

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 September 30, 2015

.. **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: 001-32698

**MGT CAPITAL INVESTMENTS, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-4148725**  
(I.R.S. Employer  
Identification No.)

**500 Mamaroneck Avenue, Suite 204,  
Harrison, NY 10528**

(Address of principal executive offices)

**(914) 630-7431**

(Registrant's telephone number, including area code)

Indicate by check whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities and 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 (§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, non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ..  
Non-accelerated Filer ..

Accelerated filer ..  
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

As of November 16, 2015, the registrant had outstanding 17,199,665 shares of common stock, \$0.001 par value.

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**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per-share amounts)

	September 30, 2015 (Unaudited)	December 31, 2014
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 428	\$ 648
Accounts receivable	12	5
Prepaid expenses and other current assets	49	141
Current assets – Discontinued operations	–	838
Investments – current	1041	–
Notes receivable	1,875	–
Total current assets	<u>3,405</u>	<u>1,632</u>
Non-current assets:		
Restricted cash	39	138
Property and equipment, at cost, net	5	11
Property and equipment, at cost, net – Discontinued operations	–	32
Intangible assets, net	1,259	1,608
Intangible assets, net – Discontinued operations	–	809
Goodwill	1,496	1,496
Goodwill – Discontinued operations	–	4,948
Investments – long-term	1,380	–
Other non-current assets	–	2
<b>Total assets</b>	<b><u>\$ 7,584</u></b>	<b><u>\$ 10,676</u></b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 249	\$ 199
Accrued expenses	189	180
Current liabilities – Discontinued operations	–	988
Other payables	13	12
Amounts due to Viggie, Inc.	124	–
Total current liabilities	<u>575</u>	<u>1,379</u>
Total liabilities	<u>575</u>	<u>1,379</u>
<b>Commitments and contingencies:</b>		
Redeemable convertible preferred stock – Temporary equity:		
Preferred stock, series A convertible preferred, \$0.001 par value, 1,500,000 shares authorized at September 30, 2015 and December 31, 2014; 1,416,463 and 1,416,160 shares issued at September 30, 2015 and December 31, 2014, respectively; 10,451 and 9,993 shares outstanding at September 30, 2015 and December 31, 2014, respectively	–	–
<b>Stockholders' equity:</b>		
Undesignated preferred stock, \$0.001 par value; 8,583,840 and 8,583,840 shares authorized at September 30, 2015 and December 31, 2014, respectively. No shares authorized, issued and outstanding at September 30, 2015 and December 31, 2014 respectively	–	–
Common Stock, \$0.001 par value; 75,000,000 shares authorized; 14,169,665 and 10,731,160 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	14	11
Additional paid-in capital	310,248	308,288
Accumulated other comprehensive loss	(890)	(281)
Accumulated deficit	(302,606)	(299,163)
Total stockholders' equity	<u>6,766</u>	<u>8,855</u>
Non-controlling interests	243	442
Total equity	<u>7,009</u>	<u>9,297</u>
<b>Total stockholders' equity, liabilities and non-controlling interest</b>	<b><u>\$ 7,584</u></b>	<b><u>\$ 10,676</u></b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except share and per-share amounts, unaudited)

	<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
Licensing	\$ 102	\$ 81
Gaming	2	7
	<u>104</u>	<u>88</u>
<b>Cost of revenues:</b>		
Licensing	5	–
<b>Gross margin</b>	<u>99</u>	<u>88</u>
<b>Operating expenses:</b>		
General and administrative	2,293	3,026
Research and development	–	153
	<u>2,293</u>	<u>3,179</u>
<b>Operating loss</b>	<u>(2,194)</u>	<u>(3,091)</u>
<b>Other non-operating (expense) / income:</b>		
Interest and other (expense) / income	(28)	7
Impairment of notes receivable	(256)	–
Loss on sale of assets	(144)	–
	<u>(428)</u>	<u>7</u>
Net loss before income taxes and non-controlling interest	<u>(2,622)</u>	<u>(3,084)</u>
Income tax benefit	–	1
Net loss from continuing operations before non-controlling interest	<u>(2,622)</u>	<u>(3,083)</u>
<b>Discontinued operations – DraftDay.com:</b>		
Net loss from discontinued operations	(787)	(1,184)
Gain on termination of asset purchase agreement	250	–
Loss on sale of assets	(387)	–
	<u>(924)</u>	<u>(1,184)</u>
Net loss before non-controlling interest	<u>(3,546)</u>	<u>(4,267)</u>
Net loss attributable to non-controlling interest	103	373
<b>Net loss attributable to Common stockholders</b>	<u>\$ (3,443)</u>	<u>\$ (3,894)</u>
Net loss attributable to Common stockholders	\$ (3,443)	\$ (3,894)
<b>Other comprehensive loss:</b>		
Unrealized loss on investments	(609)	–
<b>Comprehensive loss</b>	<u>\$ (4,052)</u>	<u>\$ (3,894)</u>
<b>Per-share data:</b>		
Basic and diluted loss per share – continuing operations	\$ (0.20)	\$ (0.30)
Basic and diluted loss per share – discontinued operations	(0.07)	(0.13)
Basic and diluted loss per share	<u>(0.27)</u>	<u>(0.43)</u>
Weighted average number of common shares outstanding	12,911,492	9,175,695

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**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except share and per-share amounts, unaudited)

