GLOWPOINT, INC.
Form 10-Q
August 06, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2014.

or

¨ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-35376

GLOWPOINT, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	77-0312442 (I.R.S. Employer Identification No.)

1776 Lincoln Street, Suite 1300, Denver, CO, 80203
(Address of Principal Executive Offices, including Zip Code)

(303) 640-3838
(Registrant’s Telephone Number, including Area Code)

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	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 o No x

The number of shares outstanding of the registrant’s common stock as of August 4, 2014 was 35,614,000.

GLOWPOINT, INC.

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

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash	$2,101	$2,294
Accounts receivable, net	3,603	4,077
Prepaid expenses and other current assets	582	404
Total current assets	6,286	6,775
Property and equipment, net	3,192	2,867
Goodwill	9,825	9,825
Intangibles, net	5,369	5,998
Other assets	327	421
Total assets	$24,999	$25,886
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$197	$950
Current portion of capital lease obligations	116	217
Accounts payable	2,190	1,885
Accrued expenses and other liabilities	1,906	2,277
Accrued dividends	30	20
Accrued sales taxes and regulatory fees	452	590
Total current liabilities	4,891	5,939
Long term liabilities:		
Capital lease obligations, net of current portion	13	43
Long term debt, net of current portion	10,885	10,235
Total long term liabilities	10,898	10,278
Total liabilities	15,789	16,217
Commitments and contingencies (see Note 11)		
Stockholders' equity:		
Preferred stock, Series A-2, convertible; $.0001 par value; $7,500 stated value; 7,500 shares authorized, 53 shares issued and outstanding and liquidation preference of $396 at June 30, 2014 and December 31, 2013	167	167
Common stock, $.0001 par value;150,000,000 shares authorized; 35,654,000 shares issued and 35,614,000 shares outstanding at June 30, 2014 and 35,306,000 shares issued and outstanding at December 31, 2013	4	4
Treasury stock, 40,000 and 0 shares at June 30, 2014 and December 31, 2013, respectively	(66)	—
Additional paid-in capital	177,797	177,357
Accumulated deficit	(168,692)	(167,859)
Total stockholders' equity	9,210	9,669
Total liabilities and stockholders' equity	$24,999	$25,886

See accompanying notes to condensed consolidated financial statements.

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GLOWPOINT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2014	2013	2014	2013
Revenue	$16,449	$17,240	$8,468	$8,736
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization)	9,694	9,843	4,824	4,886
Research and development	459	408	293	173
Sales and marketing	1,743	2,066	918	997
General and administrative	3,320	4,798	1,410	1,711
Depreciation and amortization	1,354	1,458	666	700
Total operating expenses	16,570	18,573	8,111	8,467
Income (loss) from operations	(121)	(1,333)	357	269
Interest and other expense:				
Interest expense and other, net	668	612	334	320
Amortization of deferred financing costs	44	121	22	60
Amortization of debt discount	—	69	—	39
Total interest and other expense, net	712	802	356	419
Income (loss) before income taxes	(833)	(2,135)	1	(150)
Income tax expense (benefit)	—	—	—	—
Net income (loss)	(833)	(2,135)	1	(150)
Preferred stock dividends	10	210	5	105
Net loss attributable to common stockholders	$(843)	$(2,345)	$(4)	$(255)
Net loss attributable to common stockholders per share:				
Basic and diluted net loss per share	$(0.02)	$(0.08)	$—	$(0.01)
Weighted average number of common shares:				
Basic and diluted	34,912	27,786	34,958	27,868

See accompanying notes to condensed consolidated financial statements.

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GLOWPOINT, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2014
(In thousands, except shares of A-2 Preferred Stock)
(Unaudited)

	Series A-2 Preferred Stock		Common Stock		Treasury Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid In Capital	Accumulated Deficit	Total
Balance at December 31, 2013	53	$167	35,306	$4	—	$—	$177,357	$ (167,859)	$9,669
Net loss	—	—	—	—	—	—	—	(833)	(833)
Stock-based compensation	—	—	—	—	—	—	251	—	251
Issuance of restricted stock to settle accrued 2013 bonuses	—	—	123	—	—	—	204		204
Issuance of restricted stock	—	—	400	—	—	—	—	—	—
Forfeited Stock	—	—	(195)	—	—	—	—	—	—
Cost of preferred stock exchange	—	—	—	—	—	—	(5)	—	(5)
Preferred stock dividends	—	—	—	—	—	—	(10)	—	(10)
Options exercised	—	—	20	—	—	—	—	—	—
Repurchase of common stock	—	—	—	—	40	(66)	—	—	(66)
Balance at June 30, 2014	53	$167	35,654	$4	40	$(66)	$177,797	$ (168,692)	$9,210

See accompanying notes to condensed consolidated financial statements.

