Mattersight Corp
Form 10-Q
August 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

OR

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

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number 0-27975

Mattersight Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of** **Incorporation or Organization)**	**36-4304577** **(I.R.S. Employer** **Identification No.)**

200 W. Madison Street

Suite 3100

Chicago, Illinois 60606

(Address of Registrant s Principal Executive Offices) (Zip Code)

(877) 235-6925

(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

The number of shares of the registrant s Common Stock outstanding as of July 28, 2015 was 25,607,309.

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Part I. Financial Information

Item 1. Financial Statements

MATTERSIGHT CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited and in thousands, except share and per share data)

	June 30, 2015	December 31, 2014
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 13,458	$ 14,238
Receivables (net of allowances of $24 and $17, respectively)	4,813	3,460
Prepaid expenses	4,897	4,449
Other current assets	1,882	236
Total current assets	25,050	22,383
Equipment and leasehold improvements, net	7,595	4,657
Goodwill	972	972
Intangibles, net	3,438	571
Other long-term assets	2,934	3,495
Total assets	$ 39,989	$ 32,078
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current Liabilities:		
Short-term debt	$ 8,002	$
Accounts payable	2,479	1,183
Accrued compensation and related costs	1,985	2,241
Unearned revenue	6,750	7,859
Capital leases	1,777	1,637
Other current liabilities	4,458	2,549
Total current liabilities	25,451	15,469
Long-term unearned revenue	2,169	2,532
Long-term intangible assets liability	1,624	
Long-term capital leases	1,725	1,176
Other long-term liabilities	1,772	282
Total liabilities	32,741	19,459
Series B Stock, $0.01 par value; 5,000,000 shares authorized and designated; 1,647,175 and 1,648,185 shares issued and outstanding, with a liquidation	8,401	8,406

preference of $10,165 and $9,877, at June 30, 2015 and December 31, 2014, respectively		
Stockholders Equity:		
Preferred Stock, $0.01 par value; 35,000,000 shares authorized; none issued and outstanding		
Common Stock, $0.01 par value; 50,000,000 shares authorized; 24,704,031 and 24,046,977 shares issued and 22,878,597 and 22,324,093 shares outstanding at June 30, 2015 and December 31, 2014, respectively	247	240
Additional paid-in capital	245,983	243,282
Accumulated deficit	(233,785)	(226,404)
Treasury stock, at cost, 1,825,434 and 1,722,884 shares at June 30, 2015 and December 31, 2014, respectively	(9,574)	(8,879)
Accumulated other comprehensive loss	(4,024)	(4,026)
Total stockholders equity (deficit)	(1,153)	4,213
Total liabilities and stockholders equity (deficit)	$ 39,989	$ 32,078

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited and in thousands, except per share data)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenue:				
Subscription revenue	$ 8,874	$ 6,303	$ 17,206	$ 12,360
Other revenue	868	1,037	1,852	1,993
Total revenue	9,742	7,340	19,058	14,353
Operating expenses:				
Cost of Subscription revenue	2,055	1,722	3,923	3,444
Cost of Other revenue	614	540	1,321	1,051
Total cost of revenue, exclusive of depreciation and amortization shown below:	2,669	2,262	5,244	4,495
Research and development	3,380	3,283	6,788	6,373
Sales and marketing	3,087	2,173	6,243	4,304
General and administrative	2,821	2,281	5,703	4,531
Depreciation and amortization	1,116	737	2,111	1,480
Total operating expenses	13,073	10,736	26,089	21,183
Operating loss	(3,331)	(3,396)	(7,031)	(6,830)
Interest and other expense, net	(245)	(160)	(359)	(310)
Change in fair value of warrant liability	20	284	25	(86)
Loss before income taxes	(3,556)	(3,272)	(7,365)	(7,226)
Income tax provision	(8)	(8)	(16)	(17)
Net loss	(3,564)	(3,280)	(7,381)	(7,243)
Dividends related to Series B Stock	(147)	(147)	(294)	(294)
Net loss available to Common Stock holders	$ (3,711)	$ (3,427)	$ (7,675)	$ (7,537)
Per share of Common Stock:				
Basic net loss available to Common Stock holders	$ (0.17)	$ (0.18)	$ (0.35)	$ (0.41)
Diluted net loss available to Common Stock holders	$ (0.17)	$ (0.18)	$ (0.35)	$ (0.41)

