AMGEN INC
Form DEF 14A
April 09, 2004

Table of Contents

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

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Check the appropriate box:

o Preliminary Proxy Statement
x Definitive Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Additional Materials
o Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

AMGEN INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x Fee not required.
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Table of Contents

April 9, 2004

DEAR STOCKHOLDER:

You are invited to attend the Annual Meeting of Stockholders of Amgen Inc. to be held on Thursday, May 13, 2004, at 10:30 A.M., local time, at The Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California, 90401.

At this year s meeting you will be asked to: (i) elect four directors; (ii) ratify the selection of the Company s independent auditors; and (iii) transact such other business as may properly come before the meeting or any adjournment thereof, including the consideration of two stockholder proposals if such proposals are properly presented at the meeting. The accompanying Notice of Meeting and Proxy Statement describe these matters. We urge you to read this information carefully.

Your Board of Directors unanimously believes that election of its nominees for directors and approval of the ratification of its selection of independent auditors are in the best interests of Amgen and its stockholders, and, accordingly, recommends a vote FOR election of the nominees for directors and the ratification of the selection of Ernst & Young LLP as independent auditors. The Board of Directors unanimously believes that the stockholder proposals are not in the best interests of Amgen and its stockholders, and, accordingly, recommends a vote AGAINST each of the two stockholder proposals.

In addition to the formal business to be transacted, management will make a presentation on developments of the past year and respond to comments and questions of general interest to stockholders.

If you plan to attend the Annual Meeting, you will need an admittance ticket. For instructions on how to obtain an admittance ticket, please read Information Concerning Voting and Solicitation Attendance at the Annual Meeting in this proxy statement.

It is important that your shares be represented and voted whether or not you plan to attend the Annual Meeting in person. You may vote on the Internet, by telephone or by completing and mailing the enclosed proxy card. Voting over the Internet, by phone or by written proxy will ensure your shares are represented at the Annual Meeting. Please review the instructions on the proxy card or the information forwarded by your bank, broker or other holder of record regarding each of these voting options.

Sincerely,

Kevin W. Sharer
Chairman of the Board,
Chief Executive Officer and President

Table of Contents

AMGEN INC.

One Amgen Center Drive
Thousand Oaks, California 91320-1799

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 13, 2004

TO THE STOCKHOLDERS OF AMGEN INC.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Amgen Inc., a Delaware corporation (the Company), will be held on Thursday, May 13, 2004, at 10:30 A.M., local time, at The Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California, 90401, for the following purposes:

1. To elect four directors to a three-year term of office expiring at the 2007 Annual Meeting of Stockholders;

2. To ratify the selection of Ernst & Young LLP as independent auditors of the Company for the year ending December 31, 2004; and

3. To transact such other business as may properly come before the meeting or any adjournment thereof, including the consideration of two stockholder proposals, if such proposals are properly presented at the meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on March 19, 2004, as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any continuation, postponement or adjournment thereof.

By Order of the Board of Directors

David J. Scott
Secretary

Thousand Oaks, California
April 9, 2004

PLEASE SUBMIT A PROXY AS SOON AS POSSIBLE SO THAT YOUR SHARES CAN BE VOTED AT THE ANNUAL MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS. FOR SPECIFIC INSTRUCTIONS ON VOTING, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD OR THE INFORMATION FORWARDED BY YOUR BROKER, BANK OR OTHER HOLDER OF RECORD. EVEN IF YOU HAVE VOTED YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE IN PERSON AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM SUCH BROKER, BANK OR OTHER NOMINEE.

TABLE OF CONTENTS

AMGEN INC.

One Amgen Center Drive
Thousand Oaks, California 91320-1799

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

General

The enclosed proxy is solicited on behalf of the Board of Directors (the Board of Directors or the Board) of Amgen Inc., a Delaware corporation (the Company or Amgen), for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on Thursday, May 13, 2004, at 10:30 A.M. local time, or at any continuation, postponement or adjournment thereof, for the purposes discussed in this Proxy Statement and in the accompanying Notice of Annual Meeting and any business properly brought before the Annual Meeting. Proxies are solicited to give all stockholders of record an opportunity to vote on matters properly presented at the Annual Meeting. The Company intends to mail this Proxy Statement and accompanying proxy card on or about April 9, 2004 to all stockholders entitled to vote at the Annual Meeting. The Annual Meeting will be held at The Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California, 90401.

Who Can Vote

You are entitled to vote if you were a stockholder of record of Amgen common stock (the Common Stock) as of the close of business on March 19, 2004. Your shares may be voted at the Annual Meeting only if you are present in person or represented by a valid proxy.

Shares Outstanding and Quorum

At the close of business on March 19, 2004, 1,293,029,625 shares of Common Stock were outstanding and entitled to vote. A majority of the outstanding shares of Common Stock, represented in person or by proxy, will constitute a quorum at the Annual Meeting.

Proxy Card and Revocation of Proxy

If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the proxy holders named in the enclosed proxy in favor of the election of all of the director nominees, in favor of ratification of the selection of Ernst & Young LLP as the independent auditors for the year ending December 31, 2004, and against the two stockholder proposals, if such proposals are properly presented at the meeting. In their discretion, the proxy holders named in the enclosed proxy are authorized to vote on any other matters that may properly come before the Annual Meeting and at any continuation, postponement or adjournment thereof. The Board of Directors knows of no other items of business that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. In addition, other than the two stockholder proposals described in this Proxy Statement, no other stockholder proposal or nomination was received on a timely basis so no such matters may be brought to a vote at the Annual Meeting.

If you vote by proxy, you may revoke that proxy at any time before it is voted at the Annual Meeting. You may revoke your proxy by sending to the Company s Secretary at the Company s principal office at One Amgen Center Drive, Thousand Oaks, California 91320-1799, Mail Stop 27-4-A, a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting in person and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

Table of Contents

Voting of Shares

Stockholders of record on March 19, 2004 are entitled to one vote for each share of Common Stock held on all matters to be voted upon at the meeting. You may vote by attending the meeting and voting in person. You also may vote on the Internet, by telephone or by completing and mailing the enclosed proxy card. All shares entitled to vote and represented by properly executed proxies received before the polls are closed at the Annual Meeting, and not revoked or superseded, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies. YOUR VOTE IS IMPORTANT.

Counting of Votes

All votes will be tabulated by the inspector of election appointed for the Annual Meeting who will separately tabulate affirmative and negative votes and abstentions. Shares held by persons attending the Annual Meeting but not voting, shares represented by proxies that reflect abstentions as to a particular proposal and broker non-votes will be counted as present for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares.

Directors are elected by a plurality of votes cast, so abstentions and broker non-votes will not be counted in determining which nominees received the largest number of votes cast. The ratification of the selection of Ernst & Young LLP and the two stockholder proposals, if properly presented at the Annual Meeting, require the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes against such proposals and broker non-votes will have no effect on the result of the votes on such proposals.

Solicitation of Proxies

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly and mailing of this Proxy Statement, the proxy and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Common Stock in their names that are beneficially owned by others to forward to these beneficial owners. The Company may reimburse persons representing beneficial owners for their costs of forwarding the solicitation material to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, electronic mail or personal solicitation by directors, officers or employees of the Company. No additional compensation will be paid to directors, officers or employees for such services. In addition, the Company has retained Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies for a fee of approximately $8,000, plus reasonable out-of-pocket expenses.

Attendance at the Annual Meeting

In order to attend the Annual Meeting, you will need an admittance ticket or proof of ownership of Common Stock as of the close of business on March 19, 2004. To receive an admittance ticket, you will need to complete and return the postage paid reply card attached to this Proxy Statement. If you elected electronic delivery of this Proxy Statement, you will receive an e-mail with instructions for obtaining an admittance ticket.

ITEM 1

ELECTION OF DIRECTORS

Under the Company s Restated Certificate of Incorporation, as amended, and the Company s Amended and Restated Bylaws (the Bylaws), the Board of Directors is divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with members of each class serving for a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the size of the Board of Directors) will serve for the remainder of the full term of the class of directors in which the vacancy occurred and until such director s successor is elected and qualified, or until such director s earlier death, resignation or removal.

Directors are elected by a plurality of the votes, which means the four nominees who receive the largest number of properly cast votes will be elected as directors. Each share of Common Stock is entitled to one vote for each of the four director nominees. Cumulative voting is not permitted. It is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them for the election of the nominees named below unless authorization to do so is withheld. If any nominee should become unavailable for election prior to the Annual Meeting, an event that currently is not anticipated by the Board, the proxies will be voted for the election of a substitute nominee or nominees proposed by the Board of Directors. Each person nominated for election has agreed to serve if elected and management has no reason to believe that any nominee will be unable to serve.

Mr. Frank J. Biondi, Jr., Mr. Jerry D. Choate, Mr. Frank C. Herringer and Dr. Gilbert S. Omenn are all nominees for election to the Board. Each of the nominees would serve until his successor is elected and qualified, or until such director s earlier death, resignation or removal. If elected at the Annual Meeting, Mr. Biondi, Mr. Choate, Mr. Herringer and Dr. Omenn would each serve until the 2007 Annual Meeting.

Set forth below is biographical information for each nominee and for each person whose term of office as a director will continue after the Annual Meeting.

Nominees for Election for a Three-Year Term Expiring at the 2007 Annual Meeting

FRANK J. BIONDI, JR.

Mr. Frank J. Biondi, Jr., age 59, has served as a director of the Company since January 2002. Since March 1999, he has served as Senior Managing Director of WaterView Advisors LLC, an investment advisor organization. From April 1996 to November 1998, Mr. Biondi served as Chairman and Chief Executive Officer of Universal Studios, Inc. From July 1987 to January 1996, Mr. Biondi served as President and Chief Executive Officer of Viacom, Inc. Mr. Biondi is a director of Harrahs Entertainment, Inc., Hasbro, Inc., The Bank of New York Company, Inc. and Vail Resorts, Inc.

JERRY D. CHOATE

Mr. Jerry D. Choate, age 65, has served as a director of the Company since August 1998. From January 1995 to January 1999, Mr. Choate served as Chairman of the Board and Chief Executive Officer of The Allstate Corporation (Allstate), an insurance holding company. From August 1994 to January 1995, Mr. Choate served as President and Chief Executive Officer of Allstate and had previously held various management positions at Allstate since 1962. Mr. Choate is a director of Valero Energy Corporation and serves on the Board of Trustees for the Van Kampen Mutual Funds.

FRANK C. HERRINGER

Mr. Frank C. Herringer, age 61, has been Chairman of the Board of Transamerica Corporation (Transamerica), a financial services company, since 1995. He served as Chief Executive Officer of Transamerica from 1991 to 1999 and President from 1986 to 1999. From 1999 to 2000, Mr. Herringer served on the Executive Board of Aegon N.V. and as Chairman of the Board of Aegon U.S.A. Mr. Herringer is a director of AT&T Corp., The Charles Schwab Corporation and Unocal Corporation. Mr. Herringer was identified as a possible candidate by a non-employee member of the Board.

Table of Contents

GILBERT S. OMENN

Dr. Gilbert S. Omenn, age 62, has served as a director of the Company since January 1987. Since September 1997, he has been Professor of Internal Medicine, Human Genetics and Public Health at the University of Michigan. From September 1997 to July 2002, Dr. Omenn also served as Executive Vice President for Medical Affairs and as Chief Executive Officer of the University of Michigan Health System. From July 1982 to September 1997, Dr. Omenn was the Dean of the School of Public Health and Community Medicine and Professor of Medicine at the University of Washington. Dr. Omenn is a director of Rohm & Haas Co.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH NAMED NOMINEE

Directors Continuing in Office Until the 2005 Annual Meeting

DAVID BALTIMORE

Dr. David Baltimore, age 66, has served as a director of the Company since June 1999. Since October 1997, Dr. Baltimore has been the President of the California Institute of Technology. From July 1995 to October 1997, Dr. Baltimore was an Institute Professor at the Massachusetts Institute of Technology (MIT), and from July 1994 to October 1997, the Ivan R. Cottrell Professor of Molecular Biology and Immunology at MIT. Dr. Baltimore is a director of BB Biotech, AG, a Swiss investment company, and MedImmune, Inc. In 1975, Dr. Baltimore was the co-recipient of the Nobel Prize in Medicine.

EDWARD V. FRITZKY

Mr. Edward V. Fritzky, age 53, has served as a director of the Company since July 2002 and is currently employed by the Company as a special advisor. From January 1994 to July 2002, Mr. Fritzky served as Chief Executive Officer, President and Chairman of the board of directors of Immunex Corporation, a biotechnology company. From March 1989 to January 1994, Mr. Fritzky was President and Vice President of Lederle Laboratories, a division of American Cyanamid Company, a pharmaceutical company. Mr. Fritzky is a director of Geron Corporation, SonoSite, Inc. and Jacobs Engineering Group Inc.

JUDITH C. PELHAM

Ms. Judith C. Pelham, age 58, has served as a director of the Company since May 1995. Since May 2000, Ms. Pelham has been President and CEO of Trinity Health, a national system of healthcare facilities, including hospitals, long-term care, home care, psychiatric care, residences for the elderly and ambulatory care, and the third largest Catholic healthcare system in the U.S. From January 1993 to April 2000, Ms. Pelham was the President and Chief Executive Officer of Mercy Health Services, a system of hospitals, home care, long-term care, ambulatory services and managed care established to carry out the health ministry sponsored by the Sisters of Mercy Regional Community of Detroit. From 1982 to 1992, Ms. Pelham was President and Chief Executive Officer of Daughters of Charity Health Services, Austin, Texas, a network of hospitals, home care and ambulatory services serving central Texas.

KEVIN W. SHARER

Mr. Kevin W. Sharer, age 56, has served as a director of the Company since November 1992. Since May 2000, Mr. Sharer has been Chief Executive Officer and President of the Company and has also been Chairman of the Board since December 2000. From October 1992 to May 2000, Mr. Sharer served as President and Chief Operating Officer of the Company. From April 1989 to October 1992, Mr. Sharer was President of the Business Markets Division of MCI Communications Corporation, a telecommunications company. From February 1984 to March 1989, Mr. Sharer held numerous executive capacities at General Electric Company. Mr. Sharer is a director of Unocal Corporation, 3M Company and Northrop Grumman Corporation.

Table of Contents

Directors Continuing in Office Until the 2006 Annual Meeting

FREDERICK W. GLUCK

Mr. Frederick W. Gluck, age 68, has served as a director of the Company since February 1998. Mr. Gluck is the former managing partner of McKinsey & Company, Inc. (McKinsey), an international management consulting firm. He served with McKinsey from 1967 to 1995 and led the firm as its Managing Director from 1988 to 1994, when he retired to join Bechtel Group, Inc., an engineering, construction and project management company, where he served as Vice Chairman and Director. Mr. Gluck retired from Bechtel in July 1998. He rejoined McKinsey as a consultant in 1998 and continued in that role until July 2003. Mr. Gluck is a director of HCA Inc. and Thinking Tools, Inc.

FRANKLIN P. JOHNSON, JR.

Mr. Franklin P. Johnson, Jr., age 75, has served as a director of the Company since October 1980. He is the general partner of Asset Management Partners, a venture capital limited partnership. Mr. Johnson serves as the Vice President, Chief Financial Officer and Secretary of Indo Pacific Investment Company, a privately held investment company. Mr. Johnson has been a private venture capital investor for more than five years. Mr. Johnson is a director of Applied MicroCircuits Corporation.

J. PAUL REASON

Admiral J. Paul Reason, USN (Retired), age 62, has served as a director of the Company since January 2001. Since July 2000, he has been the President and Chief Operating Officer of Metro Machine Corporation, a privately held ship repair company. From December 1996 to September 1999, Admiral Reason was a Four Star Admiral and Commander-In-Chief of the U.S. Atlantic Fleet of the U.S. Navy. From August 1994 to November 1996, Admiral Reason served as Deputy Chief of Naval Operations. From June 1965 to July 1994, Admiral Reason served in numerous capacities, both at sea and ashore, in the U.S. Navy. Admiral Reason is a director of Wal-Mart Stores, Inc. and Norfolk Southern Corporation.

DONALD B. RICE

Dr. Donald B. Rice, age 64, has served as a director of the Company since October 2000. Dr. Rice is Chairman of the Board of Agensys, Inc., a private biotechnology company, and has been Chief Executive Officer and President of Agensys, Inc. since its founding in late 1996. From March 1993 until August 1996, Dr. Rice was President and Chief Operating Officer and a director of Teledyne, Inc., a diversified technology-based manufacturing company with major segments in specialty metals and aerospace. Dr. Rice is a director of Wells Fargo & Company, Unocal Corporation and Vulcan Materials Company.