	<b>Three months ended September 30</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
Licensing	\$ 90	\$ 1
Gaming	–	–
	<u>90</u>	<u>1</u>
<b>Cost of revenues:</b>		
Licensing	5	–
<b>Gross margin</b>	<u>85</u>	<u>1</u>
<b>Operating expenses:</b>		
General and administrative	642	961
Research and development	–	40
	<u>642</u>	<u>1,001</u>
<b>Operating loss</b>	<u>(557)</u>	<u>(1,000)</u>
<b>Other non-operating (expense) / income:</b>		
Interest and other income	8	2
Impairment of notes receivable	(256)	–
Loss on sale of assets	(144)	–
	<u>(392)</u>	<u>2</u>
Net loss before income taxes and non-controlling interest	<u>(949)</u>	<u>(998)</u>
Income tax expense	–	(10)
Net loss from continuing operations before non-controlling interest	<u>(949)</u>	<u>(1,008)</u>
<b>Discontinued operations – DraftDay.com:</b>		
Net loss from discontinued operations	(229)	(443)
Gain on termination of asset purchase agreement	250	–
Loss on sale of assets	(387)	–
	<u>(366)</u>	<u>(443)</u>
Net loss before non-controlling interest	<u>(1,315)</u>	<u>(1,451)</u>
Net (income) / loss attributable to non-controlling interest	(6)	70
<b>Net loss attributable to common stockholders</b>	<u>\$ (1,321)</u>	<u>\$ (1,381)</u>
Net loss attributable to common stockholders	\$ (1,321)	\$ (1,381)
<b>Other comprehensive loss:</b>		
Unrealized loss on investments	(609)	–
<b>Comprehensive loss</b>	<u>\$ (1,930)</u>	<u>\$ (1,381)</u>
<b>Per-share data:</b>		
Basic and diluted loss per share – continuing operations	\$ (0.07)	\$ (0.10)
Basic and diluted loss per share – discontinued operations	(0.03)	(0.05)
Basic and diluted loss per share	<u>(0.10)</u>	<u>(0.15)</u>
Weighted average number of common shares outstanding	14,123,208	9,685,023

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In thousands, unaudited)

	<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net loss before non-controlling interest	\$ (3,546)	\$ (4,267)
Net loss from discontinued operations	924	1,184
	<u>(2,622)</u>	<u>(3,083)</u>
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation	6	22
Amortization of intangible assets	170	241
Stock-based expense	223	357
Reserve for note receivable	250	–
Loss on sale of assets	144	–
Warrant expense	–	71
<b>Change in operating assets and liabilities:</b>		
Accounts receivable	(7)	33
Prepaid expenses and other current assets	92	(12)
Accounts payable	50	(38)
Accrued expenses	9	45
Other payables	1	(8)
Net cash used in operating activities	<u>(1,684)</u>	<u>(2,372)</u>
<b>Cash flows from investing activities:</b>		
Release of restricted cash and security deposit	101	2
Sale of intangible assets	35	–
Issuance of note receivable	(250)	–
Net cash (used in) / provided by investing activities	<u>(114)</u>	<u>2</u>
<b>Cash flows from financing activities:</b>		
Proceeds from ATM sales of common stock, net of fees	1,644	1,285
Net cash provided by financing activities	<u>1,644</u>	<u>1,285</u>
<b>Cash flows from discontinued operations – DraftDay.com:</b>		
Net cash used in operating activities	(66)	(1,258)
Net cash used in investing activities	–	(94)
Net cash used in discontinued operations	<u>(66)</u>	<u>(1,352)</u>
Net change in cash and cash equivalents	(220)	(2,437)
Cash and cash equivalents, beginning of period	648	4,642
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 428</u></b>	<b><u>\$ 2,205</u></b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In thousands, unaudited)

	<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Investments received in consideration for sale of DraftDay.com	\$ 3,030	\$ –
Issuance of notes receivable in consideration for sale of DraftDay.com	2,109	–
Transfers from the non–controlling interest	(96)	–
Stock issued for acquisition of DraftDay.com	–	190
Stock issued for acquisition of non–controlling interest in FanTD	–	103
<b>Assets disposed and liabilities transferred through sale of assets:</b>		
Property and equipment – DraftDay.com	(17)	–
Intangible assets – DraftDay	(561)	–
Goodwill – DraftDay.com	(4,948)	–
Intangible assets – MGT Interactive	(180)	–
<b>Assets acquired and liabilities assumed through purchase of assets:</b>		
Intangible assets	–	790
Player deposit liability	–	(547)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands, except share and per-share amounts)**

**Note 1. Organization and basis of presentation**

**Organization**

MGT Capital Investments, Inc. (“MGT,” “the Company,” “we,” “us”) is a Delaware corporation, incorporated in 2000. The Company was originally incorporated in Utah in 1977. MGT is comprised of the parent company, majority-owned subsidiaries MGT Gaming, Inc. (“MGT Gaming”), MGT Interactive LLC (“MGT Interactive”), and wholly-owned subsidiaries Medicsight, Inc. (“Medicsight”), MGT Studios, Inc. (“MGT Studios”) including its minority-owned subsidiary M2P Americas, Inc., and MGT Sports, Inc. (“MGT Sports”). Our Corporate office is located in Harrison, New York.