Shares used to calculate basic net loss per share	22,032	18,679	21,955	18,591
Shares used to calculate diluted net loss per share	22,032	18,679	21,955	18,591
Stock-based compensation, primarily restricted stock, is included in individual line items above:				
Total cost of revenue	$ 65	$ 46	$ 124	$ 102
Research and development	253	375	519	751
Sales and marketing	355	197	721	411
General and administrative	744	531	1,418	973

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited and in thousands)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net loss	$ (3,564)	$ (3,280)	$ (7,381)	$ (7,243)
Other comprehensive loss:				
Effect of currency translation	3	(2)	2	3
Comprehensive net loss	$ (3,561)	$ (3,282)	$ (7,379)	$ (7,240)

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)

	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
Cash Flows from Operating Activities:		
Net loss	$ (7,381)	$ (7,243)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,111	1,480
Stock-based compensation	2,782	2,237
Change in fair value of warrant liability	(25)	86
Changes in assets and liabilities:		
Receivables	(1,353)	(75)
Prepaid expenses	(846)	(512)
Other assets	(985)	17
Accounts payable	267	478
Accrued compensation and related costs	(256)	(305)
Unearned revenue	(1,472)	(1,681)
Other liabilities	1,470	(56)
Total Adjustments	1,693	1,669
Net cash used in operating activities	(5,688)	(5,574)
Cash Flows from Investing Activities:		
Capital expenditures	(1,207)	(369)
Intangible assets	(475)	(129)
Net cash used in investing activities	(1,682)	(498)
Cash Flows from Financing Activities:		
Proceeds from line of credit	15,000	7,000
Repayments from line of credit	(7,000)	
Principal payments under capital lease obligations	(999)	(804)
Acquisition of treasury stock	(695)	(645)
Fees from issuance of Common Stock	(11)	(2)
Proceeds from stock compensation and employee stock purchase plans, net	299	86
Net cash provided by financing activities	6,594	5,635
Effect of exchange rate changes on cash and cash equivalents	(4)	2

Decrease in cash and cash equivalents	(780)	(435)
Cash and cash equivalents, beginning of period	14,238	13,392
Cash and cash equivalents, end of period	$ 13,458	$ 12,957
Non-Cash Investing and Financing Transactions:		
Capital lease obligations incurred	$ 1,752	$ 763
Capital equipment purchased on credit	1,752	763
Fair value of warrants classified as liability	355	342
Fair value of intangible asset liability	2,285	
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 101	$ 148

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note One General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Mattersight Corporation (we, Mattersight, or the Company) include all normal and recurring adjustments necessary for a fair presentation of our condensed consolidated financial position as of June 30, 2015 and December 31, 2014, the condensed consolidated results of our operations for the three months and six months ended June 30, 2015 and June 30, 2014, the condensed consolidated statements of our comprehensive loss for the three months and six months ended June 30, 2015 and June 30, 2014, and our condensed consolidated cash flows for the six months ended June 30, 2015 and June 30, 2014, and are in accordance with United States generally accepted accounting principles (GAAP) and in conformity with Securities and Exchange Commission (SEC) Article 8-03 of Regulation S-X; provided, that certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in Mattersight s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 12, 2015. The results of operations for the three months and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note Two Summary of Significant Accounting Policies

For a description of the Company s Summary of Significant Accounting Policies, see Note Two Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Change in Presentation

Beginning in the second quarter of 2015, Mattersight reclassified certain expenses, which had been previously reported within Selling, marketing and development to distinguish between (i) Research and development and (ii) Sales and marketing.

In the first quarter of 2015, Mattersight reported Subscription revenue, which consists of Behavioral Analytics Subscription revenue and Marketing Managed Services revenue, and Other revenue, which consists of Deployment revenue, Professional Services revenue, CRM Services revenue, and Reimbursed Expenses revenue.

Previously in 2014, Mattersight reported Behavioral Analytics revenue, which consisted of Subscription revenue, Deployment revenue, and Professional Services revenue, and Other revenue, which consisted of CRM Services revenue and Marketing Managed Services revenue. Reimbursed Expenses revenue was reported separately.