LEONARD D. SCHAEFFER

Mr. Leonard D. Schaeffer, age 58, has served as a director of the Company since March 2004. Since 1992, Mr. Schaeffer has been Chairman of the Board of Directors and Chief Executive Officer of WellPoint Health Networks Inc., an insurance organization that owns Blue Cross of California, Blue Cross and Blue Shield of Georgia, Blue Cross and Blue Shield of Missouri, Blue Cross and Blue Shield of Wisconsin and various other organizations. Mr. Schaeffer was the Administrator of the U.S. Health Care Financing Administration from 1978 to 1980. He is Chairman of the Board of the National Institute for Health Care Management and a member of the Institute of Medicine. Mr. Schaeffer is a director of Allergan, Inc.

Board Meetings and Committees

The Board maintains charters for select committees. In addition, the Board has adopted a written set of corporate governance principles and a directors code of conduct that generally formalize practices already in place at the Company. To view the charters of the Audit, Compensation and Management Development and Governance and Nominating Committees, the corporate governance principles and the directors code of conduct, please visit the Company s website at *www.amgen.com*.[1] The Board has determined that all nominees for election to the Board at the 2004 Annual Meeting and all continuing directors are independent under the revised listing standards of The Nasdaq Stock Market, Inc. (NASDAQ), except for Messrs. Sharer and Fritzky.

The Audit Committee has sole authority for the appointment, compensation and oversight of the work of the independent auditors, and responsibility for reviewing and discussing, prior to filing or issuance, with management and the independent auditors (when appropriate) the Company s audited consolidated financial statements included in its Annual Report on Form 10-K and earnings press releases. The Board has approved a charter of the Audit Committee that is included in this Proxy Statement as *Appendix I*. The Audit Committee carries out its responsibilities in accordance with the terms of its charter. During the year ended December 31, 2003, the Audit Committee met eight times. Mr. Biondi serves as Chairman and Mr. Choate, Mr. Johnson, Dr. Omenn, Ms. Pelham and Ms. Sueltz serve as members of the Audit Committee. The Board has determined that each of Messrs. Biondi, Choate and Johnson is an audit committee financial expert as defined by the Securities and Exchange Commission (SEC) and each is independent under the revised listing standards of NASDAQ. The Audit Committee meets the NASDAQ composition requirements, including the requirements regarding financial literacy and financial sophistication.

The Compensation and Management Development Committee (the Compensation Committee) is responsible for assessing the overall compensation structure of the Company and for administering and reviewing all executive compensation programs, incentive compensation plans and equity-based plans. Additionally, the Compensation Committee is responsible for reviewing and evaluating the performance of the Company s executive officers (including the Chief Executive Officer) and setting compensation for executive officers based on such evaluations. The Compensation Committee is also responsible for overseeing succession planning for senior management. During the year ended December 31, 2003, the Compensation Committee met five times. Mr. Choate serves as Chairman and Mr. Gluck, Mr. Lazarus, Adm. Reason and Dr. Rice serve as members of the Compensation Committee.

The Governance and Nominating Committee (the Governance Committee) oversees the corporate governance and Board membership matters of the Company. The Governance Committee is responsible for developing and overseeing the Board s corporate governance principles and a code of conduct applicable to members of the Board, officers and employees of the Company, and for monitoring the independence of the Board. The Governance Committee also determines Board membership qualifications, selects, evaluates, and recommends to the Board nominees to fill vacancies as they arise, reviews the performance of the Board, and is responsible for director education. The Governance Committee maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and such guidelines are included in this Proxy Statement as *Appendix II*. Additionally, the Governance Committee selects and recommends to the Board nominees for appointment as officers of the Company. During the year ended December 31, 2003, the Governance Committee met four times. Dr. Rice serves as Chairman and Mr. Gluck, Mr. Johnson and Ms. Sueltz serve as members of the Governance Committee.

The Executive Committee has all the powers and authority of the Board in the management of the business and affairs of the Company, except with respect to certain enumerated matters including Board composition and compensation, changes to the Company s charter, or any other matter expressly prohibited by law or the Company s charter. During the year ended December 31, 2003, the Executive Committee met eight times. Mr. Sharer serves as Chairman, and Mr. Biondi, Mr. Choate, Mr. Johnson and Dr. Rice serve as members of the Executive Committee.

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(1) This website address is not intended to function as a hyperlink, and the information contained on the Company s website is not intended to be a part of this Proxy Statement.

Table of Contents

The New Hire Stock Option Committee approves certain stock option grants to eligible plan participants, excluding executive officers, when either the Board or the Compensation Committee is not in session. The New Hire Stock Option Committee has the authority to make one-time grants within approved guidelines to eligible new employees in connection with their commencement of employment with the Company or its eligible affiliates. The Compensation Committee routinely reviews stock option grants approved by the New Hire Stock Option Committee. During the year ended December 31, 2003, the New Hire Stock Option Committee did not meet, but did take action by written consent. Mr. Sharer serves as the sole member of the New Hire Stock Option Committee.

The Strategy Committee meets with management of the Company to review research strategies and proposals for collaborations and licensing of technology. During the year ended December 31, 2003, the Strategy Committee met three times. Mr. Lazarus serves as Chairman, and Dr. Baltimore, Dr. Omenn, Ms. Pelham and Adm. Reason serve as members of the Strategy Committee.

The Board of Directors held seven meetings during the year ended December 31, 2003. During the year ended December 31, 2003, all of the directors attended at least 75% of the total number of meetings of the Board of Directors and committees on which they served. The Board expects all directors to attend the annual meetings of stockholders barring unforeseen circumstances or irresolvable conflicts. All members of the Board were present at the 2003 annual meeting of stockholders.

Table of Contents

ITEM 2

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has selected Ernst & Young LLP (Ernst & Young) as the Company s independent auditors for the year ending December 31, 2004, and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young has audited the Company s financial statements since the Company s inception in 1980. A representative of Ernst & Young is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

Stockholder ratification of the selection of Ernst & Young as the Company s independent auditors is not required by the Bylaws or otherwise. However, the Board is submitting the selection of Ernst & Young to the stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to ratify the selection of Ernst & Young.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 2.

ITEM 3

STOCKHOLDER PROPOSALS

Certain stockholders have informed the Company that they intend to present the following proposals at the Annual Meeting. If the stockholders or their respective representatives, who are qualified under Delaware law, are present at the Annual Meeting and submit their respective proposals for a vote, then the stockholder proposals will be voted upon at the Annual Meeting. In accordance with the Federal securities laws, the stockholder proposals and supporting statements are presented below exactly as submitted by the stockholders and are quoted verbatim and are in italics. The Company disclaims all responsibility for the content of the proposals and the supporting statement. FOR THE REASONS STATED IN THE BOARD S RESPONSE, WHICH FOLLOWS EACH OF THE STOCKHOLDER PROPOSALS, THE BOARD STRONGLY AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSALS.

Stockholder Proposal #1

Walden Asset Management, a division of Boston Trust & Investment Management Company, 40 Court Street, Boston, MA 02108, owner of 90,000 shares of Common Stock, has notified the Company that it intends to submit the following proposal at the Annual Meeting:

Equal employment opportunity (EEO) is an important issue for corporate shareholders, employees and management, especially as the workforce becomes more diverse. According to the bipartisan Glass Ceiling Commission report, a positive diversity record also makes a positive impact on the bottom line.

Yet, while women and minorities comprise two thirds of our population and 57% of the United States workforce, the Commission found that they represent little more than 3% of executive-level positions. Various projections indicate that women and minorities will constitute 62% of the workforce by 2005.

Workplace discrimination has created a significant burden for shareholders due to the high cost of litigation and potential loss of government contracts. Such litigation also damages a company s reputation. In the pharmaceutical, petroleum and consumer products industries, discrimination lawsuits have resulted in a financial impact on shareholders that adds up to billions of dollars.

The Glass Ceiling Commission recognized that public disclosure of diversity data specifically data on the most senior positions is an effective incentive to develop and maintain innovative, effective programs to break the glass ceiling barriers. The Commission recommended that both the public and private sectors work toward increased public disclosure of diversity data.

Accurate data on minorities and women can show where progress is or is not being made in breaking glass ceiling barriers, observed the Commission. Under Title VII of the Civil Rights Act of 1964, private sector employers with 100 or more employees must prepare annually an Employer Information Report EEO-1 .

More than 200 major U.S. corporations disclose EEO-1 reports to shareholders. These include companies that have experienced large racial and gender discrimination lawsuits; for example, Texaco, Shoney s, Denny s, Home Depot and Coca-Cola.

Amgen considers its EEO-1 report to be confidential and proprietary. In contrast, other leading pharmaceutical companies have disclosed comprehensive EEO-1 data including Abbott Laboratories, Bristol-Myers Squibb, Johnson & Johnson, Merck and Pfizer.

Amgen has demonstrated leadership on many corporate social responsibility issues and has been recognized by Fortune and Business Ethics magazines as among their 100 Best companies. Amgen also confirmed its commitment to equal employment opportunity by submitting to the U.S. Supreme Court in 2003 a brief supporting the University of Michigan s affirmative action admissions policy.

Greater transparency fosters equal opportunity in the workplace. We believe Amgen should extend its record of leadership by joining the hundreds of other companies that have committed to EEO disclosure.

Table of Contents

RESOLVED: The shareholders request our company prepare a report, at reasonable cost and omitting confidential information, within four months of the annual meeting, including the following:

1. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined job categories for the last three years, listing numbers or percentages in each category;

2. A summary description of any affirmative action policies and programs to improve performances, including job categories where women and minorities are underutilized;

3. A description of any policies and programs oriented specifically toward increasing the number of managers who are qualified females or minorities.

Board Response to Stockholder Proposal #1

The Board of Directors recommends a vote AGAINST Stockholder Proposal #1 for the following reasons:

The stockholder proposal requests that the Company prepare a report including, among other information, a chart similar to that which is known as an EEO-1, which Amgen and other private employers prepare and file on a confidential basis with the Equal Employment Opportunity Commission. An EEO-1 report categorizes a company s employee population according to sex and race in certain EEOC-predefined job categories that do not take into account any company or industry specific factors, rendering the data susceptible to misinterpretation and ineffective as a means for comparing one company s commitment to equal employment opportunity with another. For this reason, EEO-1 data are not necessarily representative of a company s diversity programs or initiatives aimed at fostering equal employment opportunity.

Amgen s corporate culture values diversity and fosters a positive work environment for all employees, including women and minorities. This is well recognized:

Amgen received the Workforce Diversity Achievement Award from Equal Opportunity Publications in recognition of its commitment to equal employment opportunity.

Black Collegian Magazine named Amgen among the Top Diversity Employers for 2003.

Amgen tied for number one in *Pharmaceutical Executive s* 2003 ranking of the most ethical companies in the pharmaceutical and biotechnology industries.

Amgen ranked third in *Science Magazine s* 2003 survey of top employers in the biotechnology and pharmaceutical industries.

Amgen ranked 33rd in *Fortune s* 100 Best Companies to Work For in America in 2003.

As the proponent of the stockholder proposal notes in its proposal, Amgen has demonstrated leadership on many corporate social responsibility issues and consistently has evidenced a commitment to equal employment opportunity. We have taken, and continue to take, steps to advance in this area, and we are proud of the diversity of our workforce and the strength of our diversity initiatives. Amgen s comprehensive diversity programs include mandatory diversity training and education sessions for all staff members, Company-sponsored women and minority employee associations, active recruitment and outreach efforts targeting women and minorities (including a variety of women and minority-focused career fairs and leadership summits), scholarship programs for minority science students, and sponsorship of diversity conferences.

Amgen does not believe that publicizing EEO-1 data and preparing the other information requested by the stockholder proposal would further the goal of equal employment opportunity in any meaningful way. EEO-1 data are gathered in response to a specific governmental requirement that is tailored to yield generalized data across all categories of private employers rather than to address the specific circumstances of Amgen or comparable companies. As a result, EEO-1 data are susceptible to manipulation or misinterpretation, potentially by those with interests adverse to Amgen. Furthermore, preparation of such a report would cost Amgen time and effort, without any commensurate benefit, either to Amgen or the goal of equal employment opportunity. In sum,

Table of Contents

we do not believe it is in Amgen s best interests, or the best interests of our shareholders, to disseminate this information, particularly since doing so would needlessly divert valuable resources from the Company s business.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required for Stockholder Proposal #1. For more information about Amgen and its aspirations, goals and values, please visit the Company s website.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST STOCKHOLDER PROPOSAL #1.

Stockholder Proposal #2

The SEIU Master Trust, 1313 L Street, N.W., Washington, D.C. 20005, owner of 40,812 shares of Common Stock, has notified the Company that it intends to present the following proposal at the Annual Meeting:

RESOLVED, that the stockholders of Amgen Inc. (Amgen) urge the Board of Directors to adopt a policy that the cost of stock options granted to employees and directors be recognized as an expense on Amgen s income statement.

Supporting Statement

In recent years, there has been an explosion in the use of stock options to compensate executives and directors. Between 1993 and 2000, the percentage of executive pay awarded in the form of stock options jumped from 30.4% to 68.8%, according to Standard & Poor s. During that time, average CEO compensation increased more than five-fold. Compensation consultant Pearl Meyer & Partners reported in 2002 Equity Stake that allocations of shares to equity compensation plans continued to climb in 2002.

Stock options comprise an important part of Amgen s executive compensation. From 2000 through 2002, CEO Kevin Sharer was granted options to buy 1.35 million shares of Amgen common stock, with an aggregate potential realizable value of $55,552,720 or $129,461,462, depending on the return assumption used. Amgen has elected to disclose the effect of options on earnings per share in a footnote, rather than expensing them, as permitted by current accounting standards.

We believe that expensing stock option awards more accurately reflects the costs of such awards to a company. Stock options are a form of compensation; they have value to the recipient and a cost to the company. Moreover, the failure to expense stock options distorts reported earnings. According to the June 27, 2002 issue of the Analyst s Accounting Observer, the lack of expense recognition for options resulted in a 31% overstatement of the 2001 earnings of S&P 500 companies. Standard & Poor s recently began calculating a core earnings figure in which the cost of options is treated as an expense.

Expensing fixed stock option awards will also eliminate a disincentive to award indexed and contingent-vesting options, which tie compensation more closely to company rather than market or industry performance and which must be expensed. The Conference Board s Commission on Public Trust and Private Enterprise recently recommended that companies be required to expense fixed option awards in order to level the playing field among forms of equity-based compensation.

We are concerned that not expensing stock options may lead to abuse by companies that see them as free money. As Standard & Poor s has put it, when something is significantly underpriced, it is often also substantially overconsumed. We believe this concern is relevant to Amgen, since Institutional Shareholder Services, the largest proxy advisory service, has calculated that the total potential voting power dilution of Amgen s equity compensation plans stands at %.

Voluntarily expensing stock options signals to the market that a company is committed to transparency and corporate governance best practices. As of September 3, 2003, 356 companies had announced they would begin expensing stock options, according to Bear Stearns. Amgen should join them.

I urge shareholders to vote for this proposal.

Table of Contents

Board Response to Stockholder Proposal #2

The Board of Directors recommends a vote AGAINST Stockholder Proposal #2 for the following reasons:

After carefully considering the changes suggested in the proposal submitted by the SEIU Master Trust, the Board of Directors believes the Company s current accounting practices with respect to stock options provide financial statements that allow meaningful comparison between companies of similar size or in the same industry and are complete and transparent. Furthermore, adopting the proposed change with respect to how the Company accounts for stock options at this time would be premature given that the Financial Accounting Standards Board (FASB) is currently evaluating changes to the rules for accounting for stock options, which are expected to be effective in 2005 for publicly-held companies, such as Amgen. Accordingly, we believe it is appropriate to continue with our current accounting method for stock options at the present time for the following reasons:

Changing our method of accounting for stock options at this time would negatively affect comparability. We believe it is generally in the Company s and its stockholders best interests when given a choice under accounting principles generally accepted in the U.S. (U.S. GAAP) to follow the most widely used industry practice. Currently under U.S. GAAP, companies may choose to account for stock options under either what is referred to as (1) the intrinsic value method, as prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations or (2) the fair value method, as prescribed in Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation as amended. While certain U.S. companies have recently changed their accounting for stock options to adopt the fair value method, the most widely used method, and the method that is followed by the Company, remains accounting for stock options under the principles of the intrinsic value method and fully disclosing within the notes to the financial statements what the impact on operating results would be had the fair value method been utilized. Based on the most recent filings with the Securities and Exchange Commission as of March 15, 2004, all of the twenty-eight companies included in the Amex Biotech and S&P Pharma and Biotech indices employ the intrinsic value method to account for stock options. As the Company s current accounting method remains the predominate method and provides complete information to evaluate the Company s results of operations, including the impact of accounting for stock options under the fair value method, we believe that changing our accounting method at this time could negatively affect comparability and would be against the best interests of our stockholders.