MGT and its subsidiaries are primarily engaged in the business of acquiring, developing and monetizing assets in the online and mobile gaming space, as well as the social casino industry. Below are descriptions of the business lines that make up our two operating segments, Gaming and Intellectual Property.

**Gaming**

MGT’s portfolio of assets in the online, mobile gaming and social casino gaming space includes DraftDay.com (see sale discussion below), MGTPLAY.com and Slot Champ.

*Sale of DraftDay.com*

Effective September 3, 2015, the Company terminated the asset purchase agreement originally entered into on June 11, 2015, as further amended, between MGT Sports and Random Outcome USA Inc. (“RO”), (the “RO Agreement”). According to its terms, the RO Agreement could be terminated by the Company or RO if a closing had not occurred by August 31, 2015. The RO Agreement provided for the sale of the DraftDay Business to RO for a purchase price of \$4,000 plus stock and warrants of RO. On September 8, 2015, the Company and MGT Sports entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Viggle, Inc. (“Viggle”) and Viggle’s subsidiary DraftDay Gaming Group, Inc. (“DDGG”), pursuant to which Viggle acquired all of the assets of the DraftDay.com business (the “DraftDay Business”) from the Company and MGT Sports. In exchange for the DraftDay Business, Viggle paid MGT Sports the following: (a) 1,269,342 shares of Viggle’s common stock, par value \$0.001 per share, (b) a promissory note in the amount of \$234 due September 29, 2015 (the “September 2015 Note”), (c) a promissory note in the amount of \$1,875 due March 8, 2016 (the “March 2016 Note”), and (d) 2,550,000 shares of common stock of DDGG. In addition, in exchange for providing certain transitional services, DDGG issued to MGT Sports a warrant to purchase 1,500,000 shares of DDGG common stock at an exercise price of \$0.40 per share. Following consummation of the transactions of the Asset Purchase Agreement, including certain agreements between Viggle and third parties, MGT Sports owns 2,550,000 shares of DDGG common stock, Viggle owns 11,250,000 shares of DDGG common stock, and Sportech, Inc. own 9,000,000 shares of DDGG common stock. As a result of the transaction, the Company has presented the MGT Sports segment as a discontinued operation.

The following table summarizes fair values of the net assets assumed in consideration for the sale of the DraftDay Business assets:

Viggle common shares received at closing share price of \$1.30	\$	1,650
Viggle promissory notes		2,109
DDGG common shares received at fair market value of \$0.40 per share <sup>(1)</sup>		1,020
DDGG stock purchase warrants received <sup>(2)</sup>		360
DraftDay.com assets <sup>(3)</sup>		5,526

The transaction resulted in a loss on the sale of \$387.

- (1) DDGG common shares were valued based on recent equity sales by DDGG to Viggle. Viggle purchased shares of DDGG at a price of \$0.40 per share.
- (2) The Company determined fair value of the warrants received utilizing a Black–Scholes option pricing model. The Company utilized the following assumptions: fair value of common share of DDGG stock – \$0.40 per share, exercise price of \$0.40, risk free rate of 0.65%, expected volatility of 98% which is the 3–year historical volatility of the Company’s common stock.
- (3) DraftDay.com assets consist of the following:

IT equipment	\$	17
Domain		39
Customer list		101
Source Code		421
Goodwill		4,948
<b>Total</b>	<b>\$</b>	<b>5,526</b>

### Intellectual property

MGT Gaming owns two U. S. patents covering certain features of casino slot machines. MGT’s wholly owned subsidiary Medicsight owns U.S. Food and Drug Administration (“FDA”) approved medical imaging software and has designed an automated carbon dioxide insufflation device on which the Company receives royalties from an international distributor.

MGT Gaming owns U.S. Patents 7,892,088 and 8,550,554 (the “’088 and ’554 patents,” respectively), both entitled “Gaming Device Having a Second Separate Bonus Event” and both relating to casino gaming systems in which a second game played on an interactive sign is triggered once specific events occur in a first game. On November 2, 2012, MGT Gaming filed a lawsuit (No. 3:12–cv–741) in the United States District Court for the Southern District of Mississippi alleging patent infringement against certain companies which either manufacture, sell or lease gaming systems alleged to be in violation of MGT Gaming’s patent rights, or operate casinos that offer gaming systems that are alleged to be in violation of MGT Gaming’s ’088 patent, including Penn National Gaming, Inc. (“Penn”) (NASDAQ GS: PENN), and Aruze Gaming America, Inc. (“Aruze America”). An amended complaint added the ’554 patent, a continuation of the ’088 patent.

In May 2014, Aruze America successfully sought a stay of the Mississippi action pending resolution of a Petition filed by a co–defendant for Inter Parties Review (“IPR”) with the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (“PTO”), challenging the ’088 patent.

Aruze America and a related company, Aruze Macau, subsequently filed additional IPR Petitions seeking review of the ’088 and ’554 patents. Aruze America also filed a Request for Ex Parte Re–examination of the ’088 patent that was subsequently denied.

On July 29, 2015, MGT, Aruze America, Aruze Macau, and Penn agreed, through their respective counsel, to settle all pending disputes, including the Mississippi litigation and all proceedings at the PTO. The parties subsequently jointly terminated the Mississippi litigation and the PTO proceedings. The Company received a payment of \$90, which was earned as licensing revenue.