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GLOWPOINT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$(833)	$(2,135)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,354	1,458
Bad debt (recovery) expense	(107)	119
Amortization of deferred financing costs	44	121
Amortization of debt discount	—	69
Loss on impairment/disposal of equipment	178	539
Stock-based compensation	290	690
Increase (decrease) attributable to changes in assets and liabilities:		
Accounts receivable	581	739
Prepaid expenses and other current assets	(178)	153
Other assets	50	15
Accounts payable	304	(336)
Accrued expenses and other liabilities	(437)	(78)
Net cash provided by operating activities	1,246	1,354
Cash flows from investing activities:		
Purchases of property and equipment	(1,081)	(235)
Proceeds from sale of equipment	4	2
Net cash used in investing activities	(1,077)	(233)
Cash flows from financing activities:		
Costs of preferred stock exchange	(5)	—
Principal payments for capital lease obligations	(131)	(122)
Principal payments under borrowing arrangements	(102)	(280)
Proceeds (payments) related to equity	1	—
Payment of debt issuance costs	(59)	(133)
Purchase of treasury stock	(66)	—
Net cash used in financing activities	(362)	(535)
Increase (decrease) in cash and cash equivalents	(193)	586
Cash at beginning of period	2,294	2,218
Cash at end of period	$2,101	$2,804
Supplement disclosures of cash flow information:		
Cash paid during the period for interest	$656	$586
Non-cash investing and financing activities:		
Acquisition of equipment under capital lease	$—	$38
Preferred stock dividends	$10	$210
Reduction of debt in connection with severance obligations related to acquisition of Affinity	$—	$240
Issuance of restricted stock to settle accrued 2013 bonuses	$165	$—
Stock issued in connection with debt amendment recorded as debt discount	$—	$147

Accrued capital expenditure	$151	$—

See accompanying notes to condensed consolidated financial statements.

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GLOWPOINT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014
(Unaudited)

Note 1 - Basis of Presentation and Liquidity

The Business

Glowpoint, Inc. (“Glowpoint” or “we” or “us” or the “Company”) is a provider of video collaboration services and network services. Our services enable our customers to use videoconferencing as an efficient and effective method of communication for their business meetings. Our customers include Fortune 1000 companies, along with small and medium enterprises in a variety of industries. We market our services globally through a multi-channel sales approach that includes direct sales and channel partners.

The Company was formed as a Delaware corporation in May 2000. The Company operates in one segment and therefore segment information is not presented.

Liquidity

As of June 30, 2014, we had $2,101,000 of cash and working capital of $1,395,000. Our cash balance as of June 30, 2014 includes restricted cash of $185,000 (as discussed in Note 3). For the six months ended June 30, 2014, we generated a net loss of $833,000 and net cash provided by operating activities of $1,246,000. We generated cash flow from operations even though we incurred a net loss due to certain non-cash expenses and changes in working capital.

In October 2013, the Company entered into a loan agreement by and among the Company and its subsidiaries, and Main Street Capital Corporation (“Main Street”), as lender and as administrative agent and collateral agent for itself and the other lenders from time to time party thereto (the "Main Street Loan Agreement"). The Main Street Loan Agreement provides for an $11,000,000 senior secured term loan facility (“Main Street Term Loan”) and a $2,000,000 senior secured revolving loan facility (the “Main Street Revolver”). As of June 30, 2014, the Company had outstanding borrowings of $9,000,000 under the Main Street Term Loan and $197,000 on the Main Street Revolver.

Based on our current projection of revenue, expenses, capital expenditures and cash flows, the Company believes that it has, and will have, sufficient resources and cash flows to service its debt obligations and fund its operations for at least the next twelve months following the filing of this Quarterly Report on Form 10-Q. As of June 30, 2014, we have availability of $1,803,000 under the Main Street Revolver and $2,000,000 under the Main Street Term Loan (subject to approval by Main Street under the terms of the Main Street Loan Agreement). In the event we need to raise additional capital to fund operations and provide growth capital, we have historically been able to raise capital in private placements. There can be no assurances, however, that we will be able to raise additional capital as may be needed or upon acceptable terms, or that current economic conditions will not negatively impact us. If the current or future economic conditions negatively impact us and we are unable to raise additional capital that may be needed on terms acceptable to us, it could have a material adverse effect on the Company.