Our current stock option accounting policy and disclosures are complete and transparent. Although we account for stock options under the intrinsic value method, the first note to the Company s consolidated financial statements included in its Quarterly Reports on Form 10-Q and Annual Report on Form 10-K filed with the Securities and Exchange Commission, and publicly available, discloses what the impact on our reported operating results, including earnings per share, would have been had we followed the fair value method of accounting. We believe that this disclosure, together with the extensive additional information on the Company s use of stock options included in our Annual Reports on Form 10-K and our Annual Proxy Statements, provides stockholders and investors with complete, transparent information on which to evaluate such impact and to make informed decisions.

The accounting standard setting body is currently evaluating this matter and it is expected to issue a final statement effective for 2005. We believe it is prudent to await the final rules. It is our understanding that the FASB plans to shortly issue for public comment an Exposure Draft outlining their final proposed changes to the rules for accounting for stock options, which is expected to require the use of the fair value method of accounting, with a mandatory adoption date of January 1, 2005 for calendar year-end companies such as Amgen. We believe it is in the best interests of the Company and its stockholders to await consensus and final direction from the FASB prior to implementing such a significant change in accounting, if required. Modifying our accounting practices before the deliberations of the FASB have concluded, especially considering the level of uncertainty and debate over this issue, may result in having to make multiple changes to our financial statements, resulting in less clarity and comparability. We strongly support the establishment of standards of accounting and reporting that ensure

Table of Contents

the integrity and comparability of financial statements across all companies and periods. We believe the best way to achieve these objectives is to retain our current accounting method and await the FASB s final rules on accounting for stock options prior to making any related decisions. Upon issuance by the FASB of the final rules in this area, we will promptly comply with such requirements.

In summary, the Company currently is accounting for stock options in accordance with U.S. GAAP and in a manner that the Board of Directors believes is in the best interests of the Company and its stockholders. The Company s current policy of full and complete disclosure within the notes to its quarterly and annual consolidated financial statements provides investors all relevant information necessary to make sound judgments as to the impact of stock options on the Company s operating results. We also believe the Company s stockholders are best served by utilizing comparable and meaningful financial statements. Adopting a methodology that is inconsistent with the majority of the Company s competitors and peers would make it more difficult for investors and stockholders to compare our performance to other companies. Finally, we believe it is premature for the Company to consider changing its method of accounting for stock options until this issue has been fully evaluated and finalized by the FASB. The Company plans to continue to evaluate its accounting for stock options in light of ongoing developments.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required for Stockholder Proposal #2.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST STOCKHOLDER PROPOSAL #2.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

AND CERTAIN BENEFICIAL OWNERS

Common Stock

The following table sets forth certain information regarding the beneficial ownership of the Company s Common Stock as of March 9, 2004, by: (i) each director and nominee; (ii) the Company s Chief Executive Officer, and each of its other four most highly compensated executive officers (collectively the Named Executive Officers) for the year ended December 31, 2003; and (iii) all directors and nominees, Named Executive Officers and executive officers of the Company as a group. To the Company s knowledge, there were no holders beneficially owning more than 5% of the Company s Common Stock as of March 9, 2004.

	Common Stock Beneficially Owned[(1)(2)]	
Beneficial Owner	**Number of Shares**	**Percent of Total**
David Baltimore	127,600	*
Frank J. Biondi, Jr.	92,000	*
Jerry D. Choate	144,000	*
Edward V. Fritzky[(3)]	1,434,526	*
Frederick W. Gluck	85,000	*
Frank C. Herringer[(4)]	6,365	*
Franklin P. Johnson, Jr.[(5)]	1,854,079	*
Steven Lazarus	266,543	*
Gilbert S. Omenn[(6)]	300,038	*
Judith C. Pelham	100,000	*
J. Paul Reason	92,050	*
Donald B. Rice	112,000	*
Leonard D. Schaeffer	0	
Patricia C. Sueltz	92,000	*
Kevin W. Sharer[(7)]	552,511	*
George J. Morrow	230,000	*
Roger M. Perlmutter	262,750	*
Dennis M. Fenton[(8)]	559,396	*
Richard D. Nanula	300,000	*
All directors and nominees, Named Executive Officers and executive officers as a group (25 individuals) [(3)(4)(5)(6)(7)(8)(9)]	7,263,569	*

* Less than 1%

(1) Information in this table regarding directors and nominees, Named Executive Officers and executive officers is based on information provided by them. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the directors and nominees, Named Executive Officers and executive officers has sole voting and/or investment power with respect to such shares, except for Mr. Herringer, Mr. Sharer and Dr. Bonanni and Dr. Fenton who have shared voting and/or investment power through their respective trusts.

(2) Includes shares which the individuals shown have the right to acquire as of March 9, 2004, or within 60 days thereafter, pursuant to outstanding stock options, as follows: Dr. Baltimore, 124,000 shares; Mr. Biondi, 92,000 shares; Mr. Choate, 140,000 shares; Mr. Fritzky, 1,184,000 shares; Mr. Gluck, 80,000 shares; Mr. Johnson, 135,600 shares; Mr. Lazarus, 117,200 shares; Dr. Omenn, 135,600 shares; Ms. Pelham, 96,000 shares; Adm. Reason, 92,000 shares; Dr. Rice, 108,000 shares; Ms. Sueltz, 92,000 shares; Mr. Sharer,

Table of Contents

523,354 shares; Mr. Morrow, 220,000 shares; Dr. Perlmutter, 195,000 shares; Dr. Fenton, 425,801 shares; Mr. Nanula, 215,000 shares. Such shares are deemed to be outstanding in calculating the percentage ownership of such individual (and the group), but are not deemed to be outstanding as to any other person.

(3) Includes 1,056 shares held by Mr. Fritzky s children.

(4) These shares are held by family trusts.

(5) Includes 720,800 shares held by Asset Management Partners, a venture capital limited partnership, of which Mr. Johnson is the general partner. As the general partner, Mr. Johnson may be deemed to have voting and investment power as to all of these shares, and therefore may be deemed to be a beneficial owner of such shares. Excludes 848,888 shares held by Mr. Johnson s wife; Mr. Johnson disclaims beneficial ownership of such shares.

(6) Includes 5,250 shares held by one of Dr. Omenn s children.

(7) Includes 19,301 shares held by a family trust.

(8) Includes 133,595 shares held by family trusts.

(9) Includes 1,100 shares held by Dr. Fabrizio Bonanni s children and 6,901 shares held by a family trust.

Contractual Contingent Payment Rights

In 1993, the Company exercised its option to purchase the Class A and Class B limited partnership interests of Amgen Clinical Partners, L.P. (the Partnership), a limited partnership previously formed to develop and commercialize products from certain technologies for human pharmaceutical use in the United States. As a result of the Company exercising such option, each then-holder of a limited partnership interest in the Partnership acquired contractual contingent payment rights based on the number of such holder s interests. The contractual contingent payment rights are not voting securities but entitle the holders thereof to receive quarterly payments, subject to certain adjustments, equal to a stated percentage of the Company s sales of certain products in specified geographic areas. In 2003, holders earned $166,919 for each whole contractual contingent payment right held. The following table sets forth certain information regarding the ownership of the Company s contractual contingent payment rights as of March 9, 2004, by: (i) each director and nominee; (ii) each of the Named Executive Officers; (iii) all directors and nominees, Named Executive Officers and executive officers as a group; and (iv) holders known by the Company to be beneficial owners of more than 5%:

	Contractual Contingent Payment Rights Beneficially Owned[1]	
Beneficial Owner	**Number of Rights**	**Percent of Total**
PaineWebber Development Corp.[2] 1285 Avenue of the Americas, 13th Floor New York, NY 10017	88.0	10.5
Royalty Pharma Finance Trust c/o RP Management LLC as Administrator 675 Third Avenue, Suite 3000 New York, NY 10019	64.7	7.7
Frank J. Biondi, Jr.	0	*
Jerry D. Choate	0	*
Edward V. Fritzky	0	*
Frederick W. Gluck	0	*
Frank C. Herringer	0	*
Franklin P. Johnson, Jr.[3]	4.0	*
Steven Lazarus	0	*
Gilbert S. Omenn	0.5	*
Judith C. Pelham	0	*
J. Paul Reason	0	*
Donald B. Rice	0	*
Leonard D. Schaeffer	0	*
Patricia C. Sueltz	0	*
Kevin W. Sharer	0	*
George J. Morrow	0	*
Roger M. Perlmutter	0	*
Dennis M. Fenton	0	*
Richard D. Nanula	0	*
All directors and nominees, Named Executive Officers, executive officers as a group (25 individuals)	4.5	*

* Less than 1%

(1) Information regarding directors and nominees, Named Executive Officers, executive officers and beneficial owners of more than 5% of the Company s contractual contingent payment rights is based on information provided by them. Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each holder of a contractual contingent payment right(s) has sole investment power with respect to such right(s) beneficially owned. Contractual contingent payment rights have no voting rights.

Table of Contents

(2) PaineWebber Development Corp. disclaims beneficial ownership of such contractual contingent payment rights.

(3) Includes four rights held by Asset Management Partners, a venture capital limited partnership, of which Mr. Johnson is the general partner. As the general partner, Mr. Johnson may be deemed to have investment power as to all of these rights, and therefore may be deemed to be a beneficial owner of such rights.

Table of Contents

EXECUTIVE COMPENSATION

Compensation of Directors

Directors of the Company who are also employees of the Company are not separately compensated for their service as directors.

Cash Compensation. From January 1, 2003 to June 30, 2003, non-employee director compensation consisted of an annual retainer of $20,000, committee chair fees of $6,000, and meeting fees of $1,250 for each Board meeting attended, and $750 for each committee meeting attended (up to a maximum of $1,500 for all committee meetings attended on the same day). Effective July 1, 2003, the Board approved a change in non-employee director compensation, as follows: (i) an annual retainer of $55,000; (ii) an Audit Committee chair fee of $20,000; (iii) a Compensation Committee chair fee of $10,000; (iv) an Other Committee chair fee of $6,000; (v) Board meeting fees of $3,000 per meeting ($1,500 for telephonic attendance), and (vi) committee meeting fees of $1,500 per meeting ($750 for telephonic attendance).

Non-employee directors also are compensated for attending committee meetings of which they are not members if they are invited to do so by the Chairman of the Board or the Chair of the committee. During fiscal year 2003, Mr. Biondi was compensated in the amount of $1,500 for attending two Executive Committee meetings prior to his appointment to the Executive Committee. The members of the Board also are entitled to reimbursement of their expenses, in accordance with Company policy, incurred in connection with attendance at Board and committee meetings and conferences with the Company s senior management. There are no family relationships among any directors of the Company.

Equity Compensation. Prior to 2004 non-employee directors also were entitled to receive non-discretionary stock option grants as compensation for their service as directors. Under the Company s Amended and Restated 1991 Equity Incentive Plan (the 1991 Plan), each non-employee director was automatically granted an annual non-discretionary option (a Formula Grant) to purchase shares of Common Stock of the Company. The exercise price of options granted under the 1991 Plan is 100% of the fair market value on the date of grant. In addition, newly appointed non-employee directors received an inaugural option grant under the 1991 Plan pursuant to terms comparable to the Formula Grants. Non-employee directors received annual Formula Grants of 16,000 shares in January of each year and inaugural grants to new non-employee directors were 60,000 shares. Formula Grants vest and are exercisable: (a) on the date of grant, if the non-employee director has had three years of prior continuous service as a non-employee director, or (b) one year from the date of grant, if the non-employee director has had less than three years of prior continuous service as a non-employee director. Generally, Formula Grants must be exercised within ten years from the date of grant.

In January 2003, the Company granted to each non-employee director then in office a Formula Grant covering 16,000 shares at an exercise price of $50.78 per share.

In December 2003, the Board approved a new equity award program for non-employee directors beginning in 2004, in place of the Formula Grants described above, as compensation for their service as directors. Formula Grants were not awarded in January 2004. The new equity compensation program is maintained under the 1991 Plan and provides that in March of each year, non-employee directors will automatically receive stock options for 5,000 shares of Common Stock and restricted stock units (RSU s) to acquire $100,000 worth of Common Stock. New non-employee directors are entitled to an inaugural grant of stock options for 20,000 shares of Common Stock. The terms of stock option awards are the same as those for the Formula Grants except that (i) the stock options must be exercised within seven years from the date of grant, and (ii) under certain circumstances, in the case of death or disability of a Board member, the vesting of unvested stock options may be partially or completely accelerated. The number of RSUs granted to a director is based on the closing price of the Common Stock on the business day immediately preceding the date of grant and the RSUs vest: (a) on the date of grant if the non-employee director has had three years of prior continuous service as a non-employee director, or (b) one year from the date of grant if the non-employee director has had less than three years of prior continuous service as a non-employee director. In the event of a director s death or disability, a prorated potion of RSUs would vest. The RSU s are paid in Common Stock (on a one-to-one basis) on the vesting date, unless a director has previously selected a deferred payment alternative.

Other Benefits. Non-employee directors are eligible to participate in the Matching Gift Program of The Amgen Foundation (the Foundation) on the same terms as the Company s employees. The Foundation will match qualifying contributions made by non-employee directors to eligible organizations, up to $20,000 per non-employee director per year. In addition, directors are eligible to participate in the Amgen Nonqualified Deferred Compensation Plan. See Employment and Compensation Arrangements.

Table of Contents

Compensation of Executive Officers

Summary Compensation Table. The following table sets forth summary information concerning certain compensation awarded, paid to, or earned by the Named Executive Officers for all services rendered in all capacities to the Company for the years ended December 31, 2003, 2002, and 2001:

SUMMARY COMPENSATION TABLE

Whether or not a request is made, Dolphin agrees to appear in person or by proxy at this 2015 Annual Meeting of Shareholders and vote all of its common stock in favor of the election of each of the nominees identified in Proposal 1 and in accordance with the Board's recommendation on all other proposals.

Under the Dolphin Agreement, Dolphin is also subject to standstill obligations until the Initial Standstill Period if a request is not submitted by Dolphin or, if a request is submitted by Dolphin, the later of the Initial Standstill Period or the date Mr. Netter ceases to serve on the Board.

Board Attendance at Board, Committee and Annual Shareholder Meetings

During 2014, the Board of Directors met seventeen times. Each nominee for director attended at least 75% of the meetings of the Board and committees on which he or she served during 2014. The Board of Directors regularly meets in executive session without the presence of members of management, including the Chief Executive Officer. We do not have a formal policy on attendance at meetings of our shareholders. However, we encourage all Board members to attend all meetings, including the annual meeting of shareholders. All nine directors then serving attended the 2014 Annual Meeting of Shareholders.

Continuing Education

We have adopted a policy encouraging all Board members to seek out opportunities for further education on governance and public-company matters. During 2014, one member of the Board of Directors attended one or more such programs.

Communications With Directors

Shareholders may communicate with members of the Board by sending an e-mail to chair.director@qumu.com or by directing the communication in care of the Governance Committee Chair c/o Corporate Secretary, at the address set forth on the front page of this proxy statement. All communications will be received and processed by the Corporate Secretary. You will receive a written acknowledgement from the Corporate Secretary upon receipt of your communication.

Code of Ethics

We have adopted a code of ethics that applies to all directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions. This code of ethics is included in our Code of Ethics and Business Conduct which is publicly available by following the link to the Corporate Governance page of the Investors section of our website:

www.qumu.com/company/investor-relations/corporate-governance. To the extent permitted, we intend to disclose any amendments to, or waivers from, the code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions or with respect to the required elements of the code of ethics on the page of our website identified above.

14

Table of Contents

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following report of the Audit Committee shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that we specifically incorporate it by reference in such filing.

In accordance with its Charter, the Audit Committee has reviewed and discussed our audited financial statements with management. The Audit Committee has discussed with KPMG LLP, our independent registered public accounting firm, the matters required to be discussed under generally accepted auditing standards and Auditing Standard No. 16 of the Public Company Accounting Oversight Board (United States) which includes, among other items, matters related to the conduct of the audit of our financial statements and evaluation of the Company's internal control over financial reporting. We have also discussed with KPMG LLP their independence and they have provided to us the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board that our audited financial statements be included in our Annual Report on Form 10-K for the year ending December 31, 2014.

By the Audit Committee of the Board of Directors:

Kimberly K. Nelson (Chair)
Daniel R. Fishback
Thomas F. Madison
Robert F. Olson
James L. Reissner

EXECUTIVE OFFICERS

Set forth below is biographical and other information for our current executive officers. Information about Sherman L. Black, our Chief Executive Officer, may be found in this proxy statement under the heading "Election of Directors."