We feel the revised presentation provides a clearer understanding of our business and revenue streams. The changes in presentation did not have an impact on total revenue, total cost of revenue, or total operating expenses. There was no change to our significant accounting policies. The 2014 revenue and expense classifications have been revised to conform to our current presentation.

Note Three Revenue Recognition

Revenue Recognition

Subscription Revenue

Subscription revenue consists of Behavioral Analytics Subscription revenue and Marketing Managed Services revenue derived from the performance of services on a continual basis.

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Subscription revenue is based on a number of factors, such as the number of users to whom the Company provides one of its Behavioral Analytics-related service offerings, including Predictive Behavioral Routing, Performance Management, and Predictive Analytics, the type and number of Behavioral Analytics offerings deployed to the client, and in some cases, the number of hours of calls analyzed during the relevant month of the subscription period. Subscription periods generally range from three to five years after the go-live date or, in cases where the Company contracts with a client for a short-term pilot of a Behavioral Analytics offering prior to committing to a longer subscription period, if any, the subscription or pilot periods generally range from three to twelve months after the go-live date. This revenue is recognized over the applicable subscription period, as the service is performed for the client.

Marketing Managed Services revenue is derived from marketing application hosting. This revenue is generally in the form of fixed monthly fees received from the Company s clients and is recognized as the services are performed for the client. Any related setup fee would be recognized over the term of the hosting contract.

Other Revenue

Other revenue consists of Deployment revenue, Professional Services revenue, and Reimbursed Expenses revenue.

Deployment revenue consists of planning, deployment, and training fees derived from Behavioral Analytics contracts. These fees, which are considered to be installation fees related to Behavioral Analytics subscription contracts, are deferred until the installation is complete and are then recognized over the applicable subscription period. In cases where the Company contracts with a client for a short-term pilot of a Behavioral Analytics offering prior to committing to a longer subscription period, if any, the period in which pilot deployment revenue is recognized generally ranges from three to twelve months after the go-live date. Installation costs incurred are deferred up to an amount not to exceed the amount of deferred installation revenue and additional amounts that are recoverable based on the contractual arrangement. These costs are included in Prepaid expenses and Other long-term assets. Such costs are amortized over the subscription period. Costs in excess of the foregoing revenue amount are expensed in the period incurred.

Professional Services revenue primarily consists of fees charged to the Company s clients to provide post-deployment follow-on consulting services, which include custom data analysis, the implementation of enhancements, and training, as well as fees generated from the Company s operational consulting services. Professional Services are performed for the Company s clients on a fixed-fee or time-and-materials basis. Revenue is recognized as the services are performed, with performance generally assessed on the ratio of actual hours incurred to-date compared to the total estimated hours over the entire term of the contract.

Reimbursed Expenses revenue includes billable costs related to travel and other out-of-pocket expenses incurred while performing services for the Company s clients. The cost of third-party product and support may be included within this category if the transaction does not satisfy the requirements for gross reporting. An equivalent amount of reimbursable expenses is included in Total cost of revenue.

Note Four Stock-Based Compensation

The Company has two stock-based compensation plans, the Mattersight Corporation 1999 Stock Incentive Plan (the 1999 Plan) and the Mattersight Corporation Employee Stock Purchase Plan (the ESPP), each as described more fully in Note Thirteen in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Stock-based compensation expense (in millions)	$ 1.4	$ 1.1	$ 2.8	$ 2.2

The Company recognizes stock-based compensation expense on a straight-line basis over the vesting period. The Company has established its forfeiture rate based on historical experience.

As of June 30, 2015, there were a total of 1,951,960 shares of the Company s common stock, par value $0.01 per share (Common Stock), available for future grants under the 1999 Plan and from treasury stock. The Common Stock is traded on the NASDAQ Global Market under the symbol MATR .

