\$ 3.21
Granted	313,520	1.83
Vested	(243,228)	3.08
Forfeited	(10,738)	2.75
Non-vested at March 31, 2017	599,539	\$ 2.50

The weighted average grant date fair value of options granted during the six months ended March 31, 2017 was \$1.83. As of March 31, 2017, there was \$865 thousand of total unrecognized compensation cost related to non-vested stock-based compensation, with total forfeiture adjusted unrecognized compensation cost of \$702 thousand. The cost is expected to be recognized over a weighted-average remaining life of 2.5 years.

Stock-based compensation recorded in the three and six months ended March 31, 2017 was \$127 thousand and \$378 thousand, respectively. Stock-based compensation recorded in the three and six months ended March 31, 2016 was \$187 thousand and \$521 thousand, respectively. There was no cash received from exercises under all stock option plans and warrants in either of the three and six months ended March 31, 2017 or 2016. There were no tax benefits realized for tax deductions from option exercises in either of the three and six months ended March 31, 2017 or 2016, respectively. The Company currently expects to satisfy share-based awards with registered shares available to be issued.

The Company also has an Employee Stock Purchase Plan (Purchase Plan) under which an aggregate of 200,000 common shares may be issued. A total of 68,844 shares are available to be issued under the plan. The Company recorded stock compensation expense under this plan of \$5 thousand and \$8 thousand for the three and six months ended March 31, 2017, respectively. The company recorded stock compensation expense under this plan of \$5 thousand and \$12 thousand for the three and six month periods ended March 31, 2016.

Per share computation

Basic loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period, less shares that may be repurchased, and excludes any dilutive effects of options and warrants. In periods where the Company reports net income, diluted net income per share is computed using common equivalent shares related to outstanding options and warrants to purchase common stock. The numerator for the calculation of basic and diluted earnings per share is net loss. The following table sets forth the computation of basic and diluted weighted average shares used in the earnings per share calculations:

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	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Denominator for basic loss per share - weighted average common shares	4,425,720	4,379,943	4,418,562	4,371,797
Effect of dilutive options (treasury method)	—	—	—	—
Denominator for diluted loss per share - adjusted weighted average common shares	4,425,720	4,379,943	4,418,562	4,371,797
Options and warrants outstanding during each period, but not included in the computation of diluted loss per share because they are antidilutive	2,008,347	1,771,342	2,008,347	1,771,342

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)". The guidance substantially converges final standards on revenue recognition between the FASB and the International Accounting Standards Board providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The FASB subsequently issued a one-year deferral of the effective date for the new revenue reporting standard for entities reporting under U.S. GAAP. In accordance with the deferral, the guidance is effective for annual reporting periods beginning after December 15, 2017. Subsequently, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations" ("ASU 2016-08"); ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"); ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"); and ASU 2016-20 "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"). The Company must adopt ASU 2016-08, ASU 2016-10 and ASU 2016-12 with ASU 2014-09. The Company is currently evaluating the timing of adopting and the related impact, if any, it may have on the consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330)" ("ASU 2015-11"). The amendments in ASU 2015-11 require an entity to measure inventory at the lower of cost and net realizable value. The amendments in ASU 2015-11 are effective for fiscal years beginning after December 15, 2016 and interim periods within those years. Early adoption is permitted. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not believe the implementation of this standard will result in a material impact to its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740)", ("ASU 2015-17"). ASU 2015-17 simplifies the presentation of deferred income taxes. The amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, including interim periods within those annual periods. The amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company does not believe the implementation of this standard will result in a material impact to its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10)", ("ASU 2016-01"). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values should be applied prospectively to equity investments that exist at the date of the adoption. The Company is currently evaluating this guidance and its impact to the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", ("ASU 2016-02"). ASU 2016-02 aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the

balance sheet and disclosing key information about leasing arrangements. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for public entities. Early application of the amendment is permitted. The Company is currently reviewing this guidance and its impact to the consolidated financial statements.

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In March 2016, the FASB issued ASU 2016-05, "Derivatives and Hedging (Topic 815)", ("ASU 2016-05"). ASU 2016-05 clarifies the effect of novation related to a derivative instrument. The amendments in ASU 2016-05 are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity has the option to apply the amendments in ASU 2016-05 on either a prospective or a modified retrospective basis. The Company is currently evaluating this guidance and its impact to the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, "Derivatives and Hedging (Topic 815)", ("ASU 2016-06"). ASU 2016-06 clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The amendments in ASU 2016-06 are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Entities should apply the amendments on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. The Company is currently evaluating this guidance and its impact to the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606)", ("ASU 2016-08"). The amendments in 2016-08 do not change the core principles of the previous guidance, but rather clarify the implementation guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in ASU 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. The Company will evaluate this guidance concurrent with ASU 2014-09.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718)", ("ASU 2016-09"). ASU 2016-09 simplifies the accounting for share-based payment transactions. The amendments in ASU 2016-09 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating this guidance and its impact to the consolidated financial statements.

In May 2016, the FASB issued ASU 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815)", ("ASU 2016-11"). ASU 2016-11 rescinds SEC paragraphs pursuant to the SEC Staff Announcement, "Rescission of Certain SEC Staff Observer Comments upon Adoption of Topic 606", and the SEC Staff Announcement, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or Equity", announced at the March 3, 2016 Emerging Issues Task Force (EITF) meeting. The effective dates in ASU 2016-11 coincide with the effective dates of Topic 606 (ASU 2014-09) and ASU 2014-16. The Company is currently evaluating the impact of adopting ASU 2014-09 and related amendments, such as ASU 2016-11, to determine the impact, if any, it may have on the consolidated financial statements. The Company previously reviewed ASU 2014-16 and determined that is it not applicable.