James R. Stewart, age 58, joined Qumu on July 26, 2010 and was appointed as our Chief Financial Officer effective August 6, 2010. Prior to joining Qumu, Mr. Stewart served as the Chief Financial Officer of Comm-Works Incorporated, a privately-held provider of voice and data infrastructure services located in Minneapolis Minnesota, since 2006. In his role as the Chief Financial Officer, Mr. Stewart was responsible for the leadership of Comm-Works' financial operations, provided financial and strategic planning leadership, and led Comm-Works in various acquisitions and lender refinancing. From 2003 to 2006, Mr. Stewart served as the Senior Vice President Finance H.R. Solutions for Ceridian Corporation, a publicly held information services company principally serving the human resource, transportation and retail markets. While at Ceridian Corporation, Mr. Stewart supervised a large staff and was responsible for finance matters in Ceridian's human resource solutions business segment, including financial planning, analysis, and reporting for that business segment, general accounting, pricing, contracts, billing, accounts receivable and payable, finance systems, and client funds management and facilities. From 2001 to 2003, Mr. Stewart was the Chief Financial Officer of Optical Solutions, Inc., a venture-backed private company that marketed and manufactured passive optical access solutions that was acquired by Calix, Inc. in 2005. While at Optical Solutions, Mr. Stewart led two successful rounds of financing, including providing presentations to investors. He also led an effort to reduce cash utilization, negotiated key manufacturing relationships, developed compensation programs, and established corporate financial policies and procedures. Mr. Stewart has a masters of business administration degree and a bachelor of science degree in accounting and finance, both from the University of Minnesota in Minneapolis, Minnesota.

Vern Hanzlik, age 57, was promoted to Executive Vice President on March 13, 2014 and on December 12, 2014 was promoted to President. Mr. Hanzlik joined us in November 2012 as a Senior Vice President and as General Manager, Qumu. From February 2011 to November 2012, Mr. Hanzlik was President, EMEA and member of the Board of TEAM Informatics, a global enterprise solutions and technology company. From December 2006 to February 2010, Mr. Hanzlik was the Chief Marketing Officer of Sajan, Inc., a privately held company, and from February 2010 until January 2011, also served as the Chief Marketing Officer of Sajan's successor company by merger, publicly-held Sajan, Inc. (OTC: SAJA), a provider of global language translation services, software localization and cloud-based translation management software. Mr. Hanzlik also served as President of Sajan Software Ltd., a subsidiary of Sajan, from June 2009 to January 2011. Mr. Hanzlik was a co-founder of Stellent, Inc., which was a publicly-held provider of content and document management software and services located in Eden Prairie, Minnesota, until it was acquired by Oracle Corporation in 2006. While with Stellent, Inc., he most recently served as Executive Vice President of Compliance and Strategic Alliances from January 2004 to February 2006. Additionally, Mr. Hanzlik served as Stellent's President and Chief Executive Officer and as a director of Stellent from 1999 and 2003. Mr. Hanzlik served as a director of pre-merger Sajan, Inc. from April 2006 to February 2010 and as a director of post-merger Sajan, Inc. from February 2010 to January 2011.

16

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis describes our compensation objectives and policies as applied to the following executive officers who are referred to in this proxy statement as the named executive officers:

- Sherman L. Black, who served as our Chief Executive Officer during 2014 and also as President until December 12, 2014;
- James R. Stewart, who served as our Chief Financial Officer during 2014; and
- Vern Hanzlik, who was promoted to Executive Vice President on March 3, 2014 and on December 12, 2014 was promoted to President.

This section is intended to provide a framework within which to understand the actual compensation awarded to, earned or held by each named executive officer during 2014, as reported in the compensation tables and accompanying narrative sections appearing on pages 30 to 37 of this proxy statement.

Executive Summary

Our compensation policies and determinations in 2014 were influenced by a variety of factors, including our focus on pay programs that are aligned with our efforts to execute on our software product strategy and transform our business. Highlighted below are some of the key compensation-related decisions and policies approved by the Compensation Committee relating to 2014 compensation to the named executive officers:

- *Limited Salary Increases.* In February 2014, the Compensation Committee determined not to increase base salaries for either Messrs. Black or Stewart. The base salary of Mr. Black has not been changed since he was appointed in 2010. The Compensation Committee increased the base salary for Mr. Hanzlik to recognize his promotion to Executive Vice President in March 2014 and in December 2014 increased his base salary while he is living in California to reflect the higher cost of living there. However, Mr. Hanzlik’s lower March 2014 base salary was used to determine his incentive pay opportunity under the short-term cash incentive compensation program for 2014 (the “2014 Incentive Plan”).
- *Enhanced Performance-Based Incentives.* As in prior years, our compensation policies and practices during 2014 were heavily influenced by a focus on pay for performance.
- Our executive compensation programs are designed to deliver market competitive compensation to the named executive officers only when they individually deliver, and we as a company deliver, high performance. For 2014, the Compensation Committee utilized a mix of long-term and short-term performance based incentive programs. The Compensation Committee believes that variable, incentive-based compensation should constitute a meaningful portion of overall compensation for the named executive officers.

- The Compensation Committee adopted the 2014 Incentive Plan through which the named executive officers were eligible to earn cash incentive compensation based upon achievement of specific financial performance goals for 2014. After the sale of the disc publishing business on July 1, 2014, the Compensation Committee reallocated the disc publishing incentive opportunity under the 2014 Incentive Plan for the second half of 2014 exclusively to our software business to accelerate the transformation of Qumu into a high growth software company. Further, the Compensation Committee determined payouts under the 2014 Incentive Plan relating to disc publishing performance for the first half of 2014 based upon the actual operating performance of the disc publishing business.
- In February 2013, the Compensation Committee adopted a long-term cash incentive plan (the “LTI Program”), which incorporates both business performance and stock price as performance measures. The LTI Program is also designed to operate as a retention tool in that Messrs. Black and Stewart, executive officers participating in the LTI Program, must be employed through July 1, 2015 in order to receive the full amount of the LTI Program incentive pay. Following the sale of the disc publishing business, the Compensation Committee reallocated all of the potential incentive opportunity under the LTI Program for 2014 to the performance goals relating to our retained software business in order to align the incentives with our long-term software strategy. On March 12, 2015, we paid Messrs. Black and Stewart the amounts earned under the LTI Program based upon our performance in 2014.
- Amounts earned by Mr. Black under the LTI Program and the 2014 Incentive Plan, which are both performance based compensation plans, represented 63.4% of his total compensation for 2014.

17

Table of Contents

- *Equity Awards in 2014.* With the 2014 Annual Meeting, the Compensation Committee resumed its practice of making equity awards to executive officers with restricted stock awards to Messrs. Stewart and Hanzlik that were approximately equal to the 25th percentile of our peer group of companies. Mr. Black did not receive any equity awards in 2014 and has not received any equity awards since 2011.
- *Compensation Policies for 2014.* In 2014, we maintained the compensation policies and compensation practices developed in prior years, which we believe contribute to good governance.
- We added an expanded recoupment or "clawback" provision to the 2007 Plan that was approved at the 2011 Annual Meeting. Additionally, beginning in 2011, clawback provisions are a standard part of our cash incentive compensation programs, including the 2014 Incentive Plan and the LTI Program. These clawback provisions require an executive officer to forfeit and allow us to recoup any payments or benefits received by the executive officer under these compensation plans under certain circumstances, such as certain restatements of our financial statements, certain terminations of employment, and breach of an agreement between us and the executive officer.
- We have established specific stock ownership guidelines for executive officers and directors. Our stock ownership guidelines, along with the terms of our equity awards, encourage our executive officers and directors to build and maintain an ownership interest in our company.
- Under the charter of the Compensation Committee, any compensation consultant is retained directly by, and reports to, the Compensation Committee. Our Compensation Committee reviews and considers the independence of a compensation consultant prior to engagement.
- Our letter agreements with executive officers provide for severance payments only in cases of termination without cause prior to a change in control or both the occurrence of a change in control and the termination of employment without cause or for good reason. The agreement does not provide for "tax gross-up" payments. The post-termination benefits under the letter agreement are also conditioned upon compliance with the non-disclosure and non-competition agreements we have with the executive officers.
- *Response to 2014 Say-On-Pay Vote.* The say-on-pay proposal we presented at the 2014 Annual Meeting of Shareholders received 95.0% approval. We believe this high approval rate reflects shareholder support for our efforts over the course of 2012, 2013 and 2014 to strengthen the connection between executive pay and performance, including through the LTI Program.

Our Compensation Philosophy

Our philosophy with respect to the compensation of executive officers is based upon the following principles:

- Executive base compensation levels should be established by comparison of job responsibility to similar positions in comparable companies and be adequate to retain highly-qualified personnel; and

- Variable compensation should be established by comparison of job responsibility to similar positions in comparable companies and be adequate to retain highly-qualified personnel and should provide incentives to improve performance and shareholder value.

The Compensation Committee reviews our compensation philosophy and our compensation programs regularly (no less than annually). The Compensation Committee's review is two-fold: first, to ensure our philosophy and programs meet our objectives of providing compensation that attracts and retains superior executive talent and encourages our executive officers to achieve our business goals and second, to identify changes and trends in executive compensation policies and practices.

Table of Contents

2014 Compensation Elements and Determinations

The Compensation Committee followed the guiding principles outlined above in the development and administration of compensation programs for the named executive officers. During 2014, the components of our executive compensation programs consisted of the following:

- Base salary;
- Short-term cash incentive compensation delivered through the 2014 Incentive Plan, the annual incentive plan for 2014;
- Long-term cash incentive compensation delivered through a long-term incentive program adopted in February 2013 (the "LTI Program"); and
- Long-term equity compensation.

The named executive officers were also eligible to participate in the same benefit programs as were available to our other employees. Because the Compensation Committee does not believe that personal benefits or perquisites are appropriate as a significant element of compensation, the value of perks to any named executive officer was less than $10,000 in 2014.

In addition to selecting the components of compensation, the Compensation Committee also determined the relative weight of each component for each of the named executive officers. Performance-based, variable compensation is intended to be a meaningful portion of overall compensation. For 2014, the Compensation Committee continued its practice of weighting this type of compensation more heavily than fixed compensation, such as base salary. In 2014, the Compensation Committee maintained its emphasis on performance-based compensation through the performance measures it adopted for the 2014 performance period under the LTI Program.

See "Compensation Information and How it is Used in the Determining Compensation" below for an explanation of the information the Compensation Committee used in determining the elements of executive compensation and the potential compensation to the named executive officers in 2014.

2014 Base Salaries

The Compensation Committee did not recommend any changes for 2014 in the annual base salary of Messrs. Black or Stewart. Accordingly, Mr. Black's base salary remained at the $375,000 amount set by the Compensation Committee when Mr. Black was appointed as our Chief Executive Officer effective January 1, 2010 and Mr. Stewart's base salary remained at $295,000, which was the amount in effect for 2013.

At the time that Mr. Hanzlik was promoted to Executive Vice President in March 2014, the Compensation Committee approved an increase in Mr.

Hanzlik's annual base salary to $325,000 to reflect the increased responsibilities and to position this element of pay in relationship to the 50th percentile of our benchmark peer group. When Mr. Hanzlik was promoted to President in December 2014, the Compensation Committee approved an increase in Mr. Hanzlik's annual base salary to $407,000 while Mr. Hanzlik resides in California. We have an office in San Bruno, California and the $82,000 adjustment to Mr. Hanzlik's annual base salary is based on the higher cost of living index of the San Francisco, California metropolitan area. However, the Compensation Committee determined that for the purposes of calculating Mr. Hanzlik's cash incentive pay under the 2014 Incentive Plan, Mr. Hanzlik's unadjusted annual base salary of $325,000 would be used.

2014 Incentive Plan

On February 19, 2014, the Compensation Committee approved, and on February 20, 2014 the Board of Directors ratified, the establishment of the 2014 Incentive Plan and set the cash incentive pay opportunities under the 2014 Incentive Plan for Messrs. Black and Stewart. When Mr. Hanzlik was promoted to Executive Vice President in March 2014, the Compensation Committee also set his cash incentive pay opportunities under the 2014 Incentive Plan.

Under the 2014 Incentive Plan, the Compensation Committee determined minimum, target and maximum performance goals for the disc publishing business and minimum, target and maximum performance goals for three measures relating to our software business. For the disc publishing business, the Compensation Committee set performance goals for each quarter of 2014 and for full year 2014 for sales and operating income as a percentage of sales (excluding the impact of allocating general and administrative expense to the software business). For each period, the two performance goals form a matrix and from that matrix, a performance factor can be determined by referencing incrementally increasing amounts of each of the two performance goals. With respect to the software business, the Compensation Committee set minimum, target and maximum annual amounts for three performance measures: (1) 2014 contracted commitments (the dollar value of non-cancellable signed customer purchase commitments) from all software sales, weighted at 60%; (2) 2014 software revenue, weighted at 20%; and (3) 2014 gross margin as a percentage of sales for the software business, weighted at 20%. Our achievement in 2014 against each of these three software performance measures determines a performance factor for that measure that would then be weighted as noted to derive a total performance factor with respect to the software business.

For Messrs. Black and Stewart, the performance factors were originally weighted 25% to the disc publishing performance goals and 75% to the software business performance goals. This combined business performance factor will be multiplied by the executive officer’s target bonus percentage and base salary to determine the cash incentive amount. For Mr. Hanzlik, the performance factors were weighted 100% to the software business performance goals because the responsibilities of Mr. Hanzlik’s position were to the software business. If achievement as to any particular performance goal is between two defined amounts, the performance factor would be interpolated. Further, no incentive amount would be earned by any participant for the measurement period if the minimum performance goals for that period were not achieved. Achievement of the performance goals at less than target level results in decreasing performance factors until the achievement failed to meet the minimum performance goals, at which point the performance factor is zero and participant would be entitled to no incentive payment with respect to that performance goal.

The Compensation Committee also approved the cash incentive amounts that the named executive officers may earn under the 2014 Incentive Plan based upon percentages of their respective base salaries, which for Mr. Hanzlik was the base salary amount set in March 2014. Under the 2014 Incentive Plan, the maximum incentive amount that may be achieved for any period may not exceed 150% his incentive amount at the target level, even if actual performance exceeds the maximum for the performance goals.

With the sale of the disc publishing business on July 1, 2014, the Compensation Committee reviewed the disc publishing business related performance measures under the 2014 Incentive Plan. As a result of its review, the Compensation Committee determined to reallocate the potential incentive opportunity for Messrs. Black and Stewart for the second half of 2014 from July 1, 2014 to December 31, 2014 from the disc publishing business to the retained software business, with no changes to the software business performance goals or the maximum, target and minimum amounts of such performance goals. Accordingly, for the second half of 2014 from July 1, 2014 to December 31, 2014, Messrs. Black and Stewart could earn incentive amounts under the 2014 Incentive Plan based on achievement of the following annual performance goals for the software business: (1) 2014 contracted commitments from all software sales, weighted at 60%; (2) 2014 software revenue, weighted at 20%; and (3) 2014 gross margin as a percentage of sales for the software business, weighted at 20%. The Compensation Committee also determined to measure the actual achievement of the disc publishing business under the 2014 Incentive Plan for the first half of the 2014 performance period from January 1, 2014 to June 30, 2014 as compared to the minimum, target and maximum performance goals previously set by the Compensation Committee in February 2014. These determinations and amendments to the 2014 Incentive Plan were effective as of July 30, 2014. The Compensation Committee believed that this reallocation placed appropriately greater emphasis on high performance in our retained software business, which will most impact our future growth, and reinforced the need to minimize the risks to our retained software business during the separation of the two businesses.

Under the 2014 Incentive Plan, all incentive amounts earned in 2014 are paid in the first quarter of 2015 and an executive officer must be employed by us as of December 31, 2014 and as of the payment date in order to receive payout of any incentive amounts earned during the year unless termination of employment is due to death, disability or follows a change in control. Additionally, all incentive payments are subject to “clawback” to the extent required by federal law and the 2007 Plan.

Table of Contents

The following table shows the incentive amounts as a percentage of salary that would be earned by Messrs. Black, Stewart and Hanzlik under the 2014 Incentive Plan upon our achievement of the target and maximum goals under the 2014 Incentive Plan, assuming achievement at the target or maximum level, respectively, for each period under each matrix.