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Restricted Stock

Restricted stock award activity was as follows for the six months ended June 30, 2015:

	Shares	Weighted Average Price
Unvested balance at December 31, 2014	556,194	$ 5.76
Granted	635,498	$ 6.83
Vested	(360,338)	$ 6.21
Forfeited	(41,588)	$ 6.20
Unvested balance at June 30, 2015	789,766	$ 6.40

	For the Three Months Ended June 30, 2015	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
(In millions)				
Total fair value of restricted stock awards vested	$ 0.4	$ 0.3	$ 2.4	$ 1.9
Compensation expense related to restricted stock awards	0.7	0.4	1.3	0.9

As of June 30, 2015, there remained $4.0 million of unrecognized compensation expense related to restricted stock awards. These costs are expected to be recognized over a weighted average period of 1.9 years.

Stock Options

During the six months ended June 30, 2015, the Company granted options to purchase a total of 222,625 shares. During the three months ended June 30, 2015, the Company granted options to purchase a total of 100,000 shares of Common Stock to the Board of Directors and a certain employee. On May 15, 2015, the Company s Board of Directors received options to purchase 70,000 shares of Common Stock. The exercise price per share is $6.13, the closing price for shares of Common Stock on May 15, 2015, the grant date. The options will vest 25% on May 31, 2015, with the balance vesting ratably over the following three quarters. The options expire on May 15, 2025. On June 15, 2015, one employee received options to purchase 30,000 shares of Common Stock. The exercise price per share is $6.24, the closing price for shares of Common Stock on June 15, 2015, the grant date. The options will vest 25% on May 31, 2016, with the balance vesting ratably over the following 12 quarters. The options expire on June 15, 2025.

During the three months ended March 31, 2015, the Company granted options to purchase a total of 122,625 shares of Common Stock to certain employees. The exercise price per share is $6.90, the closing price for shares of Common Stock on February 11, 2015, the grant date. Certain of the options will vest 6.25% on February 28, 2015, with the balance vesting ratably over the following 15 quarters, whereas others will vest 25% on February 28, 2016, with the balance vesting ratably over the following 12 quarters. The options expire on February 11, 2025.

Option activity was as follows for the six months ended June 30, 2015:

	Options	Weighted Average Exercise Price
Outstanding as of December 31, 2014	2,636,596	$ 7.42
Granted	222,625	$ 6.57
Exercised	(41,142)	$ 4.71
Forfeited	(151,375)	$ 6.82
Outstanding as of June 30, 2015	2,666,704	$ 7.43
Exercisable as of June 30, 2015	1,742,052	$ 8.37
Outstanding intrinsic value at June 30, 2015 (in millions)	$ 1.4	
Exercisable intrinsic value at June 30, 2015 (in millions)	$ 0.9	

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	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
(In millions)				
Compensation expense related to option awards	$ 0.5	$ 0.3	$ 0.9	$ 0.6

	For the Three Months Ended		For the Six Months Ended	
(In millions)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Total fair value of stock options vested	$ 0.4	$ 0.3	$ 0.8	$ 0.6
Intrinsic value of stock options exercised	$ 0.1	$	$ 0.1	$
Proceeds received from option exercises	$ 0.1	$	$ 0.2	$

As of June 30, 2015, there remained $2.8 million of unrecognized compensation expense related to stock options. These costs are expected to be recognized over a weighted average period of 1.7 years.

The fair value of options granted during the six months ended June 30, 2015 and June 30, 2014 was estimated on the grant date using a Black-Scholes option-pricing model. The following assumptions represent the year-to-date weighted average for all options granted:

	For the Six Months Ended	
	June 30, 2015	June 30, 2014
Risk-free interest rates	1.00%	1.35%
Expected dividend yield		
Expected volatility	58%	65%
Expected lives	6 years	6 years

Historical Company information is the primary basis for the selection of expected life, expected volatility, and expected dividend yield assumptions. The risk-free interest rate is selected based on the yields from U.S. Treasury Strips with a remaining term equal to the expected term of the options being valued.