### *Sale of assets – MGT Interactive*

On April 21, 2015, Gioia Systems, LLC (“Gioia”) filed a complaint against the Company, the Company’s majority owned subsidiary, MGT Interactive, LLC and Interactive directors with the United States District Court for the Southern District of New York. MGT Interactive, LLC was also included as a derivative plaintiff in the actions, LLC’s complaint asserts claims for breach of contract and breach of fiduciary duty relating to the September 2013 Contribution Agreement and related agreements between Gioia, the Company and MGT Interactive, LLC.

On August 28, 2015, the Company and MGT Interactive along with Gioia entered into an Assignment and Sale Agreement (the “Agreement”). MGT Interactive sold certain tangible and intellectual property assets in exchange for Gioia’s 49% membership interest in Interactive along with a cash payment of \$35. The Agreement also required Gioia to cause the Court to dismiss its complaint against the Company. As a result of the Agreement, the Company recognized a \$144 loss on sale of assets.

The following summarizes the recognition of the Agreement:

Cash	\$	35
49% membership interest		(96)
Intangible assets		(179)
Additional paid in capital		96
<b>Loss on sale</b>	<b>\$</b>	<b>144</b>

**Basis of presentation**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in these statements. These Condensed Consolidated Financial Statements should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as filed with the SEC on April 15, 2015. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for any subsequent quarters or for the year ending December 31, 2015.

**Note 2. Going Concern and Management plans**

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of September 30, 2015, the Company had incurred significant operating losses since inception and continues to generate losses from operations and has an accumulated deficit of \$302,606. These matters raise substantial doubt about the Company’s ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Commercial results have been limited and the Company has not generated significant revenues. The Company cannot assure its stockholders that the Company’s revenues will be sufficient to fund its operations. If adequate funds are not available, the Company may be required to curtail its operations significantly or to obtain funds through entering into arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of our technologies or products that the Company would not otherwise relinquish.

The Company's primary source of operating funds since inception has been debt and equity financings. On December 30, 2013, and as amended on March 27, 2014, the Company entered into an At the Market Offering Agreement (the “ATM Agreement”) with Ascendant Capital Markets, LLC (the “Manager”). Pursuant to the ATM Agreement, the Company may offer and sell shares of its Common Stock (the “Shares”) having an aggregate offering price of up to \$8.5 million from time to time through the Manager. The Company intends to use the net proceeds from any sales of Shares in the offering for working capital, capital expenditures, and general business purposes. For the Nine months ended September 30, 2015, the Company sold approximately 3,155,000 Shares under the ATM Agreement for gross proceeds of approximately \$1,695 before related expenses. The proceeds will be used for general corporate purposes. As of November 14, 2015, the Company has approximately \$5.4 million remaining under the program, assuming sufficient Shares are available to be issued.

At September 30, 2015, MGT’s cash, cash equivalents and restricted cash were \$467. The Company intends to raise additional capital, either through debt or equity financings or through the continued sale of the Company’s assets in order to achieve its business plan objectives. Management believes that it can be successful in obtaining additional capital; however, no assurance can be provided that the Company will be able to do so. There is no assurance that any funds raised will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail or cease its operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

On September 8, 2015, the Company and MGT Sports entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Viggie, Inc. (“Viggie”) and Viggie’s subsidiary DraftDay Gaming Group, Inc. (“DDGG”), pursuant to which Viggie acquired all of the assets of the DraftDay.com business (the “DraftDay Business”) from the Company and MGT Sports. In exchange for the DraftDay Business, Viggie paid MGT Sports the following: (a) 1,269,342 shares of Viggie’s common stock, par value \$0.001 per share, (b) a promissory note in the amount of \$234 due September 29, 2015 (the “September 2015 Note”), (c) a promissory note in the amount of \$1,875 due March 8, 2016 (the “March 2016 Note”), and (d) 2,550,000 shares of common stock of DDGG.

The Company anticipates, but cannot guarantee, that following the sale of the DraftDay Business its operating costs will be reduced by approximately \$125 per month.

**Note 3. Summary of significant accounting policies**

**Use of estimates and assumptions and critical accounting estimates and assumptions**

The preparation of financial statements in conformity with US GAAP 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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s).

Critical accounting estimates are estimates for which (a) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (b) the impact of the estimate on financial condition or operating performance is material. The Company's critical accounting estimates and assumptions affecting the financial statements were "Carrying Value of the Long-lived Assets," "Valuation Allowance for Deferred Tax Assets," "Valuation of Equity Instruments" and "Valuation of Investments."

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

**Principles of consolidation**

All intercompany transactions and balances have been eliminated. Non-controlling interest represents the minority equity investment in MGT subsidiaries, plus the minority investors' share of the net operating results and other components of equity relating to the non-controlling interest.

**Reclassification of discontinued operations**

In accordance with ASC 205-20 regarding the presentation of discontinued operations the assets, liabilities and activity of the DraftDay.com business have been reclassified as a discontinued operation for all periods presented.