	Incentive Opportunity Under 2014 Incentive Plan As a Percentage of Base Salary	
Named Executive Officer	**Target Goals Achieved**	**Maximum Goals Achieved**
Sherman L. Black	90%	135%
James R. Stewart	55%	82.5%
Vern Hanzlik	65%	97.5%

As to the disc publishing business performance, the Compensation Committee set the target amounts for 2014 quarterly and annual revenue at levels that were below our actual performance in 2013 for these periods. The Compensation Committee believed that this was appropriate given that the disc publishing business was mature and challenged by technology substitution. For the software business sales, the Compensation Committee set the target level of 2014 contracted commitments at 80% growth over 2013, target level of 2014 revenue at 52.2% growth over 2013, and target level of gross margin as a percentage of sales at slightly less than 2013. The Compensation Committee determined the minimum, target and maximum levels of contracted commitments and revenue based upon our annual operating plan for 2014. The Compensation Committee intended the target amounts of the performance measures under the software business matrix to encourage aggressive and cost-effective development of these revenue streams.

Below are tables showing the target performance goals established under the 2014 Incentive Plan for each measurement period for both the disc publishing business and the software business, our actual performance for 2014 as compared to these goals, and the percentage by which our actual performance exceeded or was less than target for each period. Because of the July 30, 2014 reallocation of the potential incentive opportunity under the 2014 Incentive Plan exclusively to the software business performance goals for the second half of 2014, the disc publishing performance goals for the second half of 2014 are not relevant and are not presented.

Disc Publishing Business Matrix
(all dollar amounts in millions)

	Q1 2014 Target	Q1 2014 Actual	% Above or (Below) Target	Q2 2014 Target	Q2 2014 Actual	% Above or (Below) Target
Sales	$13.7	$14.9	8.8%	$14.6	$15.1	3.4%
Operating Income as a Percentage of Sales	0.9%	6.1%	677.8%	2.8%	11.4%	407.1%

Our performance in the first two quarters of 2014 resulted in an overall performance factor of 1.875x attributable to the performance of the disc publishing business.

	2014 Software Business Matrix (all dollar amounts in millions)		
	Target	Actual	% Above or (Below) Target
Contracted Commitments	$36.9	$36.8	(0.3)%
Revenue	$27.1	$26.0	(4.1)%
Gross Margin as a Percentage of Sales	56.8%	46.9%	(17.4)%

Our 2014 gross margin as a percentage of sales was below the minimum established by the Compensation Committee for this measure and accordingly, executive officers received no incentive pay under the 2014 Incentive Plan attributable to this measure. Our performance for 2014 resulted in an overall performance factor of 0.7694x attributable to the performance of the software business.

After applying the weighting specified by the 2014 Incentive Plan for the first half of 2014 for Messrs. Black and Stewart, the payouts approved under the 2014 Incentive Plan were: Mr. Black, $287,658, Mr. Stewart, $138,289 and Mr. Hanzlik, $162,536. Of the payout under the 2014 Incentive Plan for Mr. Black, $47,462 related to the performance of the disc publishing business for the first half of 2014 and $240,196 related to the performance of the software business. Of the payout under the 2014 Incentive Plan for Mr. Stewart, $22,817 related to the performance of the disc publishing business for the first half of 2014 and $115,472 related to the performance of the software business.

LTI Program

On February 20, 2013, the Compensation Committee approved, and on February 21, 2013 the Board of Directors ratified, the establishment of a long-term incentive program for executive officers (the “LTI Program”). The LTI Program was adopted under the 2007 Plan and accordingly, awards under the LTI Program are subject to the clawback and other features of the 2007 Plan. The LTI Program is a performance-based program that incorporates stock price and operational metrics as performance measures and that is also designed to operate as a retention tool. In part, the Compensation Committee adopted the LTI Program to address the relative lack of long-term incentives and retention benefits provided by equity awards outstanding to Messrs. Black and Stewart. Further, the Compensation Committee believed the LTI Program was appropriate to enhance the competitiveness of long-term compensation, which the analysis of the Compensation Committee’s consultant for 2013 (Radford, an Aon Hewitt company) indicated was below the 50th percentile of our benchmark peer group for the Chief Executive Officer and Chief Financial Officer positions. Mr. Hanzlik does not participate in the LTI Program.

In connection with the LTI Program, the Compensation Committee recommended and Board of Directors approved a long-term incentive bonus agreement between us and Mr. Black and a long-term incentive bonus agreement between us and Mr. Stewart. Collectively, the long-term incentive bonus agreements are referred to as the “LTI Agreements.”

Under the LTI Agreements, Mr. Black and Mr. Stewart are eligible for LTI Program incentive pay in the amount of $1,500,000 and $590,000, respectively, at the target level. The Compensation Committee selected these target level amounts in part based upon Radford’s analysis and recommendation in 2013, which showed these amounts at target level would be slightly below the 50th percentile of long-term incentive compensation over the two year period being measured for the respective executive officer positions. While the performance period is two years, amounts earned will be paid over a longer 30 month period on March 1, 2014, March 1, 2015 and July 1, 2015 in order to achieve the desired retention benefit. For Mr. Black, the actual amount of the LTI Program incentive pay will be based entirely upon performance. For Mr. Stewart, 50% of the LTI Program incentive pay is based upon time and 50% is based upon performance. In each case, performance is based upon performance measures approved by the Compensation Committee for the two twelve month periods ending December 31, 2013 and 2014.

As described in our proxy statement for the 2014 Annual Meeting of Shareholders, the matrix performance factor determined from our performance during the twelve month performance period ending December 31, 2013 and used to calculate the LTI Program incentive pay amounts paid to Messrs. Black and Stewart on March 1, 2014 was 1.5555x. Accordingly, Mr. Black was paid on March 1, 2014 an amount equal to 25% of the LTI Program incentive pay amount at target ($1,500,000) multiplied by 1.5555x, or $583,310. On March 1, 2014, Mr. Stewart was paid an amount equal to 25% of the performance portion of the LTI Program incentive pay amount at target ($295,000) multiplied by 1.5555x, or $114,718. Mr. Stewart also received 25% of the time portion of the LTI Program incentive pay amount ($295,000), or $73,750, on March 1, 2014.

Under the LTI Program, with respect to Mr. Black's LTI Program incentive pay and the performance based portion of Mr. Stewart's LTI Program incentive pay, 25% of such amount multiplied by the 2014 matrix performance factor is payable on March 1, 2015, and 50% of such amount multiplied by the average of 2013 and 2014 matrix performance factors is payable on July 1, 2015. With respect to the time based portion of Mr. Stewart's LTI Program incentive pay, 25% of such amount is payable on March 1, 2015 and 50% of such amount is payable on July 1, 2015.

On February 19, 2014, the Compensation Committee recommended and on February 20, 2014, the Board of Directors approved performance measures under the LTI Program for the twelve month performance period ending December 31, 2014 through the adoption of two matrices, one relating to the disc publishing business and one relating to the software business. The 2014 performance factor was weighted 25% to the disc publishing matrix and 75% to the software matrix. Following the sale of the disc publishing business, the Compensation Committee determined on July 30, 2014 to allocate all of the potential incentive opportunity under the LTI Program for the twelve month performance period ending December 31, 2014 to the performance goals relating to our retained software business, with no changes to the software business performance goals or the maximum, target and minimum amounts of such performance goals and no changes to the stock price performance goal that was also part of the software business matrix. Accordingly, for the twelve month performance period ending December 31, 2014, Messrs. Black and Stewart were eligible to earn incentive amounts under the LTI Program based on achievement of 2014 annual contracted commitments (the dollar value of signed customer purchase commitments) from all software sales and stock price. The performance factor from the software matrix was determined by referencing incrementally increasing amounts of each of the two performance goals that form the matrix. If achievement as to any particular performance goal is between two defined amounts in the matrix, the performance factor is interpolated. Further, the performance factor is zero if the minimum performance goals for the matrix are not achieved. Achievement of the performance goals at less than target level results in a decreasing performance factor until the achievement fails to meet the minimum performance goals of the matrix, at which point the performance factor is zero and the executives are entitled to no LTI Program incentive pay with respect to that performance goal.

For 2014, our contracted commitments were $36.8 million, which was slightly less than the target of $36.9 million. Our stock price as measured for the purposes of the LTI Program was $14.16, which was the average closing stock price for the five business days of January 26, 2015 to January 30, 2015. Our stock price was within the target range under the matrix of $11.52 to $16.90 per share. The target range for our stock price was determined based upon a number of factors, including a calculation of the appreciation in our stock price necessary to deliver compensation to Messrs. Black and Stewart similar to the value of hypothetical stock option awards. Our achievement of performance goals for 2014 resulted in a performance factor of 0.9983x under the LTI Program.

In accordance with the terms of the LTI Agreement and LTI Program, as a result of achievement of 2014 performance goals, Mr. Black earned 25% of the LTI Program incentive pay amount at target ($1,500,000) multiplied by the 2014 matrix performance factor of 0.9983x, or $374,363, which was paid on March 12, 2015. In accordance with the terms of the LTI

Agreement and LTI Program, as a result of achievement of 2014 performance goals, Mr. Stewart earned 25% of the performance portion of the LTI Program incentive pay amount at target ($295,000) multiplied by the 2014 matrix performance factor of 0.9983x, or $73,625, which was paid on March 12, 2015. Mr. Stewart also received 25% of the time portion of the LTI Program incentive pay amount ($295,000), or $73,750, on March 12, 2015.

An executive must be employed by us on the payment date to receive the LTI Program payment, except that if the executive's employment is terminated by us without cause or if a change in control occurs, we will pay the executives the LTI Program amounts as described in and at the times stated in the LTI Agreements. See "Employment Arrangements with Named Executive Officers and Post-Employment Compensation" for a summary of these provisions.

Under the LTI Agreements, Messrs. Black and Stewart will receive LTI Program incentive pay amounts upon the occurrence of a change in control, even if the executive's employment with us is not terminated. Because the LTI Program was designed to serve some of the same compensatory purposes as equity awards, the Compensation Committee believed this provision appropriately mirrored the provisions of outstanding equity awards, which would be accelerated and vested upon a change in control even if the executive's employment with us is not terminated.

2014 Equity Awards

On May 20, 2014, the date of the 2014 Annual Meeting of Shareholders, the Compensation Committee granted 20,000 shares of restricted stock to Messrs. Stewart and Hanzlik in respect of performance in 2013 and based upon an expectation of future performance. These awards are subject to our standard form of restricted stock award agreement that provides that the restrictions on the restricted stock lapse in four equal installments on the first four anniversaries of the date of grant, as well as the terms and conditions of the 2007 Plan. The Compensation Committee determined to grant restricted stock awards because they allow Qumu to deliver equity value with a smaller dilutive impact to shareholders, align the interests of the executive officers more closely with those of our shareholders, and provide a means of ensuring equity ownership in Qumu, which further aligns the interests of our executives with shareholders. The Compensation Committee set the number of shares in the restricted stock awards after taking into consideration the availability of shares under the 2007 Plan, the compensation expense for the awards, internal pay equity, previously granted equity awards, and for Mr. Stewart, the LTI Program. These restricted stock awards approximate the 25th percentile of this element of pay in our benchmark peer group.

Compensation Information and How it is Used in Determining Compensation

The Compensation Committee used information from a variety of sources in determining compensation for the named executive officers for 2014.

- *Past Compensation Consultant Work*. The Compensation Committee engaged Radford, an Aon Hewitt company, as its compensation consultant to assist it in determining executive compensation for 2013. At that time, Radford conduct a comprehensive executive compensation assessment, including benchmarking base salary, short-term cash incentive compensation, total cash compensation (base salary and short-term cash incentive compensation), long-term equity incentives and total direct compensation (total cash compensation plus long-term equity incentive values). For 2014, the Compensation Committee used the 2013 compensation assessment from Radford in setting 2014 executive compensation. The Compensation Committee also reviewed surveys, reports and other market data against which it measured the competitiveness of our compensation programs for 2014.
- *Input from Management*. In determining compensation for named executive officers, other than the Chief Executive Officer, the Compensation Committee solicits input from the Chief Executive Officer regarding the duties and responsibilities of the other executive officers and the results of performance reviews. The Chief Executive Officer also recommends to the Compensation Committee the base salary for all named executive officers, the awards under the cash incentive compensation program, and the awards under the long-term equity program. The Chief Executive Officer also recommended to the Compensation Committee the financial performance goals under the 2014 Incentive Plan and the LTI Program, as well as changes to these compensation programs to reflect the sale of the disc publishing business on July 1, 2014. No named executive officer, other than the Chief Executive Officer, has a role in establishing executive compensation. From time to time, the named executive officers are invited to attend meetings of the Compensation Committee. However, no named executive officer attends any executive session of the Compensation Committee or is present during deliberations or determination of such named executive officer’s compensation.
- *CEO Performance Review.* Annually, our Governance Committee establishes and oversees a process for the evaluation of the performance of the Chief Executive Officer by the whole Board, including a self-assessment by the Chief Executive Officer. The Compensation Committee then considers the results of that performance review in determining compensation of the Chief Executive Officer.

For 2014, the Compensation Committee used the same updated benchmark peer group selected by it for 2013 compensation, which consisted of similarly sized publicly-held companies located both in Minnesota and in other states in the software, computer peripheral and device, and data storage industries. For 2014, our benchmark peer group companies included:

Astro-Med, Inc.	Digi International Inc.	Overland Storage, Inc.
Carbonite, Inc.	Digimarc Corporation	ShoreTel, Inc.
Communications Systems, Inc.	Echelon Corp.	SPS Commerce, Inc.
Concurrent Computer Corp.	Falconstor Software, Inc.	VASCO Data Security International, Inc.
Datalink Corp.	Guidance Software, Inc.	Wave Systems Corp.
		Zix Corporation

As in the past, the Compensation Committee considered the competitiveness of elements of executive compensation and the need for adjustments for competitiveness when determining 2014 compensation for the named executive officers. In reviewing competitiveness, the Compensation Committee in particular focused on the extent to which compensation programs could be used to ensure retention of key personnel during the critical periods in the transformation of our business. Accordingly, while the Compensation Committee focused on the 50th percentile of the peer group for various elements of compensation, the Compensation Committee also considered experience, scope of position, individual performance, competitiveness and retention, and other factors when positioning elements of compensation to executive officers within the peer group.

Table of Contents

Compensation Policies

- *Executive Compensation Clawback Policy*. We added an expanded recoupment or "clawback" provision to the 2007 Plan that was approved by our shareholders at the 2011 Annual Meeting. Additionally, we added clawback provisions to our cash incentive compensation program beginning with the program we adopted in 2011 and continuing for the 2014 Incentive Plan and the LTI Program. These clawback provisions require an executive officer to forfeit and allow us to recoup any payments or benefits received by the executive officer under these compensation plans under certain circumstances, such as certain restatements of our financial statements, certain terminations of employment, and breach of an agreement between us and the executive officer.
- *Equity Granting Policy.* The policy of the Compensation Committee has been to make awards of equity-based compensation to executive officers at a regularly scheduled meeting of the Compensation Committee held in conjunction with a meeting of the Board of Directors on the day of the Annual Meeting of Shareholders, typically scheduled in May of each year. The equity awards granted by the Compensation Committee at the time of the Annual Meeting of Shareholders are in respect of performance in the prior year. For non-executive employees, the Compensation Committee's policy changed in October 2013 such that the equity awards to non-executive employees will be granted the first day of the open window period after the third quarter, which the Compensation Committee believes better aligns with performance reviews and personnel planning.

In addition to annual awards, awards of equity-based compensation to newly hired employees or employees being recognized for their achievement may be made by the Compensation Committee or by the Chief Executive Officer under authority delegated by the Compensation Committee. For awards by the Compensation Committee to newly-hired employees or employees being recognized for their achievement, the grant date will be the later of (i) the first day of employment with Qumu or the date the employee is recognized for achievement, as the case may be, or (ii) the date the Compensation Committee takes action to approve the award. However, if this date is not within an open window period, the grant date will be the first day of the open window period following the latest of (i) and (ii).

All stock options granted in 2014 have an exercise price of the fair market value of our common stock on the date of grant. The date of grant is determined under the 2007 Plan by reference to the closing market price of our common stock on the date the Compensation Committee meets (or takes action in writing in lieu of meeting) and determines the award recipient, the number of shares underlying stock option awards and the other material terms of the stock option grant, or such future date specified as the grant date by the Compensation Committee when all material terms of the stock option grant are determined.

The Compensation Committee's policy is to grant all equity awards under shareholder approved equity compensation plans, such as the 2007 Plan, except in limited and special circumstances.

Our policy is to grant equity awards at a time that Qumu's directors and executive officers are not in possession of material, non-public information and during the periods of time that trading would be permitted under our trading policy, which is referred to above as an "open window period."