Other Stock Compensation

Employee Stock Purchase Plan

The ESPP is intended to qualify as an employee stock purchase plan under section 423 of the Internal Revenue Code. Under the ESPP, eligible employees are permitted to purchase shares of Common Stock at below-market prices. The purchase period opens on the first day and ends on the last business day of each calendar quarter. The shares of Common Stock issued in respect of employee purchases under the ESPP were as follows:

For the Three Months Ended		For the Six Months Ended	
June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014

Shares of Common Stock issued	11,095	8,329	20,992	17,035
Expense related to ESPP (in thousands)	$ 17	$ 12	$ 31	$ 22

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The fair value of ESPP purchases for the three months and six months ended June 30, 2015 and June 30, 2014 was estimated using a Black-Scholes pricing model. The Company used the following year-to-date weighted average assumptions:

	For the Six Months Ended	
	June 30, 2015	June 30, 2014
Risk-free interest rates	0.02%	0.06%
Expected dividend yield		
Expected volatility	41%	49%
Expected lives	0.25 years	0.24 years

Note Five Current Prepaid Expenses

Current prepaid expenses primarily consist of deferred costs and prepaid commissions related to Behavioral Analytics contracts. These costs are recognized over the subscription periods of the respective contracts, generally three to five years after the go-live date or, in cases where the Company contracts with a client for a short-term pilot of a Behavioral Analytics offering prior to committing to a longer subscription period, if any, the subscription or pilot periods generally range from three to twelve months after the go-live date. Costs included in current prepaid expenses will be recognized within the next twelve months.

Current prepaid expenses consisted of the following:

	As of	
(In millions)	June 30, 2015	December 31, 2014
Deferred costs	$ 1.6	$ 1.4
Prepaid commissions	1.6	1.5
Other	1.7	1.6
Total	$ 4.9	$ 4.5

Note Six Intangible Assets, net

Intangible assets reflect costs related to patent and trademark applications, Marketing Managed Services customer relationships, and the purchase of certain intellectual property rights in 2015. The costs related to patent and trademark applications and the purchase of certain intellectual property are amortized over 120 months. The other intangible assets are fully amortized. Amortization expense of intangible assets for the three months and six months ended June 30, 2015 was $0.1 million and $0.3 million, respectively, and will be $0.4 million annually thereafter. Amortization expense of intangible assets for the three months and six months ended June 30, 2014 was less than $0.1 million.

As of

(In millions)	June 30, 2015	December 31, 2014
Gross intangible assets	$ 6.5	$ 3.4
Accumulated amortization of intangible assets	(3.1)	(2.8)
Total	$ 3.4	$ 0.6

Note Seven Other Current Assets

Other current assets consist of the following:

		As of
(In millions)	June 30, 2015	December 31, 2014
Miscellaneous receivable	$ 1.6	$
Other	0.3	0.2
Total	$ 1.9	$ 0.2

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Note Eight Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	As of	
(In millions)	June 30, 2015	December 31, 2014
Computers and software	$ 18.3	$ 15.8
Furniture and equipment	0.3	0.5
Leasehold improvements	2.6	1.0
Equipment and leasehold improvements, gross	21.2	17.3
Accumulated depreciation and amortization	(13.6)	(12.6)
Equipment and leasehold improvements, net	$ 7.6	$ 4.7

Note Nine Other Long-Term Assets

Other long-term assets primarily consist of deferred costs and prepaid commissions related to Behavioral Analytics. These costs are recognized over the terms of the respective contracts, generally three to five years. Costs included in long-term assets will be recognized over the remaining term of the contracts beyond the first twelve months. Other long-term assets consisted of the following:

	As of	
(In millions)	June 30, 2015	December 31, 2014
Deferred costs	$ 1.1	$ 1.3
Prepaid commissions	1.4	1.7
Noncurrent deferred tax asset	0.1	0.1
Other	0.3	0.4
Total	$ 2.9	$ 3.5

Note Ten Short-Term Debt

On March 10, 2015, the Company entered into a Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank (the SVB Credit Facility). The SVB Credit Facility provides for, among other things, a maximum credit limit of $15 million, a term through March 2017, and an interest rate of prime plus 1.25%. The SVB Credit Facility additionally provides for an annual commitment fee of $0.1 million and an early termination fee of 1.0% in the first year of its term and 0.25% thereafter, prior to maturity. There was less than $0.1 million of interest expense for the three months and six months ended June 30, 2015. There was less than $0.1 million of interest expense for the three months and six months ended June 30, 2014. The interest rate for the six months ended June 30, 2015 was 4.5%. The Company was in compliance with all of its debt covenants under the SVB Credit Facility as of June 30, 2015. The

Company has an $8.0 million outstanding balance under the SVB Credit Facility as of June 30, 2015.