Assets and liabilities related to the discontinued operations of DraftDay.com are as follows:

	<b>As of</b>	
	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Cash and cash equivalents	\$ -	\$ 807
Other current assets	-	30
Property and equipment	-	32
Intangible assets	-	809
Goodwill	-	4,948
<b>Total assets</b>	<b>-</b>	<b>\$ 6,626</b>
Accounts payable	\$ -	\$ 46
Player deposits	-	942
<b>Total liabilities</b>	<b>-</b>	<b>\$ 988</b>

DraftDay.com's losses for the three and nine months ended September 30, 2015 and 2014 are included in "Loss from discontinued operations" in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

Summarized financial information for DraftDay.com's operations for the three and nine months ended September 30, 2015 and 2014 are presented below:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 176	\$ 297	\$ 640	\$ 615
Cost of revenue	(39)	(168)	(225)	(384)
Gross margin	137	129	415	231
Operating expenses	(366)	(572)	(1,202)	(1,415)
Net loss	<u>\$ (229)</u>	<u>\$ (443)</u>	<u>\$ (787)</u>	<u>\$ (1,184)</u>

### Investments

Equity security investments available for sale, at market value, reflect unrealized appreciation and depreciation, as a result of temporary changes in market value during the period, in shareholders' equity, net of income taxes in "accumulated other comprehensive income (loss)" in the consolidated balance sheets. For non-publicly traded securities, market prices are determined through the use of pricing models that evaluate securities. For publicly traded securities, market value is based on quoted market prices or valuation models that use observable market inputs.

### Loss per share

Basic loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss attributable to common shareholders by the sum of the weighted average number of common shares outstanding plus potential dilutive common shares outstanding during the period. Potential dilutive securities, comprised of the convertible Preferred Stock, unvested restricted shares and stock options, are not reflected in diluted net loss per share because such shares are anti-dilutive.

The computation of diluted loss per share for the three and nine months ended September 30, 2015, excludes 10,451 shares in connection to the convertible Preferred Stock, 1,020,825 warrants and 9,000 unvested restricted shares, as they are anti-dilutive due to the Company's net loss. For the three and nine months ended September 30, 2014, the computation excludes 9,845 shares in connection to the convertible Preferred Stock, 1,020,825 warrants and 130,000 unvested restricted shares, as they are anti-dilutive due to the Company's net loss.

### Recent accounting pronouncements

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, simplifying the Accounting for Measurement-Period Adjustments that eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new guidance does not change what constitutes a measurement period adjustment. The Company does not expect the adoption of this ASU to significantly impact the consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15 Interest- Imputation of Interest, final guidance that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. This publication has been updated to reflect an SEC staff member's comment in June 2015 that the staff will not object to an entity presenting the cost of securing a revolving line of credit as an asset, regardless of whether a balance is outstanding. The Company does not expect the adoption of this ASU to significantly impact the consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This ASU removes, from the fair value hierarchy, investments which measure fair value using net asset value per share practical expedient. Instead, an entity is required to include those investments as a reconciling line item so that the total fair value amount of investments in the disclosure is consistent with the amount on the balance sheet. For public companies, this ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendment should be applied retrospectively to all periods presented. The Company is expected to make the required changes to the fair value hierarchy disclosure as of the effective date of this new guidance.

In April 2015, the FASB issued ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40). This ASU provides guidance about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2015-05 on our financial statements and disclosures.

#### Note 4. Goodwill and intangible assets

The Company's intangible assets for continuing operations consisted of the following:

	<b>Goodwill</b>
Balance at January 1, 2015	\$ 1,496
Disposals	-
<b>Balance at September 30, 2015</b>	<b>\$ 1,496</b>

	<b>Intangible Assets</b>
Balance at January 1, 2015	\$ 1,608
Disposals	(179)
Amortization expense	(170)
<b>Balance at September 30, 2015</b>	<b>\$ 1,259</b>

	<b>Estimated remaining useful life</b>	<b>September 30, 2015</b>
Intellectual property	6 years	\$ 1,913
Trademarks	2 years	65
Less: Accumulated amortization		(719)
<b>Intangible assets, net</b>		<b>\$ 1,259</b>

In the three and nine months ended September 30, 2015 the Company recorded an amortization expense of \$55 and \$170, respectively (2014: \$62 and \$241).

#### Note 5. Note receivable

On February 26, 2015, the Company signed a letter of intent with Tera Group, Inc., owner of TeraExchange, LLC, a Swap Execution Facility regulated by the U.S. Commodity Futures Trading Commission, to negotiate a merger agreement. Since the merger agreement was not executed by the execution date, the merger was aborted. Simultaneous with the letter of intent, on February 26, 2015, the Company purchased a promissory note in the principal amount of \$250 bearing interest at the rate of 5% per annum from the aggregate unpaid principal balance and all accrued and unpaid interest are due and payable upon demand at any time after August 15, 2015. As of November 14, 2015, the Company has fully reserved against the collectability of this note and the corresponding accrued interest.

#### Note 6. Series A Convertible Preferred Stock

On November 2, 2012, the Company closed a private placement sale of 1,380,362 shares of Series A Convertible Preferred Stock ("Preferred Stock"), (including 2,760,724 warrants to purchase MGT Common Stock) for an aggregate of \$4.5 million. This transaction was approved by the NYSE MKT on October 26, 2012. The Preferred Stock is convertible into the Company's Common Stock at a fixed price of \$3.26 per share and carries a 6% dividend. The warrants have a five-year life and are exercisable at \$3.85 per share. Total issuance cost for this private placement for the year ended December 31, 2012, was \$88.

For the three months ended September 30, 2015 and 2014, respectively, the Company issued 155 and 146 of Dividend Shares to the Preferred Stock holders. For the nine months ended September 30, 2015 and 2014, respectively, the Company issued 458 and 432 of Dividend Shares to the Preferred Stock holders.