Delegation of Limited Authority under 2007 Plan. The Compensation Committee has delegated authority to the Chief Executive Officer to grant equity awards under the 2007 Plan to employees who are not executive officers of Qumu. The Chief Executive Officer's delegation authority is limited to grants to any individual of no more than the lesser of (i) 1.5 times the recommended annual grant corresponding to that individual's position with Qumu and (ii) 10,000 equity awards, and the delegation authority may not exceed, in the aggregate, the total amount established on an annual basis by the Compensation Committee. Equity awards mean stock options and restricted shares and unless otherwise determined by the Compensation Committee, grants of restricted shares shall reduce the limits set forth above on the basis of 2.5 equity awards for each restricted share granted. Further, the Chief Executive Officer must memorialize the terms of the award in a written form contemporaneously with his approval of the award and must advise the Compensation Committee of such awards at a Compensation Committee meeting following such award. The terms of option and restricted stock awards by the Chief Executive Officer must be those contained in our standard form of non-qualified stock option agreement or standard form of restricted stock agreement, with the lapse of restrictions on the restricted stock over a period of 1 to 4 years as determined by the Chief Executive Officer consistent with the terms of the 2007 Plan.

Table of Contents

For awards by the Chief Executive Officer to newly-hired non-executive employees or non-executive employees being recognized for their achievement, the grant date will be the second Tuesday of the month following the employee's start date or the date the employee is recognized for achievement, or if the Nasdaq Stock Market was closed on such second Tuesday, the next succeeding day on which the Nasdaq Stock Market is open for regular trading.

- *Stock Ownership Guidelines.* In May 2006, we established stock ownership guidelines for our executive officers and directors. These guidelines are reviewed annually. The ownership guidelines for executive officers are based upon the following multiples of base pay, with the multiple depending upon management level: Chief Executive Officer, five times; President, Chief Operating Officer, Chief Technical Officer and Chief Financial Officer, three times; and all other executive officers, two times. In the event an individual holds positions in more than one management level, the multiple applicable to the highest management level applies to that individual. The ownership guideline for directors was three times the annual retainer (exclusive of meeting fees or other retainers) paid to directors by us. In February 2015, the Compensation Committee and Board determined to increase the ownership guideline applicable to directors to five times the annual retainer. Ownership levels will be determined by including stock acquired through open market transactions, employee stock purchase plan purchases (if any), shares granted under time vested restricted stock or restricted stock unit awards, shares earned under performance stock awards, as well as the in-the-money value of vested stock options. We recommend that executive officers and directors meet the applicable guidelines within five years of the date he or she first becomes subject to the guidelines and meet the applicable guidelines associated with an increase in his or her management level within five years of such change.

On February 18, 2015, the Compensation Committee reviewed the progress of the named executive officers and directors toward the ownership guidelines. As of that date, the four directors that were required to meet the ownership guidelines met them. Two other directors are required to meet the guidelines in 2017 and two are required to meet the guidelines in 2018. Mr. Black was first required to meet the ownership guidelines in 2014. Mr. Stewart is not required to meet the ownership guidelines until August 2015. Mr. Hanzlik is not required to meet the ownership guidelines until 2018. As of February 18, 2015, Mr. Black's stock ownership was approximately 91% of the guideline amount. The Compensation Committee believes Mr. Black has been and will be challenged to meet the stock ownership guidelines, despite the stock options and stock held by him, because no equity awards have been made to Mr. Black since November 1, 2011. Additionally, certain outstanding vested options held by Mr. Black were not in-the-money at February 18, 2015.

- *Post-Termination Compensation.* Our practice has been to enter into a form of agreement relating to severance and change in control benefits with each person appointed by the Board as an executive officer. As of December 31, 2014, we were a party to such an agreement with Messrs. Black, Stewart and Hanzlik, our named executive officers.

The Compensation Committee believes that severance and change in control arrangements for the named executive officers are consistent with competitive pay practices, aid in the recruitment and retention of executive officers, and provide incentives for executive officers to grow our business and maintain focus on returning value to shareholders. The Compensation Committee believes that providing protection to executive officers whose employment is terminated in connection with a change in control strikes an appropriate balance among the interests of our executive officers and the interests of others in a change in control transaction. In particular, the Compensation Committee believes that these arrangements are appropriate in part because the benefits under the agreement are only payable upon termination without cause prior to a change in control or both the occurrence of a change in control and the termination of employment without cause or for good reason, and that the severance and change in control benefits are conditioned upon compliance with non-disclosure and non-competition agreements. See “Executive Compensation – Employment Arrangements with Named Executive Officers and Post-Employment Compensation” in this proxy statement for a discussion of the terms of the agreements with the named executive officers and the value of benefits payable under these agreements.

- *Engagement of Compensation Consultant.* Under its charter, the Compensation Committee has the sole authority to retain or replace the compensation consultant and the compensation consultant reports directly to the Compensation Committee. While the Compensation Committee did not engage a compensation consultant for 2014, it did engage Radford as its compensation consultant to assist it in conducting a comprehensive review and analysis of executive compensation for 2013 and the Compensation Committee used this review and analysis in determining 2014 compensation.

Consideration of 2014 Say-on-Pay Vote

The say-on-pay proposal presented at the 2014 Annual Meeting of Shareholders received 95.0% approval by our shareholders. Beginning in 2012, we increased our shareholder engagement and outreach specifically relating to executive compensation. During 2013 and 2014, we sought and welcomed feedback from shareholders relating to our efforts to align pay with performance through the LTI Program. Based upon the 2014 Annual Meeting say-on-pay vote and the feedback subsequent to the 2014 Annual Meeting, we believe that shareholders support our efforts to strengthen the connection between executive pay and performance. The Compensation Committee looks forward to the say-on-pay vote at this 2015 Annual Meeting as a way to gain additional information as it considers executive compensation philosophy, policies and practices for the remainder of 2015 and beyond.

Report of the Compensation Committee

The following report of the Compensation Committee shall not be deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that we specifically incorporate it by reference in such filing.

The Compensation Committee has reviewed and discussed the section of this proxy statement entitled Compensation Discussion and Analysis (the “CD&A”) for the year ended December 31, 2014 with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board that the CD&A be included in the proxy statement for the 2015 Annual Meeting of Shareholders for filing with the Securities and Exchange Commission.

By the Compensation Committee of the Board of Directors:

Steven M. Quist (Chair)
Lawrence M. Benveniste
Daniel R. Fishback
Robert F. Olson

Justin A. Orlando

Consideration of Risk in Compensation

The Compensation Committee believes that promoting the creation of long-term value discourages behavior that leads to excessive risk. The Compensation Committee believes that the following features of our compensation programs provide incentives for the creation of long-term shareholder value and encourage high achievement by our executive officers without encouraging inappropriate or unnecessary risks:

- Our long-term incentives in the form of stock options or restricted stock are at the discretion of the Compensation Committee and are granted pursuant to a disciplined process.
- Stock options become exercisable over a four year period and remain exercisable for up to seven years (ten years for options issued prior to 2008) from the date of grant, and restricted shares vest over periods up to four years, encouraging executives to look to long-term appreciation in equity values.
- We balance short-term and long-term decision-making with the annual cash incentive program, stock options and restricted stock awards that vest over four years, and, beginning in 2013, a long-term cash incentive program designed to provide incentives for high performance and retention over a 30 month period.

27

- Beginning with 2011 awards, the Compensation Committee granted a greater proportion of the value of long-term equity incentives in the form of restricted stock. These awards more directly tie the interests of our executive officers to the interests of our shareholders, but also discourage inappropriate or unnecessary risk-taking that adversely affects the price of our stock. In 2014, Messrs. Stewart and Hanzlik, the named executive officers who received equity awards, received only restricted stock awards.
- Because of our stock ownership guidelines, our executive officers could lose significant value if our stock price were exposed to inappropriate or unnecessary risks.
- The metrics used to determine the incentive pay to a named executive officer under the 2014 Incentive Plan provide for a balance of revenue focused performance measures and income or operating expense focused performance measures.
- For Messrs. Black and Stewart, the Compensation Committee determined the relative weight of the matrices under the 2014 Incentive Plan for the first half of 2014 at 75% weighted to the software business matrix and 25% weighted to the disc publishing business matrix and, for the second half of 2014, exclusively weighted to our retained software business. Mr. Hanzlik's incentive pay opportunity under the 2014 Incentive Plan was weighted 100% to the software business at all times during 2014. The Compensation Committee believes this weighting for Messrs. Black and Stewart balanced the interdependencies of our businesses prior to the sale of the disc publishing business and for all executives, places appropriately greater emphasis on our software business, which will most impact our future growth, both before and after the sale of the disc publishing business.
- Following the sale of the disc publishing business on July 1, 2014, the Compensation Committee determined that payouts under the 2014 Incentive Plan relating to disc publishing performance for the first half of the 2014 performance period from January 1, 2014 to June 30, 2014 would continue to be based upon the actual achievement of the disc publishing business as compared to the minimum, target and maximum performance goals previously set by the Compensation Committee in February 2014. In basing the payouts under the fiscal year 2014 Incentive Plan on actual achievement of the disc publishing business, the Compensation Committee sought to align these payouts with the purchase price we received from the sale of the disc publishing business and to limit windfalls in the 2014 Incentive Plan payouts attributable to the disc publishing business.
- Following the sale of the disc publishing business on July 1, 2014, the Compensation Committee reallocated the incentive opportunity under the 2014 Incentive Plan exclusively to our remaining software business for the second half of 2014 and reallocated all of the incentive opportunity under the LTI Program for the twelve month performance period ending December 31, 2014 to the performance goals relating to our retained software business. The Compensation Committee believes this

reallocation of incentives aligns with both our short-term and long-term software strategy, which these performance based incentive pay programs are designed to support.

- While the Compensation Committee reallocated the incentive opportunities under the 2014 Incentive Plan and the LTI Program, it did not change the metrics or performance goals relating to the software business under either the 2014 Incentive Plan or the LTI Program. The Compensation Committee believed that the reallocation combined with maintaining the metrics and performance goals encouraged management focus on our software business and reinforced the expectation of continued high performance in our software business, including the need to actively manage the risks and challenges of separation of the two businesses. The Compensation Committee also believed that these actions would help us realize the full benefits of the sale transaction.
- The incentive pay amounts under the LTI Program and our 2014 Incentive Plan cannot exceed five times and 150% the target amount, respectively, no matter how much performance exceeds the maximum level of the performance goals set for each of the respective matrices. Additionally, there is no payout attributable to a matrix unless a minimum level of performance is achieved. These features are designed to limit windfalls.

28

Table of Contents

- The incentive pay under our LTI Program is payable over a period of 30 months and only if the executive is employed by us at the time of payment. The Compensation Committee believes that the duration of the LTI Program provides long-term incentives that are aligned with our long-term strategy for the company.
- The metrics used to determine the amount of a named executive officer's incentive pay for 2014 under the LTI Program include a stock price measure and a financial performance measure, which the Compensation Committee believes balances the rewards of business performance and stock price performance.
- Through our 2007 Stock Incentive Plan, the Compensation Committee has the right to "claw back" stock incentives or cash incentives from a participant or to seek repayment from a participant through a variety of means in certain circumstances such as certain restatements of our financial statements, certain terminations of employment, and breach of an agreement between us and the executive officer. These "claw back" features are applicable to the LTI Program and the 2014 Incentive Plan.
- Our corporate compliance systems and policies, which are overseen by the Audit Committee, further mitigate against excessive or inappropriate risk taking.

Based on their consideration of these and other factors, the Compensation Committee concurred with our management's determination that none of its compensation policies and practices is reasonably likely to have a material adverse effect on Qumu.

Table of Contents

Summary Compensation Table

The following table shows, for our Chief Executive Officer, our Chief Financial Officer and our President (together referred to as our "named executive officers"), information concerning compensation earned for services in all capacities during the years indicated.

Name and Position	**Year**	**Salary ($)**	**Stock Awards ($) (1)**	**Option Awards ($) (1)**	**Non-Equity Incentive Plan Compen-sation ($) (2)**	**All Other Compen-sation ($) (3)**	**Total ($)**
Sherman	2014	$375,000	—	—	$662,021	$7,144	$1,044,165
L. Black	2013	375,000	—	—	1,041,424	6,660	1,423,084
Chief Executive Officer	2012	379,288	—	—	140,063	6,651	526,002
James R.	2014	$295,000	$305,000	—	$285,664	$8,444	$894,108
Stewart	2013	293,968	—	—	408,702	8,301	710,971
Chief Financial Officer	2012	245,306	—	—	62,325	8,104	315,735
Vern Hanzlik President (4)	2014	$316,962	$305,000	—	$162,536	$5,665	$790,163

(1) Valuation of awards based on the grant date fair value of those awards computed in accordance with FASB ASC Topic 718 utilizing assumptions discussed in Note 4 to our consolidated financial statements for the year ended December 31, 2014 included in our Annual Report on Form 10-K for the year ended December 31, 2014.

(2) Represents the following amounts paid to the named executive officers under specified cash incentive compensation program for the year noted. Mr. Hanzlik does not participate in the LTI Program. All amounts are reported for the year in which the related services were performed, although paid in a following year.

Name	**Year**	**LTI Program**	**Annual Incentive Plan**
	2014	$374,363	$287,658
Sherman L. Black	2013	$583,310	$458,114
	2012		$140,063
	2014	$147,375	$138,289
James R. Stewart	2013	$188,468	$220,234
	2012		$62,325
Vern Hanzlik	2014		$162,536

30

Table of Contents

(3) Represents the following amounts:

Name	Year	Matching Contributions to 401(k) Plan	Insurance Premiums
	2014	$6,166	$978
Sherman L. Black	2013	$5,841	$819
	2012	$5,844	$807
	2014	$7,500	$944
James R. Stewart	2013	$7,500	$801
	2012	$7,363	$741
Vern Hanzlik	2014	$4,688	$977

(4) Mr. Hanzlik began serving as our Executive Vice President, an executive officer position, on March 13, 2014 and was promoted to President on December 12, 2014. Accordingly, information for years prior to 2014 is not presented. Amounts presented for 2014 include compensation to Mr. Hanzlik in all capacities for 2014.

Grants of Plan-Based Awards in 2014

The following table sets forth certain information concerning plan-based awards granted to the named executive officers during the year ending December 31, 2014.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target ($)	Maximum ($)	All Other Stock Awards Number of Shares of Stock (#)	Grant Date Fair Value of Stock and Option Awards (#)(3)
Sherman L. Black (1)	2/20/2014	$337,500	$675,000	—	—
Sherman L. Black (2)	—	$1,500,000	$7,500,000	—	—
James R. Stewart (1)	2/20/2014	$162,250	$324,500	—	—
James R. Stewart (2)	—	$590,000	$1,770,000	—	—
James R. Stewart	5/20/2014	—	—	20,000	$305,000
Vern Hanzlik (1)	2/20/2014	$211,250	$422,500	—	—
Vern Hanzlik	5/20/2014	—	—	20,000	$305,000

(1) Represents incentive pay that may have been earned by the named executive officers under our 2014 Incentive Plan. Under the matrices associated with the 2014 Incentive Plan, achievement of the performance goals at less than target level will result in a decreasing amount until the achievement fails to meet the minimum performance

goals, at which point the executive officer is entitled to no incentive pay such that there is no "threshold" level of achievement. See the column entitled "Non-Equity Incentive Plan" of the Summary Compensation Table for the amounts actually paid under the 2014 Incentive Plan. For explanation of the 2014 Incentive Plan, including the July 30, 2014 amendments to reallocate the incentive pay opportunity for Messrs. Black and Stewart exclusively to our retained software business for the second half of 2014, refer to the description beginning on page 19 of this proxy statement under the heading of Compensation Discussion and Analysis entitled "2014 Compensation Elements and Determinations."

(2) Represents pay that may be earned by Messrs. Black and Stewart under the LTI Program, which incentive pay amounts were payable on March 1, 2014 based on 2013 performance and on March 1, 2015 based on 2014 performance, and are payable on July 1, 2015 based upon the average of 2013 and 2014 performance. See the column entitled "Non-Equity Incentive Plan" of the Summary Compensation Table for the amounts actually paid based on 2013 performance and based on 2014 performance under the LTI Program. Under the matrices associated with the LTI Program, achievement of the performance goals at less than target level will result in a decreasing amount until the achievement fails to meet the minimum performance goals, at which point the executive officer is entitled to no payment under the LTI Program. In this way, there is no payout at a "threshold" or "minimum" level of achievement. The incentive pay amounts under the LTI Program cannot exceed five times the target amount no matter how much performance exceeds the maximum performance goals. For explanation of the LTI Program, including the July 30, 2014 amendments to reallocate the incentive pay opportunity for Messrs. Black and Stewart exclusively to our retained software business for 2014, refer to the description beginning on page 22 of this proxy statement under the heading of Compensation Discussion and Analysis entitled "2014 Compensation Elements and Determinations."