Effective as of August 14, 2014, the Company provided written notice of its voluntary termination of the Loan and Security Agreement entered into by the Company, together with its wholly-owned subsidiaries Mattersight Europe Holding Corporation and Mattersight International Holding, Inc., as co-borrowers, and Partners for Growth IV, L.P. (PfG) on August 19, 2013 (the PfG Credit Facility). At the time of termination, there were no amounts outstanding under the PfG Credit Facility and no penalties were incurred or paid by the Company in connection with the termination. In connection with the execution of the PfG Credit Facility, the Company granted to PfG, certain affiliates of PfG, and Silicon Valley Bank, warrants to purchase shares of Common Stock (collectively, the PfG Warrants). See Note Fourteen Stock Warrants for additional information.

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Note Eleven Loss Per Share

The following table sets forth the computation of the loss and shares used in the calculation of basic and diluted loss per share:

(In millions)	For the Three Months Ended June 30, 2015	June 30, 2014
Net loss	$ (3.6)	$ (3.3)
Dividends related to Series B Stock(1)	(0.1)	(0.1)
Net loss available to Common Stock holders	$ (3.7)	$ (3.4)
Per common share:		
Basic/diluted net loss available to Common Stock holders	$ (0.17)	$ (0.18)
(In thousands)		
Weighted average shares of Common Stock outstanding	22,032	18,679
Currently antidilutive Common Stock equivalents(2)	2,111	1,897

(In millions)	For the Six Months Ended June 30, 2015	June 30, 2014
Net loss	$ (7.4)	$ (7.2)
Dividends related to Series B Stock(1)	(0.3)	(0.3)
Net loss available to Common Stock holders	$ (7.7)	$ (7.5)
Per common share:		
Basic/diluted net loss available to Common Stock holders	$ (0.35)	$ (0.41)
(In thousands)		
Weighted average shares of Common Stock outstanding	21,955	18,591
Currently antidilutive Common Stock equivalents(2)	2,103	2,033

(1) The Board of Directors did not declare a dividend payment on the Company s 7% Series B Convertible Preferred Stock (the Series B Stock), which was accrued, for each of the dividend periods from July 1, 2012 through June 30, 2015 (the aggregate amount of these dividends was approximately $1.8 million). If the Company s Board of Directors were to declare a semi-annual cash dividend on the Series B Stock for dividend periods subsequent to July 1, 2015, each dividend payment period would be approximately $0.3 million on the 1,647,175 shares of Series B Stock issued and outstanding as of June 30, 2015, at the cash dividend rate of $0.1785.

(2) In periods in which there was a loss, the effect of Common Stock equivalents, which is primarily related to the Series B Stock, was not included in the diluted loss per share calculation as it was antidilutive.

Note Twelve Leases

Capital Leases

The Company acquired $1.8 million and $0.8 million of computer equipment and leasehold improvements using capital leases during the first six months of 2015 and 2014, respectively. There was $1.1 million and $0.8 million of depreciation on capital leases in the first six months of 2015 and 2014, respectively. All capital leases are for a term of twenty-four, thirty, or thirty-six months.

The following is a schedule, by year, of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2015:

(In millions)

Year	**Amount**
2015	$ 1.1
2016	1.7
2017	1.0
2018	0.2
Total minimum lease payments	$ 4.0
Less: estimated executory costs	(0.2)
Net minimum lease payments	$ 3.8
Less: amount representing interest	(0.3)
Present value of minimum lease payments	$ 3.5

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Capital leases consisted of the following:

(In millions)	June 30, 2015	As of December 31, 2014
Current capital leases	$ 1.8	$ 1.6
Long-term capital leases	1.7	1.2
Total	$ 3.5	$ 2.8

Note Thirteen Other Current Liabilities

Other current liabilities consist of the following:

(In millions)	June 30, 2015	As of December 31, 2014
Series B Stock dividend payable	$ 1.8	$ 1.5
Accrued vendor payable	1.0	
Warrant liability	0.4	0.4
Other	1.3	0.6
Total	$ 4.5	$ 2.5