Quarterly Financial Information and Results of Operations

The condensed consolidated financial statements as of June 30, 2014 and for the six and three months ended June 30, 2014 and 2013 are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of June 30, 2014, and the results of operations for the six and three months ended June 30, 2014 and 2013, the statement of stockholders' equity for the six months ended June 30, 2014 and the statement of cash flows for the six months ended June 30, 2014 and 2013. The results for the six and three months ended June 30, 2014 are not necessarily indicative of the results to be expected for the entire year. The condensed balance sheet as of December 31, 2013 was derived from audited financial statements as of December 31, 2013. While management of the Company believes that the disclosures presented are adequate to make the information not misleading, these condensed consolidated financial statements should be read in conjunction with audited consolidated financial statements and the footnotes thereto for the fiscal year ended December 31, 2013 as filed with the Securities and Exchange Commission (the "SEC") with our Form 10-K on March 6, 2014 (the "Audited 2013 Financial Statements").

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Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Glowpoint and our 100%-owned subsidiaries, Affinity VideoNet, Inc. ("Affinity") and GP Communications, LLC, whose business function is to provide interstate telecommunications services for regulatory purposes. All material inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates made. We continually evaluate estimates used in the preparation of the consolidated financial statements for reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. The significant areas of estimation include determining the allowance for doubtful accounts, deferred tax valuation allowance, accrued sales taxes, the valuation of goodwill, the valuation of intangible assets and their estimated lives, and the estimated lives and recoverability of property and equipment.

See "Summary of Significant Accounting Policies" in the Company's Audited 2013 Financial Statements for a discussion on the estimates and judgments necessary in the Company's accounting for financial instruments, concentration of credit risk, goodwill, intangible assets, property and equipment, income taxes, stock-based compensation, and accrued sales taxes and regulatory fees.

Accounting Standards Updates

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for us on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Revenue Recognition

Revenue billed in advance for video collaboration services is deferred until the revenue has been earned, which is when the related services have been performed. Other service revenue, including amounts passed through based on surcharges from our telecom carriers, related to the network services and collaboration services are recognized as service is provided. As the non-refundable, upfront installation and activation fees charged to the subscribers do not meet the criteria as a separate unit of accounting, they are deferred and recognized over the 12 to 24 month estimated life of the customer relationship. Revenue related to professional services is recognized at the time the services are performed. Revenues derived from other sources are recognized when services are provided or events occur.

Allowance for Doubtful Accounts

We record an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible. We also record additional allowances based on our aged receivables, which are determined based on historical experience and an assessment of the general financial conditions affecting our customer base. If our actual collections experience changes, revisions to our allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. We do not obtain collateral from our customers to secure accounts receivable. The allowance for doubtful accounts was $107,000 and $221,000 at June 30, 2014 and December 31, 2013, respectively.

Taxes Billed to Customers and Remitted to Taxing Authorities

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We recognize taxes billed to customers in revenue and taxes remitted to taxing authorities in our cost of revenue. For the six and three months ended June 30, 2014, we included taxes of $654,000 and $328,000, respectively, in revenue, and we included taxes of $623,000 and $313,000, respectively, in cost of revenue. For the six and three months ended June 30, 2013, we included taxes of $668,000 and $340,000, respectively, in revenue, and we included taxes of $635,000 and $323,000, respectively, in cost of revenue.

Impairment of Long-Lived Assets and Intangible Assets

We evaluate impairment losses on long-lived assets used in operations, primarily fixed assets and purchased intangible assets subject to amortization, when events and circumstances indicate that the carrying value of the assets might not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the undiscounted cash flows estimated to be generated by those assets are compared to the carrying amounts of those assets. If and when the carrying values of the assets exceed their fair values, then the related assets will be written down to fair value. In the six months ended June 30, 2014, the Company recorded an impairment loss of $101,000 relating to idle property and equipment, primarily consisting of furniture and leasehold improvements, located in our Pennsylvania office. As discussed in Note 11, during the six months ended June 30, 2014, the Company vacated our Pennsylvania office and we are currently marketing such space for sublease. During the six and three months ended June 30, 2014, we recorded a loss on disposal of $4,000 and $4,000, respectively, for network equipment. In the six and three months ended June 30, 2013, there was an impairment loss of $474,000 and $39,000, respectively, recorded for network equipment no longer being utilized in the Company's business.