(3) Valuation of awards based on the grant date fair value of those awards computed in accordance with FASB ASC Topic 718 utilizing assumptions discussed in Note 4 to our consolidated financial statements for the year ended December 31, 2014 included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning option awards outstanding to the named executive officers at December 31, 2014.

Name	**Option Awards**			
	Number of Securities Underlying Unexercised Options (#) Exercisable	**Number of Securities Underlying Unexercised Options (#) Unexercisable (1)**	**Option Exercise Price ($)**	**Option Expiration Date (1)**
Sherman L. Black	200,000		$14.10	04/01/2016
	50,000		$17.34	01/01/2017
	12,375	4,125	$14.68	05/11/2018
	24,750	8,250	$11.17	11/01/2018
James R. Stewart	65,000		$16.77	08/02/2017
	4,500	1,500	$14.68	05/11/2018

	9,000	3,000	$11.17	11/01/2018
Vern	50,000	50,000	$6.62	11/26/2019
Hanzlik	25,000	25,000	$6.92	12/10/2019

(1) Options vest and become exercisable in equal installments on the first four anniversaries of the date of grant and the expiration date of each option is the seven-year anniversary of the date of grant of such option.

The following table sets forth certain information concerning stock awards outstanding to the named executive officers at December 31, 2014.

	Stock Awards	
Name	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(1)**
Sherman L. Black	11,550	$157,889
James R. Stewart	24,200	$330,814
Vern Hanzlik	35,000	$478,450

(1) Value based on a share price of $13.67, which was the closing sales price for a share of our common stock on the Nasdaq Global Market on December 31, 2014.

32

Table of Contents

2014 Options Exercised and Stock Vested

The following table sets forth certain information concerning options exercised and stock awards vested during 2014 for the named executive officers.

Name	Option Awards Number of Shares Acquired on Exercise (#)	Option Awards Value Realized on Exercise ($)(1)	Stock Awards Number of Shares Acquired on Vesting (#)	Stock Awards Value Realized on Vesting ($)(1)
Sherman L. Black	—	—	11,550	$166,513
James R. Stewart	—	—	4,200	$60,550
Vern Hanzlik	—	—	5,000	$67,000

(1) For option awards, represents the difference between the exercise price and the fair market value of our common stock on the respective dates of exercise and for stock awards, represents the number of shares vested multiplied by the fair market value of our stock on the vesting date.

Employment Arrangements with Named Executive Officers and Post-Employment Compensation

Our practice has been to enter into a standard form of letter agreement relating to severance and change in control benefits (the "letter agreement") with each person appointed by the Board as an executive officer. Messrs. Black and Stewart were parties to the letter agreement during 2014 and, when he became an executive officer in March 2014, Mr. Hanzlik also became a party to the letter agreement.

The terms "cause," "good reason," and "change in control," used in the letter agreement are defined as follows:

Term	Definition
Cause	· The failure by the executive officer to use his or her best efforts to perform the material duties and responsibilities of his or her position or to comply with any material policy or directive Qumu has in effect from time to time, provided the executive officer shall have received notice of such failure and have failed to cure the same within thirty days of such notice. · Any act on the part of the executive officer which is harmful to the reputation, financial condition, business or business relationships of Qumu, including, but not limited to, conduct which is inconsistent with federal or state law respecting

	harassment of, or discrimination against, any Qumu employee or harmful to the reputation or business relationships of the executive officer. · A material breach of the executive officer's fiduciary responsibilities to Qumu, such as embezzlement or misappropriation of Qumu funds, business opportunities or properties, or to any of our customers, vendors, agents or employees. · Conviction of, or guilty plea or *nolo contendere* plea by the executive officer to a felony or any crime involving moral turpitude, fraud or misrepresentation. · A material breach of the executive officer's Nondisclosure and Noncompetition Agreement with Qumu.
Good Reason	Good Reason for the twelve month period following a Change in Control shall mean, without your express written consent, any of the following: (i) a material diminution of your authority, duties or responsibilities with respect to your position immediately prior to the Change in Control, or (ii) a material reduction in your base compensation as in effect immediately prior to the Change in Control; (iii) a material reduction in your opportunity to earn a cash bonus under the annual short-term incentive compensation plan of Qumu in which you participate as in effect immediately prior to the Change in Control (for the avoidance of doubt, specifically excluding any reduction in your opportunity to earn a cash bonus under any long-term incentive compensation plan of Qumu in which you participate); (iv) a material reduction in the authority of the person to whom you report (or a change in your reporting directly to the Board of Directors, if applicable); (v) a material change in the geographic location at which you must perform services for Qumu; and (vi) any other action or inaction that constitutes a material violation of this Agreement by Qumu; provided that no such termination for Good Reason shall be effective unless: (A) you provide written notice to the Chair of the Board of Directors of the existence of a condition specified in paragraphs (i) through (v) above within 90 days of the initial existence of the condition; (B) Qumu does not remedy such condition within 30 days of the date of such notice; and (C) you

terminate your employment within 90 days following the last day of the remedial period described above.

Term	Definition
Change in Control	Change in Control of Qumu shall mean a change in control which would be required to be reported in response to Item 5.01 of Form 8-K promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not Qumu is then subject to such reporting requirement, including without limitation, if: · any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of Qumu representing 20% or more of the combined voting power of Qumu's then outstanding securities (other than an entity owned 50% or greater by Qumu or an employee pension plan for the benefit of the employees of Qumu); · there ceases to be a majority of the Board of Directors comprised of (A) individuals who, on the date of this letter agreement, constituted the Board of Directors of Qumu; and (B) any new director who subsequently was elected or nominated for election by a majority of the directors who held such office prior to a Change in Control; or · Qumu disposes of at least 75% of its assets, other than (X) to an entity owned 50% or greater by Qumu or any of its subsidiaries, or to an entity in which at least 50% of the voting equity securities are owned by the shareholders of Qumu immediately prior to the disposition in substantially the same percentage or (Y) as a result of a bankruptcy proceeding, dissolution or liquidation of Qumu.

The letter agreement provides that if the executive officer's employment is terminated without cause (other than during the twelve month period following a change in control), the executive will be entitled to payments of the executive officer's regular base salary for a period of twelve months. The executive officer will also be paid an amount equal to the average of the prior three calendar years' short-term incentive bonus amount received by the executive. The short-term incentive bonus amount will be paid in twelve equal installments consistent with our regular payroll practices. We also will pay a portion of the premiums for continued health, dental and group life insurance until the earlier of: (A) twelve months from the date COBRA coverage begins; or (B) the date COBRA coverage otherwise terminates.

On February 21, 2013, we entered into LTI Agreements with Messrs. Black and Stewart under the LTI Program that are summarized above under "Executive Compensation – Compensation Discussion and Analysis –

2013 Compensation Elements and Determinations – LTI Program." The LTI Agreements were adopted under the 2007 Plan and incorporate the definition of "Change in Control" from the 2007 Plan, which is the same as the definition used in the letter agreement described above. The LTI Agreements incorporate the definition of "Cause" from the letter agreement described above.

Under the LTI Agreements with Messrs. Black and Stewart, if the executive's employment is terminated by us without cause (other than in connection with a change in control), we will pay the executive the LTI incentive pay amounts as follows (subject to the execution and delivery of a general release and continued compliance with the nondisclosure and noncompetition agreement) in a lump sum no later than the first regular payroll date following the date of termination:

- For Mr. Black, an amount equal to the LTI incentive pay based upon the achievement of the performance measures, as determined by the Compensation Committee, for each year of the performance periods completed prior to the termination or if any year of the performance periods is not completed, assuming the matrix performance factors were 1.0 for that year.
- For Mr. Stewart, an amount equal to the full amount of the time portion and the amount of the performance portion based upon the achievement of performance measures, as determined by the Compensation Committee, for each year of the performance periods completed prior to the termination or if any year of the performance periods is not completed, assuming the matrix performance factors were 1.0 for that year.

34

Table of Contents

If the employment of Messrs. Black, Stewart or Hanzlik was terminated without cause as of December 31, 2014, we estimate that the value of the benefits under his respective agreements would have been as set forth below based upon his salary for 2014, an amount equal to the average of the short-term incentive amounts for the prior three completed calendar years prior to December 31, 2014 (2013, 2012 and 2011) for Messrs. Black and Stewart and two completed calendar years prior to December 31, 2014 for Mr. Hanzlik, which are the years during which he was employed by us. For Messrs. Black and Stewart, the LTI Incentive Pay amounts are those amounts that would otherwise be payable in March 2015 and July 2015 based upon the LTI matrix performance factor for 2014 of 0.9983x (actual) and LTI matrix performance factor for 2013 of 1.5555x (actual).

	Termination Without Cause			
Executive Officer	**Base Salary Payments**	**Annual Incentive Payments**	**LTI Incentive Pay**	**Insurance Premiums**
Sherman L. Black	$375,000	$322,495	$1,331,944	$17,399
James R. Stewart	$295,000	$144,905	$483,199	$10,809
Vern Hanzlik	$325,000	$199,375		$18,414

Under the LTI Agreements, if a change in control occurs, we will pay Messrs. Black and Stewart the following LTI Program incentive pay amounts in a lump sum no later than the first regular payroll date following the date of the change in control:

- For Mr. Black, an amount equal to the LTI Program incentive pay based upon the achievement of performance measures during the performance periods, whether or not completed, as determined by the Compensation Committee.
- For Mr. Stewart, an amount equal to the full amount of the time portion and the amount of the performance portion based upon the achievement of performance measures during the performance periods, whether or not completed, as determined by the Compensation Committee.

Additionally, under the 2007 Plan, all stock options held by the named executive officers will immediately vest upon a change in control and if the agreements effectuating the change in control do not provide for the assumption or substitution of restricted stock awards, the restrictions will lapse on the restricted stock to the extent these restrictions have not already lapsed under the terms of the restricted stock award agreement.

Under the letter agreements, if a change in control occurs, but the named executive officer's employment is not terminated within twelve months of the change in control, the executive is not entitled to any payment or benefit under the letter agreements.

If a change in control occurred as of December 31, 2014, we estimate that the value of the benefits to Messrs. Black, Stewart and Hanzlik under the 2007 Plan and the LTI Agreements would have been as set forth below based upon his respective stock option and restricted stock holdings at December 31, 2014. For Messrs. Black and Stewart, the LTI Incentive Pay amounts are those amounts that would otherwise be payable in March 2015 and July 2015 based upon the LTI matrix performance factor for 2014 of 0.9983x (actual) and LTI matrix performance factor for 2013 of 1.5555x (actual).

	Change in Control (Without Termination of Employment)		
Executive Officer	**LTI Incentive Pay**	**Value of Accelerated Vesting of Stock Options (1)**	**Value of Accelerated Lapse of Restrictions on Restricted Stock (1)**
Sherman L. Black	$1,331,944	$20,625	$157,889
James R. Stewart	$483,199	$7,500	$330,814
Vern Hanzlik		$521,250	$478,450

35

(1) Value based on a share price of $13.67, which was the closing sales price for a share of our common stock on the Nasdaq Global Market on December 31, 2014. Value of accelerated stock options is determined using the difference between that closing share price and the applicable option exercise price multiplied by the number of option shares whose exercisability is accelerated. Value of accelerated lapse of restricted stock is determined by multiplying the closing share price by the number of restricted stock whose lapse of restrictions is accelerated.

The letter agreement provides that if a change in control occurs and within twelve months of the change in control the named executive officer's employment is terminated by us without cause or by the executive for good reason, we must pay the executive a cash severance payment. The severance payment is payable within sixty days of the date of termination and will be equal to 100% of the sum of the executive's annual base salary and his "target bonus" in effect on such date (without giving effect to any reduction that results in the executive's termination for good reason). The "target bonus" is the cash amount under all our short-term annual incentive compensation plans in which the executive participates, waiving any condition for payment to the executive and assuming that the performance goals for the period were achieved at the 100% level. We will pay a portion of the premiums for continued health, dental and group life insurance until the earlier of: (A) twelve months from the date COBRA coverage begins; or (B) the date COBRA coverage otherwise terminates.

As stated above, the LTI Agreements with Messrs. Black and Stewart require us to pay the LTI incentive pay amounts upon a change in control, including if his employment is terminated by us. Also as stated above, under the 2007 Plan all stock options held by the executive will immediately vest upon a change in control and if the agreements effectuating the change in control do not provide for the assumption or substitution of restricted stock awards, the restrictions will lapse on the restricted stock to the extent these restrictions have not already lapsed under the terms of the restricted stock award agreement.

If, within twelve months of a change in control, the employment of Messrs. Black, Stewart and Hanzlik was terminated without cause or for good reason as of December 31, 2014, we estimate that the value of the benefits under the letter agreements, LTI Agreements and the 2007 Plan to a named executive officer would have been as set forth below based upon (i) his salary for 2014, (ii) target incentive pay for 2014, (iii) for the LTI Program for Messrs. Black and Stewart, the LTI Incentive Pay amounts are those amounts that would otherwise be payable in March 2015 and July 2015 based upon the LTI matrix performance factor for 2014 of 0.9983x (actual) and LTI matrix performance factor for 2013 of 1.5555x (actual), and (iv) his respective stock option and restricted stock holdings at December 31, 2014.

	Termination Without Cause or For Good Reason Within 12 Months of a Change in Control				
Executive Officer	**Severance Payments**	**Insurance Premiums**	**LTI Incentive Pay**	**Value of Accelerated Vesting of Stock Options (1)**	**Value of Accelerated Lapse of Restrictions on Restricted Stock (1)**
Sherman L. Black	$712,500	$17,399	$1,331,944	$20,625	$157,889
James R. Stewart	$457,250	$10,809	$483,199	$7,500	$330,814
Vern Hanzlik	$536,250	$18,414		$521,250	$478,450

(1) Value based on a share price of $13.67, which was the closing sales price for a share of our common stock on the Nasdaq Global Market on December 31, 2014. Value of accelerated stock options is determined using the difference between that closing share price and the applicable option exercise price multiplied by the number of option shares whose exercisability is accelerated. Value of accelerated lapse of restricted stock is determined by multiplying the closing share price by the number of restricted stock whose lapse of restrictions is accelerated.

These salary continuation and change in control benefits are conditioned upon the named executive officer’s execution of a general release and compliance with a nondisclosure and non-competition agreement. Further, in the event that the vesting of options upon a change in control, together with all other benefits provided by the letter agreement or the LTI Agreement, would result in all or a portion of such amount being subject to excise tax then the executive will be entitled to either the full amount of the payments or value of benefits under the letter agreement and the LTI Agreement or such lesser amount as determined by us that would result in no portion of the payment being subject to excise tax, whichever results in the receipt by the named executive officer of the greatest amount on an after-tax basis. In calculating the amounts described above, we assumed that the full amount of the payments or value of benefits under the letter agreement and the LTI Agreement would provide the greatest after-tax benefit to the named executive officers.

Additionally, if the amounts payable under the letter agreement would be subject to the requirements of Section 409A of the Internal Revenue Code, we may amend the letter agreement as we may determine, including to delay the start of any payment as provided in the letter agreement, amend the definition of change in control, and amend the definition of disability. In the event any such payment is so delayed, the amount of the first payment to the executive officer will be increased for interest earned on the delayed payment based upon interest for the period of delay, compounded annually, equal to the prime rate (as published in the Wall Street Journal) in effect as of the date the payment should otherwise have been provided. We may also amend any provision of the LTI Agreements pertaining to a payment of non-qualified deferred compensation to comply with Section 409A of the Internal Revenue Code in the least restrictive manner necessary without any diminution in the value of payments to the executive. In calculating the amounts described above, we assumed that no amount payable to the named executive officers under the letter agreement or LTI Agreement is subject to the requirements of Section 409A of the Internal Revenue Code.

If the named executive officer resigns (other than for good reason during the twelve month period following a change in control), if we terminate the named executive officer’s employment for cause, or if the named executive officer’s employment terminates as a result of death or disability, the named executive officer is entitled to receive the named executive officer’s base salary accrued but unpaid as of the date of termination, but is not entitled to receive any salary continuation benefit thereafter.

Table of Contents

PROPOSAL 2:
ADVISORY VOTE ON Named EXECUTIVE Officer COMPENSATION

Our Board of Directors has determined that an advisory vote on named executive officer compensation (commonly referred to as "say-on-pay") will be held annually until the next time shareholders are required to cast an advisory vote on the frequency of the say-on-pay vote. Accordingly, we are asking our shareholders to cast an advisory vote on named executive officer compensation at this 2015 Annual Meeting.