#### Note 7. Stock incentive plan and stock-based compensation

##### Stock incentive plan

The Company's board of directors established the 2012 Stock Incentive Plan (the "Plan") on April 15, 2012, and the Company's shareholders ratified the Plan at the annual meeting of the Company's stockholders on May 30, 2012. The Company has 415,000 shares of Common Stock that are reserved to grant Options, Stock Awards and Performance Shares (collectively the "Awards") to "Participants" under the Plan. The Plan is administered by the board of directors or the Compensation Committee of the board of directors, which determines the individuals to whom awards shall be granted as well as the type, terms and conditions of each award, the option price and the duration of each award.

At the annual meeting of the stockholders of MGT held on September 27, 2013, stockholders approved an amendment to the Plan (the “Amended and Restated Plan”) to increase the amount of shares of Common stock that may be issued under the Amended and Restated Plan to 1,335,000 shares from 415,000 shares, an increase of 920,000 shares and to add a reload feature.

Options granted under the Plan vest as determined by the Company’s Compensation and Nominations Committee and expire over varying terms, but not more than seven years from date of grant. In the case of an Incentive Stock Option that is granted to a 10% shareholder on the date of grant, such Option shall not be exercisable after the expiration of five years from the date of grant. No option grants were issued during the three and nine months ended September 30, 2015, and 2014.

**Issuance of restricted shares – directors, officers and employees**

The restricted shares are valued using the closing market price on the date of grant, of which the share-based compensation expense is recognized over their vesting period. The unvested shares are subject to forfeiture if the applicable recipient is not a director, officer and/or employee of the Company at the time the restricted shares are to vest.

A summary of the Company’s employee’s restricted stock as of September 30, 2015, is presented below:

	Number of shares	Weighted average grant date fair value
Non-vested at January 1, 2015	110,000	\$ 1.48
Granted	55,000	0.56
Vested	(100,500)	0.97
Forfeited	(55,500)	1.28
<b>Non-vested at September 30, 2015</b>	<b>9,000</b>	<b>\$ 1.98</b>

For the three and nine months ended September 30, 2015 the Company has recorded \$18 and \$82, respectively, (2014: \$37 and \$254) in employee and director stock-based compensation expense, which is a component of selling, general and administrative expense in the condensed Consolidated Statement of Operations.

In the three and nine months ended September 30, 2015, and 2014, the Company did not allocate any stock-based compensation expense to non-controlling interest.

**Unrecognized compensation cost**

As of September 30, 2015, unrecognized compensation costs related to non-vested stock-based compensation arrangements, was \$3 (2014: \$141), and is expected to be recognized over a weighted average period of 0.04 (2014: 0.93) years.

**Stock-based compensation – non-employees**

For the three and nine months ended September 30, 2015 the Company granted and issued a total of 80,166 and 296,624 shares respectively, to non-employees for services rendered. The shares were recorded at \$26 and \$141 respectively, using the closing market value on respective dates of issuance.

Subsequent to September 30, 2015, and through the date of filing the Quarterly Report on Form 10-Q, the Company granted and issued a total of 30,000 shares to non-employees for services rendered. The shares were recorded at \$10 using the closing market value on respective dates of issuance.

**Warrants**

As of September 30, 2015 the Company had 1,020,825 warrants outstanding at weighted average exercise price of \$3.47, and an intrinsic value of \$nil.

As of September 30, 2015, all issued warrants are exercisable and expire through 2018.

**Note 8. Non-controlling interest**

At September 30, 2015 the Company's non-controlling interest was as follows:

	<u>MGT Gaming</u>	<u>MGT Interactive</u>	<u>M2P Americas</u>	<u>Total</u>
Non-controlling interest at January 1, 2015	\$ 370	\$ 92	\$ (20)	\$ 442
Non-controlling share of loss / (income)	(105)	4	(2)	(103)
Transfers from non-controlling interest		(96)		(96)
<b>Non-controlling interest at September 30, 2015</b>	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ (22)</u>	<u>\$ 243</u>

**Note 9. Operating leases, commitments and security deposit**

On August 20, 2014, the Company entered into a First Lease Modification and Extension Agreement, extending for a period of one year the current lease on the Harrison office. The lease expires on November 30, 2015.

Total lease rental expense for the three months ended September 30, 2015 and 2014, was \$27 and \$30, respectively. Total lease rental expense for the nine months ended September 30, 2015 and 2014, was \$69 and \$92, respectively.

On October 26, 2015, the Company entered into an Office License Agreement commencing December 1, 2015. The term expires on November 30, 2016 and carries a monthly fee of \$4. The Company paid a refundable service retainer of \$6 and a non-refundable set up fee of \$1.

On September 28, 2015, the Company provided Robert Ladd, President and Chief Executive Officer, and Robert Traversa, Treasurer and Chief Financial Officer, with written notices of its intent not to renew their employment agreements. The employment agreements will expire in accordance with their terms on November 30, 2015.

