

UCN INC
Form 10-Q
August 11, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2008

Commission File No. 1-33762

UCN, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

87-0528557
(IRS Employer

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incorporation or organization)

Identification No.)

7730 So Union Park Avenue, Suite 500, Midvale, UT 84047

(Address of principal executive offices and Zip Code)

(801) 320-3200

(Registrant's telephone number, including area code)

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

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

☐ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of August 8, 2008
Common Stock, \$.0001 par value	31,065,228 shares

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Table of Contents**UCN, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)***(in thousands except share data)*

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,723	\$ 2,760
Auction rate preferred securities (Note 10)		2,000
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,636 and \$1,779, respectively	8,221	9,988
Other current assets	767	941
Total current assets	12,711	15,689
Property and equipment, net	7,106	6,375
Intangible assets, net	5,179	6,813
Goodwill	2,512	2,155
Auction rate preferred securities (Note 10)	890	
Other assets	429	336
Total assets	\$ 28,827	\$ 31,368
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 716	\$ 781
Trade accounts payable	6,899	7,713
Accrued liabilities	2,753	2,120
Accrued commissions	1,301	1,470
Deferred revenue	934	338
Total current liabilities	12,603	12,422
Long-term debt and capital lease obligations	3,119	746
Other long-term liabilities and deferred revenue	277	172
Total liabilities	15,999	13,340
Commitments and contingencies (Notes 4 and 6)		
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 31,065,228 and 31,015,593 shares issued and outstanding as of June 30, 2008 and December 31, 2007, respectively	3	3
Additional paid-in capital	69,528	68,738
Warrants and options outstanding	1,318	1,318
Accumulated deficit	(57,911)	(52,031)
Accumulated other comprehensive loss	(110)	

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Total stockholders' equity	12,828	18,028
Total liabilities and stockholders' equity	\$ 28,827	\$ 31,368

See accompanying notes to condensed consolidated financial statements

Table of Contents**UCN, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Unaudited)***(in thousands except share and per share data)*

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 19,285	\$ 19,975	\$ 39,166	\$ 39,795
Operating expenses:				
Costs of revenue (excluding depreciation and amortization shown separately below)	10,362	11,128	20,870	22,665
Selling and promotion	4,286	4,102	8,480	7,952
General and administrative	5,164	4,164	10,625	7,862
Depreciation and amortization	1,440	1,495	2,892	3,288
Research and development	1,078	447	2,036	875
Total operating expenses	22,330	21,336	44,903	42,642
Loss from operations	(3,045)	(1,361)	(5,737)	(2,847)
Other income (expense):				
Interest income	11	3	31	18
Interest expense	(113)	(202)	(168)	(402)
Total other expense	(102)	(199)	(137)	(384)
Loss before income taxes	(3,147)	(1,560)	(5,874)	(3,231)
Income tax expense	3	2	6	5
Net loss	\$ (3,150)	\$ (1,562)	\$ (5,880)	\$ (3,236)
Net loss per common share:				
Basic and diluted	\$ (0.10)	\$ (0.06)	\$ (0.19)	\$ (0.12)
Weighted average common shares outstanding:				
Basic and diluted	31,039	28,166	31,033	27,243

See accompanying notes to condensed consolidated financial statements

Table of Contents**UCN, INC.****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY - (Unaudited)***(in thousands)*

	Common Stock		Additional	Warrants and	Accumulated	Accumulated Other	
	Shares	Amount	Paid-in Capital	Options Outstanding	Deficit	Comprehensive Loss	Total
Balance at January 1, 2008	31,016	\$ 3	\$ 68,738	\$ 1,318	\$ (52,031)	\$	\$ 18,028
Common stock issued for options exercised (Note 8)	49		105				105
Stock-based compensation			685				685
Comprehensive loss:							
Net loss					(5,880)		
Unrealized loss on available-for-sale securities (Note 10)						(110)	
Total comprehensive loss							(5,990)
Balance at June 30, 2008	31,065	\$ 3	\$ 69,528	\$ 1,318	\$ (57,911)	\$ (110)	\$ 12,828

See accompanying notes to condensed consolidated financial statements

Table of Contents**UCN, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Unaudited)***(in thousands)*

	Six months ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (5,880)	\$ (3,236)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,892	3,288
Amortization of note financing costs	15	379
Stock-based compensation	685	599
Warrants issued for consulting services		143
Changes in operating assets and liabilities (net of effects of acquisitions):		
Accounts and other receivables, net	1,767	142
Other current assets	210	179
Other non-current assets	(103)	(259)
Trade accounts payable	(740)	(1,471)
Accrued liabilities	633	141
Accrued commissions	(169)	(171)
Deferred revenue and other long-term liabilities	701	(246)
Net cash provided by (used in) operating activities	11	(512)
Cash flows from investing activities:		
Decrease in restricted cash		10
Acquisition of BenchmarkPortal, Inc.		(500)
Contingent purchase price payments	(357)	(172)
Direct acquisition costs		(245)
Proceeds from sale of auction rate preferred securities	1,000	
Purchases of property and equipment	(1,317)	(1,299)
Net cash used in investing activities	(674)	(2,206)
Cash flows from financing activities:		
Borrowings under line of credit	2,000	500
Principal payments on long-term debt	(479)	(265)
Principal payments on long-term debt assumed in conjunction with the acquisition of ScheduleQ, LLC		(256)
Proceeds from exercise of options and warrants	105	574
Net cash provided by financing activities	1,626	553
Net increase (decrease) in cash and cash equivalents	963	(2,165)
Cash and cash equivalents at beginning of period	2,760	4,559
Cash and cash equivalents at end of period	\$ 3,723	\$ 2,394

Supplemental cash flow information