Goodwill

Goodwill is not amortized but is subject to periodic testing for impairment. The test for impairment is conducted annually or more frequently if events occur or circumstances change indicating that the fair value of the goodwill may be below its carrying amount. The Company determined that no events occurred or circumstances changed during the six months ended June 30, 2014 that would indicate that the fair value of goodwill may be below its carrying amount. However, if market conditions deteriorate, or if the Company is unable to execute on its strategies, it may be necessary to record impairment charges in the future.

Capitalized Software Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal-use software. All software development costs have been appropriately accounted for as required by ASC Topic 350-40 “Intangible – Goodwill and Other – Internal-Use Software.” Capitalized software costs are included in “Property and Equipment” on our condensed consolidated balance sheets and are amortized over three to four years. Software costs that do not meet capitalization criteria are expensed as incurred. For the six and three months ended June 30, 2014, we capitalized internal use software costs of $1,096,000 and $668,000, respectively, and we amortized $299,000 and $136,000, respectively, of these costs. For the six and three months ended June 30, 2013, we capitalized internal use software costs of $79,000 and $27,000, respectively, and we amortized $259,000 and $121,000, respectively, of these costs. An impairment loss of $65,000 was recorded during the six and three months ended June 30, 2013, respectively. During the six and three months ended June 30, 2014, we recorded an impairment loss of $73,000 and $73,000, respectively, for certain software costs previously capitalized.

Note 3 - Restricted Cash

As of June 30, 2014, our cash balance of $2,101,000 included restricted cash of $185,000. The $185,000 letter of credit that serves as the security deposit for our lease of office space in Colorado (as discussed in Note 11) is secured by an equal amount of cash pledged as collateral and such cash is held in a restricted bank account. As of December 31, 2013, our cash balance of $2,294,000 included restricted cash of $242,000.

Note 4 - Accrued Expenses and Other Liabilities

Accrued expenses consisted of the following at June 30, 2014 and December 31, 2013 (in thousands):

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	June 30, 2014	December 31, 2013
Accrued compensation	$488	$755
Accrued severance costs	21	306
Accrued communication costs	267	328
Accrued professional fees	36	138
Accrued lease termination	159	—
Accrued interest	139	—
Other accrued expenses	227	390
Deferred revenue	118	197
Customer deposits	451	163
Accrued expenses and other liabilities	$1,906	$2,277

Note 5 - Debt

Long-term debt consists of the following (in thousands):

	June 30, 2014	December 31, 2013
SRS Note	$1,885	$1,885
Main Street Term Loan	9,000	9,000
Main Street Revolver	197	300
	11,082	11,185
Less current maturities	(197)	(950)
Long-term debt, net of current portion	$10,885	$10,235

On October 17, 2013, the Company entered into the Main Street Loan Agreement by and among the Company and its subsidiaries, and Main Street Capital Corporation, as lender and as administrative agent and collateral agent for itself and the other lenders from time to time party thereto. The Main Street Loan Agreement provides for an $11,000,000 senior secured term loan facility and a $2,000,000 senior secured revolving loan facility. As of June 30, 2014, the Company had outstanding borrowings of $9,000,000 under the Main Street Term Loan and $197,000 on the Main Street Revolver.

Borrowings under the Main Street Term Loan and Main Street Revolver mature on October 17, 2018 and October 17, 2015, respectively, unless sooner terminated as provided in the Main Street Loan Agreement. The Main Street Loan Agreement provides that the Main Street Term Loan borrowings bear interest at 12% per annum and the Main Street Revolver borrowings bear interest at 8% per annum. Interest payments on the outstanding borrowings under both the Main Street Term Loan and Main Street Revolver are due monthly. The Company is required to make quarterly principal payments on the Main Street Term Loan as follows: (i) starting on February 15, 2014 to April 15, 2015 in an amount equal to 33% of Excess Cash Flow generated by the Company (as defined in the Main Street Loan Agreement and effectively equal to cash flow from operations less capital expenditures less principal payments on capital leases) during the trailing fiscal quarter and (ii) from August 15, 2015 to August 15, 2018 in an amount equal to 50% of Excess Cash Flow generated by the Company during the trailing fiscal quarter. In the event there are outstanding borrowings on the Main Street Revolver, any quarterly principal payments are first applied to the Main Street Revolver and then to the Main Street Term Loan. During the three months ended June 30, 2014, the Company made a quarterly principal payment of $54,000 on the Main Street Revolver.