On October 7, 2015, the Company entered into an amended and restated employment agreement with Robert Ladd, its Chief Executive Officer and President, effective October 1, 2015. The agreement amends and restates in its entirety the employment agreement entered into between the Company and Mr. Ladd on November 19, 2012 and amended January 28, 2014. The term of the agreement shall expire on November 30, 2016, subject to automatic renewals of one year. The agreement provides for a base salary of \$199 per year. Pursuant to the agreement, the Company also granted Mr. Ladd 200,000 shares of unregistered common stock. Mr. Ladd is eligible for bonus compensation and equity awards as may be approved in the discretion of the Compensation Committee and the Board of Directors. Upon termination of his employment for reasons other than death, disability, or cause or upon resignation for good reason, Mr. Ladd will be entitled to a severance payment equal to the higher of the aggregate amount of his base salary for the then remaining term of the agreement or twelve times the average monthly base salary paid or accrued during the three full calendar months immediately preceding such termination. All unvested stock options shall immediately vest and the exercise period of such options shall be extended to the later of the longest period permitted by the Company's stock option plans or ten years following the termination date. The agreement also contains non-compete and change of control provisions.

**Note 10. Segment reporting**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is composed of the Chief Executive Officer and Chief Financial Officer. The Company operates in two segments, Gaming and Intellectual Property. Medicsight's Software and Devices and Services are no longer considered separate business segments and have been merged into the Intellectual Property segment. Certain corporate expenses are not allocated to segments.

The Company evaluates performance of its operating segments based on revenue and operating (loss). Segment information as of September 30, 2015, and December 31, 2014, are as follows:

	Intellectual property	Gaming – Continuing Operations	Unallocated corporate/other	Total	Gaming – Discontinued Operations
<b>Three months ended September 30, 2015</b>					
Revenue	\$ 90	\$ –	\$ –	\$ 90	\$ 176
Cost of revenue	(5)	–	–	(5)	(39)
Gross margin	85	–	–	85	137
Operating profit/(loss)	13	(8)	(562)	(557)	(229)
<b>Three months ended September 30, 2014</b>					
Revenue	\$ 1	\$ –	\$ –	\$ 1	\$ 297
Cost of revenue	–	–	–	–	(168)
Gross margin	1	–	–	1	129
Operating profit/(loss)	(83)	(321)	(596)	(1,000)	(443)
<b>Nine months ended September 30, 2015</b>					
Revenue	\$ 102	\$ 2	\$ –	\$ 104	\$ 640
Cost of revenue	(5)	–	–	(5)	(225)
Gross margin	97	2	–	99	415
Operating profit/(loss)	(214)	(33)	(1,947)	(2,194)	(787)
<b>Nine months ended September 30, 2014</b>					
Revenue	\$ 81	\$ 7	\$ –	\$ 88	\$ 615
Cost of revenue	–	–	–	–	(384)
Gross margin	81	7	–	88	231
Operating profit/(loss)	(269)	(1,040)	(1,782)	(3,091)	(1,184)
<b>September 30, 2015</b>					
Cash and cash equivalents (excludes \$39 of restricted cash)	\$ –	\$ –	\$ 428	\$ 428	\$ –
Property and equipment	–	2	3	5	–
Intangible assets	1,234	25	–	1,259	–
Goodwill	–	1,496	–	1,496	–
<b>December 31, 2014</b>					
Cash and cash equivalents (excludes \$138 of restricted cash)	\$ 11	\$ 12	\$ 625	\$ 648	\$ 807
Property and equipment	–	6	5	11	32
Intangible assets	1,577	31	–	1,608	809
Goodwill	–	1,496	–	1,496	4,948
<b>Additions:</b>					
Property and equipment	–	–	–	–	41
Intangible assets	–	–	–	–	790

#### Note 11. Fair Value

The authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

*Level 1* – Quoted prices in active markets for identical assets or liabilities

*Level 2* – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data or substantially the full term of the assets or liabilities

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities

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

<b>September 30, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments – Viggie common shares	\$ 1,041	\$ –	\$ –	\$ 1,041
Investments – DDGG	\$ –	\$ –	\$ 1,380	\$ 1,380
<b>December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
–	\$ –	\$ –	\$ –	\$ –

**Investments – DDGG**

	<b>September 30, 2015</b>
Balance at December 31, 2014	\$ –
Receipt of Investments – DDGG	1,380
Change in fair value	–
<b>Balance at September 30, 2015</b>	<b>\$ 1,380</b>

**Note 12. Subsequent events**

The Company has evaluated events that occurred subsequent to September 30, 2015, and through the date of the Condensed Consolidated Financial Statements.

On October 8, 2015, the Company entered into separate subscription agreements (the “Subscription Agreement”) with accredited investors (the “Investors”) relating to the issuance and sale of \$700 of units (the “Units”) at a purchase price of \$0.25 per Unit, with each Unit consisting of one share (the “Shares”) of the Company’s common stock, par value \$0.001 per share (the “Common Stock”) and a three year warrant (the “Warrants”) to purchase two shares of Common Stock at an initial exercise price of \$0.25 per share (such sale and issuance, the “Private Placement”).