Note Fourteen Stock Warrants

During the second half of fiscal year 2013, the Company granted the following warrants: (i) to PfG, a warrant to purchase up to a value of $360,000 or 129,032 shares of Common Stock, (ii) to PfG Equity Investors, LLC, a warrant to purchase up to a value of $28,800 or 10,322 shares of Common Stock, and (iii) to Silicon Valley Bank, a warrant to purchase up to a value of $211,200 or 75,698 shares of Common Stock (collectively, the PfG Warrants). The Company received approximately $4,000 in connection with the issuance of the PfG Warrants, which the parties agreed was fair consideration.

The PfG Warrants, and the shares of Common Stock to be issued upon exercise of the PfG Warrants, have not been and will not be registered under the Securities Act of 1933, as amended, or any state securities law and were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder. Neither the PfG Warrants nor the shares of Common Stock issuable upon exercise of the PfG Warrants may be subsequently offered or sold within the United States absent registration or exemption from such registration requirements and compliance with applicable state laws. The warrant liability as of June 30, 2015 and December 31, 2014 was $0.4 million.

On June 4, 2014, PfG elected to partially exercise its warrant by exchanging 57,196 of the 129,032 warrant shares through a cashless exercise on the terms provided in the applicable warrant agreement. As a result, the Company issued 35,862 shares of Common Stock to PfG on June 4, 2014, and 71,836 warrant shares remain exercisable as of

June 30, 2015.

On June 4, 2014, PfG Equity Investors, LLC elected to partially exercise its warrant by exchanging 4,945 of the 10,322 warrant shares through a cashless exercise on the terms provided in the applicable warrant agreement. As a result, the Company issued 3,100 shares of Common Stock to PfG Equity Investors, LLC on June 4, 2014, and 5,377 warrant shares remain exercisable as of June 30, 2015.

On May 20, 2014, Silicon Valley Bank elected to fully exercise its warrant by exchanging 75,698 warrant shares through a cashless exercise on the terms provided in the applicable warrant agreement. As a result, the Company issued 47,404 shares of Common Stock to Silicon Valley Bank, in full settlement of the warrant.

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A summary of the status of the PfG Warrants at June 30, 2015, and the changes during the six months ended June 30, 2015, are presented in the following table:

	Date	Shares of Common Stock, par value $0.01, represented by Warrants	Exchange Price	Expiration Date
Outstanding as of December 31, 2014		77,213	$2.79, subject to adjustment	August 19, 2018
Granted				
Exercised				
Expired				
Outstanding as of June 30, 2015		77,213	$2.79, subject to adjustment	August 19, 2018
Exercisable as of June 30, 2015		77,213	$2.79, subject to adjustment	August 19, 2018

The fair value of the warrant liability was estimated using the Monte Carlo option pricing model and the following assumptions:

	June 30, 2015	June 30, 2014
Risk-free interest rates	1.1%	1.30%
Expected dividend yield		
Expected volatility	55%	57%
Expected lives	3.1 years	4.1 years
Weighted average grant date fair value	$ 4.53	$ 4.43

Note Fifteen Segment Information

The Company operates in a single business segment, focused primarily on Behavioral Analytics.

Note Sixteen Fair Value Measurements

The Company reports certain assets and liabilities at fair value. Fair value is an exit price and establishes a three-tier valuation hierarchy for ranking the quality and reliability of the information used to determine fair values. The first tier, Level 1, uses quoted market prices in active markets for identical assets or liabilities. Level 2 uses inputs, other than quoted market prices for identical assets or liabilities in active markets, which are observable either directly or indirectly. Level 3 uses unobservable inputs in which there are little or no market data, and requires the entity to develop its own assumptions. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2015 and December 31, 2014:

(In millions)

	Fair Value Measurements at June 30, 2015 Using			
	Total carrying value at June 30, 2015	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Significant Unobservable (Level 3)
Money market fund	$ 12.5	$ 12.5	$	$
Warrant liability	$ 0.4	$	$	$ 0.4

	Fair Value Measurements at December 31, 2014 Using	
	Total carrying value at December 31, 2014	Quoted Prices in Active Markets