The Company may prepay borrowings under the Main Street Loan Agreement at any time without premium or penalty, subject to certain notice and minimum prepayment requirements. The obligations of the Company under the Main Street Loan Agreement are secured by substantially all of the assets of the Company, including all intellectual property, equity interests in subsidiaries, equipment and other personal property. The Main Street Loan Agreement contains standard representations, warranties and covenants for a transaction of its nature, including, among other things, covenants relating to (i) financial reporting and notification, (ii) payment of obligations, (iii) compliance with applicable laws and (iv) notification of certain events. The Main Street Loan Agreement also contains various covenants and restrictive provisions which may, among other things, limit the Company's ability to sell assets, incur additional indebtedness, make investments or loans and create liens. The Main Street Loan Agreement also contains financial covenants, including a fixed charge coverage ratio covenant and a debt to Adjusted EBITDA ratio covenant. Adjusted EBITDA, a non-GAAP financial measure, is defined as net income (loss) before depreciation, amortization, interest and other expense, net, taxes, severance, acquisition costs, stock-based compensation and

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impairment charges. The Main Street Loan Agreement contains events of default customary for similar financings with corresponding grace periods, including failure to pay any principal or interest when due, failure to perform or observe covenants, breaches of representations and warranties, certain cross defaults, certain bankruptcy related events, monetary judgments defaults and a change in control. Upon the occurrence of an event of default, the outstanding obligations under the Main Street Loan Agreement may be accelerated and become immediately due and payable. As of June 30, 2014, the Company was in compliance with all required covenants.

As of June 30, 2014, the current portion of long-term debt recorded on the Company's balance sheet was $197,000 and represents the outstanding borrowings on the Main Street Revolver. The Company expects that any principal payments under the Main Street Loan Agreement, which are based on a percentage of Excess Cash Flow as discussed above, will be applied to outstanding borrowings on the Main Street Revolver during the twelve months ending June 30, 2015. Therefore, the Company expects that no principal payments will be applied against the Main Street Term Loan during the twelve months ended June 30, 2015; and thus all outstanding borrowings on the Main Street Term Loan are classified as long term debt as of June 30, 2014. The principal payments related to these debt agreements are estimates and actual payments may vary.

In connection with the October 2012 acquisition of Affinity, the Company issued a promissory note (the “SRS Note”) to Shareholder Representative Services LLC ("SRS"), on behalf of the prior stockholders of Affinity. As of December 31, 2013 and June 30, 2014, the principal balance on the SRS Note was $1,885,000. The interest rate on the SRS Note is 10.0% per annum and interest is payable quarterly in arrears. The final maturity date of the SRS Note is January 4, 2016 and the Company is required to make monthly principal payments in the amount of $50,000 in the event the Company's trailing three month Adjusted EBITDA exceeds $1,500,000. The Company is required to make additional payments on the principal amount on each of June 30, 2014 and December 31, 2014 in an amount equal to 40% of the Company’s trailing six month Adjusted EBITDA less $3,000,000. As of June 30, 2014, the Company has not made any principal payments on the SRS Note as the Company has not yet met the Adjusted EBITDA threshold.

Unamortized financing costs related to our debt agreements of $88,000 are included in prepaid expenses and other current assets and $232,000 are included in other assets as of June 30, 2014, in the accompanying condensed consolidated balance sheet. Unamortized financing costs related to our debt agreements of $363,000 are included in other assets as of December 31, 2013. The financing costs are amortized using the effective interest method over the term of each loan through each maturity date. During the six months ended June 30, 2014 and 2013, there was $44,000 and $121,000 respectively, of amortization of financing costs, and $0 and $69,000 respectively, of amortization of debt discount.

Note 6 - Capital Lease Obligations

During the six months ended June 30, 2014, the Company did not enter into any non-cancelable capital lease agreements. Depreciation expense on the equipment under the capital lease obligations for the six and three months ended June 30, 2014 and 2013 was $79,000 and $40,000, respectively, and $79,000 and $40,000, respectively. Future minimum commitments under all non-cancelable capital leases as of June 30, 2014, are as follows (in thousands):

Year Ended December 31,	Total	Interest	Principal
Remaining 2014	88	2	86
2015	43	1	42
2016	1	—	1
	$132	$3	$129

The current portion of the Company's capital lease obligations is $116,000 and the long-term portion is $13,000 at June 30, 2014.

Note 7 - Preferred Stock

Our Certificate of Incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock. As of June 30, 2014, there were: 100 shares of Series B-1 Preferred Stock authorized, and no shares issued or outstanding; 7,500 shares of Series A-2 Preferred Stock authorized and 53 shares issued and outstanding; and 4,000 shares of Series D Preferred Stock authorized and no shares issued or outstanding.

Each share of Serie