During 2014, we continued the process of transforming Qumu into a high growth software company, with the sale of our disc publishing business on July 1, 2014 representing a significant milestone in this process. The Compensation Committee believes that this transformation was supported by performance based compensation programs in effect for 2014, including the 2014 Incentive Plan and the LTI Program, and by the changes made to those programs in 2014. Prior to the sale of the disc publishing business, the 2014 Incentive Plan and the 2014 performance goals under the LTI Program weighted the performance of our software business at 75%, placing appropriately greater emphasis the business what would most impact our future growth. Following the sale, the Compensation Committee reallocated the disc publishing incentive opportunity under the 2014 Incentive Plan for the second half of 2014 and reallocated all of the potential incentive opportunity under the LTI Program for 2014 exclusively to our software business, but without changing any of the metrics or performance goals relating to the retained software business. This reallocation was designed to encourage management focus on capitalizing on the significant market opportunity for our software business and reinforce the expectation of continued high performance in our software business. Performance based compensation accounted for 63.4% of the total compensation in 2014 to our Chief Executive Officer.

Shareholders are encouraged to read the Executive Compensation section of this proxy statement for a more detailed discussion of our executive compensation programs, including information about 2014 compensation of our named executive officers. Shareholders are also encouraged to read "Executive Compensation – Compensation Discussion and Analysis – Consideration of 2014 Say-on-Pay Vote" for an explanation of the impact of last year's say-on-pay vote.

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we ask our shareholder to vote "FOR" the following resolution at the Annual Meeting:

RESOLVED, that the shareholders of Qumu Corporation approve, on an advisory basis, the compensation of the named executive officers as disclosed in Qumu's proxy statement for the 2015 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis section, the compensation tables and any related material disclosed in this proxy statement.

Approval of this Proposal 2 requires the affirmative vote of the holders of the majority of the shares present, in person or by proxy, and entitled to vote on this Proposal 2. Pursuant to the Dolphin Agreement, Dolphin will vote all of the shares of our common stock that it beneficially owns in favor of this Proposal 2. Proxies will be voted in favor of this proposal unless otherwise indicated.

While this vote is advisory, and not binding on the Compensation Committee or the Board of Directors, it will provide valuable information to us that the Compensation Committee will be able to consider when determining executive compensation philosophy, policies and practices for the remainder of 2015 and beyond.

The Board of Directors Recommends
Shareholders Vote FOR
Proposal 2: Advisory Vote on Executive Compensation

DIRECTOR COMPENSATION

Our non-employee directors received the following amounts for Board and committee service during 2014:

- an annual retainer of $38,000;
- an additional retainer of $16,000 for our non-executive Chairman of the Board, currently Robert F. Olson;
- an annual retainer of $6,000, $4,000 and $3,000 for members of the Audit, Compensation and Governance Committees, respectively; and
- an additional annual retainer of $8,000, $8,000 and $3,000 for the chairs of the Audit, Compensation and Governance Committees, respectively.

For directors who are not employees, the 2007 Plan provides for a grant of a discretionary number of shares of restricted stock, restricted stock units, or non-qualified stock options or a combination of any on each director's election and re-election at the annual shareholder meeting, not to exceed 25,000 shares. Under this provision of the 2007 Plan, each non-employee director elected or re-elected at the 2014 Annual Meeting, Messrs. Benveniste, Fishback, Madison, Olson, Orlando, Quist, and Reissner, and Ms. Nelson, received 5,000 restricted stock units. Each restricted stock unit represents a contingent right to receive one share of our common stock. The restricted stock units vest in full on the first business day prior to the Annual Meeting of Shareholders next following the date of grant provided the director continues to provide services to us on that date, subject to certain exceptions. Directors may elect to defer receipt of the shares to the earlier of January 1 of the 3^{rd} to 10^{th} year following the date of grant or the first January 1 following the date of separation of service from Qumu. Any restricted stock units the director does not elect to defer will be paid within 90 days following the date the restricted stock units first vest.

On February 18, 2015 the Compensation Committee recommended and the Board approved an award of restricted stock units under the 2007 Plan to each non-employee director elected or re-elected at the Annual Meeting. The grant date will be the date of the Annual Meeting and the number of shares underlying the restricted stock unit award will be equal to $80,000 divided by the fair market value of our common stock on the grant date, rounded down to the nearest whole share, up to a maximum of 25,000 shares. These restricted stock units will be subject to the same vesting terms and deferral option as the restricted stock units granted in connection with the 2014 Annual Meeting.

In connection with the election of Daniel R. Fishback to the Board on December 10, 2013, the Compensation Committee recommended and the Board of Directors approved an award to Mr. Fishback of 7,500 shares of restricted stock under the 2007 Plan, which was granted on May 2, 2014, the first day trades were permitted under our Policy Regarding Buying and Selling Securities – Insider Trading. The restrictions on the restricted stock lapsed on the one year anniversary of Mr. Fishback's election to the Board.

The following table shows the cash and other compensation paid by us to each of our directors for 2014. Sherman L. Black, who is a director and an executive officer, received no compensation as a director during 2014. Justin A. Orlando originally joined the Board in March 2013 pursuant to a March 2013 agreement with Dolphin. The March 2013 agreement terminated by its terms and Mr. Orlando was nominated for election at the Annual Meeting without regard to any agreement with any person. For a portion of 2014, the retainers for Mr. Orlando's service were paid to Dolphin at Mr. Orlando's direction and are reflected below.

Name	**Fees Earned or Paid in Cash ($) (1)**	**Stock Awards ($) (2)**	**Total ($)**
Lawrence M. Benveniste	$50,500	$76,250	$126,750
Daniel R. Fishback	$48,000	$175,475	$223,475
Thomas F. Madison	$50,000	$76,250	$126,250
Kimberly K. Nelson	$51,000	$76,250	$127,250
Robert F. Olson	$56,000	$76,250	$132,250
Justin A. Orlando	$33,750	$76,250	$110,000
Steven M. Quist	$53,000	$76,250	$129,250
James L. Reissner	$55,000	$76,250	$131,250

39

Table of Contents

(1) Represents cash retainer and meeting fees for 2014 as described above.

(2) Valuation of awards based on the grant date fair value of those awards computed in accordance with FASB ASC Topic 718 utilizing assumptions discussed in Note 4 to our consolidated financial statements for the year ended December 31, 2014 included in our Annual Report on Form 10-K for the year ended December 31, 2014. The aggregate number of shares underlying stock options outstanding at December 31, 2014 held by directors was: Mr. Benveniste, 49,500 shares; Mr. Black, 299,500 shares; Mr. Fishback, no shares; Mr. Madison 49,500 shares; Ms. Nelson, no shares; Mr. Olson, no shares; Mr. Orlando, no shares; Mr. Quist, 49,500 shares; and Mr. Reissner, 49,500 shares. Each of these directors, with the exception of Mr. Black, also held 5,000 unvested restricted stock units as of December 31, 2014 that will vest on May 11, 2015, the first business day prior to this Annual Meeting, subject to deferral elections described above.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Since the beginning of 2014, we have not entered into any transaction and there are no currently proposed transactions, in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest.

The charter of our Audit Committee provides that the Audit Committee is responsible for reviewing and approving the terms and conditions of all transactions we enter into in which an officer, director or 5% or greater shareholder or any affiliate of these persons has a direct or indirect material interest. Our Code of Ethics and Business Conduct, which is applicable to all of our employees and directors, also prohibits our employees, including our executive officers, and our directors from engaging in conflict of interest transactions. Requests for waivers by our executive officers and directors from the provisions of, or requests for consents by our executive officers and directors under, our Code of Ethics and Business Conduct must be made to the Audit Committee.

We have adopted a related person transaction approval policy, which sets forth our policies and procedures for the review, approval or ratification of any transaction required to be reported in our filings with the Securities and Exchange Commission. Our policy applies to any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships in which our company is a participant and in which a related person has a direct or indirect interest. Through the policy, the Audit Committee has also identified and pre-approved certain transactions with related persons, including:

- employment of executive officers, director compensation to be reported in our proxy statement;
- payment of ordinary expenses and business reimbursements;
- transactions with related companies in which the dollar amount does not exceed $120,000 if the related party’s only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that other company’s shares;
- charitable contributions in which the dollar amount does not exceed $10,000 or 2% of the charitable organization’s receipts where a related party’s only relationship to the charity is as an employee (other than an executive officer) or a director;
- payments made under our articles of incorporation, bylaws, insurance policies or other agreements relating to indemnification;
- transactions in which our shareholders receive proportional benefits; and
- transactions that involve competitive bid, banking transactions and transactions where the terms of which are regulated by law or governmental authority.

The Audit Committee must approve any related person transaction subject to this policy before commencement of the related party transaction. If pre-approval is not feasible, the Audit Committee may ratify, amend or terminate the related person transaction. The Audit Committee will analyze the following factors, in addition to any other factors the Committee deems appropriate, in determining whether to approve a related party transaction:

- whether the terms are fair to us;
- whether the terms of the related party transaction are no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances;
- whether the related party transaction is material to us;
- the role the related party has played in arranging the transaction;
- the structure of the related party transaction;
- the interests of all related parties in the transaction;
- the extent of the related party's interest in the transaction; and
- whether the transaction would require a waiver of our Code of Ethics and Business Conduct.

The Audit Committee may, in its sole discretion, approve or deny any related person transaction. Approval of a related person transaction may be conditioned upon our company and the related person taking such precautionary actions, as the Audit Committees deems appropriate.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under federal securities laws, our directors and officers, and any beneficial owner of more than 10% of a class of our equity securities, are required to report their ownership of our equity securities and any changes in such ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established by the Securities and Exchange Commission, and we are required to disclose in this proxy statement any delinquent filing of such reports and any failure to file such reports during the year ending December 31, 2014.

Based upon information provided by our officers and directors, we believe that all officers, directors and 10% shareholders filed all reports on a timely basis in year 2014.

PROPOSAL 3:
Ratification OF INDEPENDENT registered PUBLIC ACCOUNTING FIRM

The Audit Committee has selected KPMG LLP as our independent registered public accounting firm to audit our consolidated financial statements for the year ending December 31, 2015 and the effectiveness of internal control over financial reporting as of December 31, 2015 and to perform other appropriate audit-related and tax services. While the Audit Committee retains the sole authority to retain, compensate, oversee and terminate the independent registered public accounting firm, the Audit Committee is submitting the reappointment of KPMG LLP as our independent registered public accounting firm for ratification. In the event the shareholders do not ratify the reappointment of KPMG LLP, the Audit Committee will reconsider the selection.

The affirmative vote of the holders of a majority of the shares of common stock represented at the Annual Meeting and entitled to vote is required to approve the ratification of the appointment of the independent public accounting firm, provided that the total number of shares that vote on the proposal represent a majority of our shares outstanding on the record date. Pursuant to the Dolphin Agreement, Dolphin will vote all of the shares of our common stock that it beneficially owns in favor of this Proposal 3. Proxies will be voted in favor of this proposal unless otherwise indicated.

The Board of Directors Recommends
Shareholders Vote FOR
Proposal 3: Ratification of the Appointment of KPMG LLP

RELATIONSHIP WITH INDEPENDENT registered PUBLIC ACCOUNTING FIRM

The Audit Committee has selected KPMG LLP as its independent registered public accounting firm for Qumu's year ending December 31, 2015 and has asked the shareholders to ratify such appointment. Representatives of KPMG LLP, which has served as our independent auditors since 1989, are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from shareholders.

Accountant Fees and Services

The following is an explanation of the fees billed to us by KPMG LLP for professional services rendered for the years ended December 31, 2014 and December 31, 2013, which totaled approximately $1,135,200 and $896,288, respectively.

Audit Fees. The aggregate fees billed or estimated to be billed to us for professional services related to the audit of our annual financial statements, review of financial statements included in our Forms 10-Q, work relating to our internal controls over financial reporting and the attestations required by Section 404 of the Sarbanes-Oxley Act of 2002, or other services normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements for the years ended December 31, 2014 and December 31, 2013 totaled approximately $891,500 and $755,175, respectively.

42

Table of Contents

Audit-Related Fees. Fees billed to us for assurance and related professional services by KPMG LLP that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees” totaled $7,013 for the year ended December 31, 2013. The “Audit-Related Fees” for 2013 were for advisory services associated with our response to SEC comment letters. No Audit-Related Fees were billed to us for services provided for the year ended December 31, 2014.

Tax Fees. The aggregate fees billed to us by KPMG LLP for professional services related to tax compliance, tax advice, and tax planning, including preparation of federal and state tax returns for the years ended December 31, 2014 and December 31, 2013 totaled approximately $243,700 and $134,100, respectively.

All Other Fees. Other than those described above, there were no other fees billed to us by KPMG LLP for the years ended December 31, 2014 or December 31, 2013.

Audit Committee Pre-Approval Procedures

We have adopted pre-approval policies and procedures for the Audit Committee that require the Audit Committee to pre-approve all audit and all permitted non-audit engagements and services (including the fees and terms thereof) by the independent auditors, except that the Audit Committee may delegate the authority to pre-approve any engagement or service less than $25,000 to one of its members, but requires that the member report such pre-approval at the next full Audit Committee meeting. The Audit Committee may not delegate its pre-approval authority for any services rendered by our independent auditors relating to internal controls. These pre-approval policies and procedures prohibit delegation of the Audit Committee’s responsibilities to our management. Under the policies and procedures, the Audit Committee may pre-approve specifically described categories of services which are expected to be conducted over the subsequent twelve months on its own volition, or upon application by management or the independent auditor.

All of the services described above for 2014 were pre-approved by the Audit Committee or a member of the Committee before KPMG LLP was engaged to render the services.

SHAREHOLDER PROPOSALS FOR 2016 ANNUAL MEETING

The proxy rules of the Securities and Exchange Commission permit our shareholders, after timely notice to us, to present proposals for shareholder action in our proxy statement where such proposals are consistent with applicable law, pertain to matters appropriate for shareholder action and are not properly omitted by our action in accordance with the proxy rules.

In order for a shareholder proposal to be considered for inclusion in the proxy statement for the 2016 Annual Meeting of Shareholders, the proposal must be received by the Secretary of Qumu Corporation in writing at our corporate offices, 7725 Washington Avenue South, Edina, Minnesota 55439, no later than December 12, 2015.

Pursuant to our bylaws, in order for any other proposal to be properly brought before the next annual meeting by a shareholder, including a nominee for director to be considered at such annual meeting, the shareholder must give written notice of such shareholder's intent to bring a matter before the annual meeting, or nominate the director, no later than December 12, 2015. Each such notice must set forth certain information with respect to the shareholder who intends to bring such matter before the meeting and the business desired to be conducted, as set forth in greater detail in the section of this proxy statement entitled "Corporate Governance — Director Nominations" and in our bylaws. If we receive notice of a shareholder proposal after December 12, 2015, such proposal also will be considered untimely pursuant to Rules 14a-4 and 14a-5(e) and the persons named in proxies solicited by the Board of Directors for our 2015 Annual Meeting of Shareholders may exercise discretionary voting power with respect to such proposal.

Table of Contents

OTHER BUSINESS

At the date of this proxy statement, management knows of no other business that may properly come before the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the persons named in the enclosed form of proxy will vote the proxies received in response to this solicitation in accordance with their best judgment on such matters.

By Order of the Board of Directors

Sherman L. Black

Chief Executive Officer

Edina, Minnesota
April 10, 2015

44

Table of Contents

QUMU CORPORATION
7725 WASHINGTON AVE. SOUTH
MINNEAPOLIS, MN 55439

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
The Board of Directors recommends you vote FOR the following:				
1. Election of Directors	o	o	o	
Nominees:				

01 Sherman L. Black	02 Daniel R. Fishback	03 Thomas F. Madison	04 Kimberly K. Nelson	05 Robert F. Olson
06 Justin A. Orlando				

The Board of Directors recommends you vote FOR proposals 2 and 3.	**For**	**Against**	**Abstain**
2. Advisory vote to approve executive officer compensation.	o	o	o
3. To ratify and approve the appointment of KPMG LLP as the independent registered public accounting firm for Qumu Corporation for the fiscal year ending December 31, 2015.	o	o	o

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

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Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Form 10-K, Notice & Proxy Statement is/are available at www.proxyvote.com .

QUMU CORPORATION
Annual Meeting of Shareholders
Tuesday, May 12, 2015 2:00 p.m.
This proxy is solicited by the Board of Directors

The undersigned hereby appoints Sherman Black and James Stewart, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all of the shares of Qumu Corporation Common Stock that the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Shareholders of the Company to be held at 4200 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402, at 2:00 p.m. Central Daylight Time, on May 12, 2015 or any adjournment thereof, with all powers that the undersigned would possess if present at the Meeting.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors recommendations.

Continued and to be signed on reverse side

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