



APRIL 26, 2005
RESEARCH NOTE

Sonic Foundry, Inc. (NASDAQNM: SOFO, \$1.18, Buy)

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DISCLOSURES 10, 11, 12

FY: Sept.	2004A	2005E	2006E
EPS	(\$0.18)	(\$0.14)	\$0.07

OPPORTUNITIES APPROACHING FOR POSITIVE RECOGNITION

- Sonic Foundry, Inc.'s (Nasdaq: SOFO) rich media communication system has been selected as a finalist for the "Best Web-caster" in CMP Media LLC's Network Computing Well-Connected Awards in the "Digital Convergence" category. The winners will be announced on April 28, 2005, coincidentally the same date as SOFO's second quarter earnings conference call.
- Network Computing, a publication "For IT, By IT," provides information to 220,000 IT managers to effectively improve decisions in acquiring new technology. As the Network Computing staff puts competing technologies through realistic trials, it can be counted on as a good indicator of the importance of SOFO's Mediasite presentation recorder.
- We suspect that the results may be favorable and should in any event increase the awareness for both potential customers and investors. We also anticipate that SOFO has a reasonable opportunity to exceed either our revenue or earnings estimate for 2Q05.
- We initiated coverage on March 15, 2005 when SOFO's stock traded at about \$1.36 per share. We anticipate good acceptance of the product, breaking even in fiscal 2006, and maintain our target price of \$3 per share.

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This report has been written in accordance with current SEC regulations and the Standards of Practice developed by the Chartered Financial Analyst Institute (CFAI). Our research has been conducted by employing analytical practices generally accepted as standard within the analytical industry. In this instance, a comparison of financial strength, a bottom-up earnings projection based on a recovery in the U.S. economy, and relative multiples, were employed. The target price was calculated on comparative EPS, sales and book value multiples, and our knowledge of small-cap markets when enjoying both a sector and a cyclical rebound. Our conclusions are, by the very nature of forecasting, speculative, but are also reasonable, supportable and consistent.

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12. The Subject Company made possible the use of a RL400 Mediasite presentation recorder, plus additional services, with an estimated value of \$29,500, to SLB for a period of one year, in exchange for research coverage.

The analyst, Mike Niehuser, hereby certifies that the research conclusions and recommendation contained herein accurately reflects his personal views about the industry, company and shares and also hereby certifies that no part of his research compensation was or will be directly or indirectly related to the earnings estimates, target price or recommendation about the security.

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Buy	Immediate purchase is recommended. The security expected to outperform the market over the next 12 to 18 months.
Hold	Holding the stock is recommended because the share price's appreciation potential is less than or equal to the market.
Sell	The stock has reached the target price objective and/or conditions have changed sufficiently to alter the outlook for the stock.

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