The Warrants are exercisable at a price of \$0.25 on the earlier of (i) one year from the date of issue or (ii) the occurrence of certain corporate events, including a private or public financing, subject to approval of the lead investor, in which the Company receives gross proceeds of at least \$7,500; a spinoff; one or more acquisitions or sales by the Company of certain assets approved by the stockholders of the Company; or a merger, consolidation, recapitalization, or reorganization approved by the stockholders of the Company (each, a “Qualifying Transaction”). The Warrants may be exercised by means of a “cashless exercise” following the four-month anniversary of the date of issue, provided that the Company has consummated a Qualifying Transaction and there is no effective registration statement registering the resale of the shares of Common Stock underlying the Warrants (the “Warrant Shares”). The Company is prohibited from effecting an exercise of any Warrant to the extent that, as a result of any such exercise, the holder would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of such Warrant, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99%. The Warrants are also subject to certain adjustments upon certain actions by the Company as outlined in the Warrants. Prior to receipt of shareholder approval, the warrants, when aggregated with the shares of common stock issued in the offering, shall not be exercisable into more than 19.99% of the number of shares of Common Stock outstanding as of the closing date.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "estimates," "should," "expect," "guidance," "project," "intend," "plan," "believe" and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K filed with the SEC on April 15, 2015, in addition to other public reports we filed with the Securities and Exchange Commissions ("SEC"). The forward-looking statements set forth herein speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

### **Executive summary**

MGT Capital Investments, Inc. ("MGT," "the Company," "we," "us") is a Delaware corporation, incorporated in 2000. The Company was originally incorporated in Utah in 1977. MGT is comprised of the parent company, majority-owned subsidiary MGT Gaming, Inc. ("MGT Gaming") and wholly-owned subsidiaries Medicsight, Inc. ("Medicsight"), MGT Studios, Inc. ("MGT Studios") and its minority-owned subsidiary M2P Americas, Inc., and MGT Sports, Inc. ("MGT Sports"). Our corporate office is located in Harrison, New York.

MGT and its subsidiaries are principally engaged in the business of acquiring, developing and monetizing assets in the online and mobile gaming space as well as the social casino industry. MGT's portfolio of assets in the online, mobile gaming and social casino gaming space includes DraftDay.com (see September 8, 2015 development below), FantasySportsLive.com, MGT Play and Slot Champ. The Company also provides a white-label service to third party marketers.

In addition, MGT Gaming owns two U.S. patents covering certain features of casino slot machines. Both patents were asserted against alleged infringers in various actions in federal court in Mississippi. On July 29, 2015, MGT, Aruze America, Aruze Macau, and Penn agreed, through their respective counsel, to settle all pending disputes, including the Mississippi litigation and all proceedings at the PTO. The parties have subsequently jointly terminated the Mississippi litigation and the PTO proceedings. The Company received a payment of \$90, which was earned as licensing revenue.

On September 8, 2015, the Company and MGT Sports entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Viggie, Inc. ("Viggie") and Viggie's subsidiary DraftDay Gaming Group, Inc. ("DDGG"), pursuant to which Viggie acquired all of the assets of the DraftDay.com business (the "DraftDay Business", "DraftDay.com") from the Company and MGT Sports. In exchange for the acquisition of DraftDay.com, Viggie paid MGT Sports the following: (a) 1,269,342 shares of Viggie's common stock, par value \$0.001 per share, (b) a promissory note in the amount of \$234 due September 29, 2015 (the "September 2015 Note"), (c) a promissory note in the amount of \$1,875 due March 8, 2016 (the "March 2016 Note"), and (d) 2,550,000 shares of common stock of DDGG. In addition, in exchange for providing certain transitional services, DDGG will issue to MGT Sports a warrant to purchase 1,500,000 shares of DDGG common stock at an exercise price of \$0.40 per share. Following consummation of the transactions contemplated by the Asset Purchase Agreement, including certain agreements between Viggie and third parties, MGT Sports owns 2,550,000 shares of DDGG common stock, Viggie owns 11,250,000 shares of DDGG common, and Sportech, Inc. own 9,000,000 shares of DDGG common stock. The Company anticipates, but cannot guarantee, that following the sale of the DraftDay Business its operating costs will be reduced by approximately \$125 per month. As a result of the transaction, the Company has presented the MGT Sports segment as a discontinued operation.

On August 28, 2015, the Company and MGT Interactive along with Gioia entered into an Assignment and Sale Agreement (the "Agreement"). MGT Interactive sold certain tangible and intellectual property assets in exchange for Gioia's 49% membership interest in Interactive along with a cash payment of \$35. The Agreement also required Gioia to cause the Court to dismiss its complaint against the Company. As a result of the Agreement, the Company recognized a \$144 loss on sale of assets.

Outside of the business of acquiring, developing and monetizing assets in the online, mobile gaming and casino gaming space, MGT's wholly owned subsidiary Medicsight owns U.S. Food and Drug Administration approved medical imaging software and has designed an automated carbon dioxide insufflation device which receives royalties from an international manufacturer.

### **Critical accounting policies and estimates**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of those significant accounting policies can be found in Note 3 to the Company's financial statements contained in the 2014 Annual Report on Form 10-K and Part I (Note 3) contained in this Quarterly Report on Form 10-Q.

## **Results of operations**

The Company currently has two operational segments, Gaming and Intellectual Property. Medicsight's Software and Devices and Services are no longer considered separate business segments and have been merged into the Intellectual Property segment. Certain corporate expenses are not allocated to segments. Certain corporate expenses are not allocated to a particular segment.

### **Three months ended September 30, 2015 and 2014**

The Company achieved the following results for the three months ended September 30, 2015, and 2014, respectively:

- Revenues from continuing operations totaled \$90 (2014: \$1).
- Operating expenses were \$642 (2014: \$1,001).
- Loss from discontinued operations were \$366 (2014: \$443).
- Net loss attributable to Common shareholders was \$1,321 (2014: \$1,381) and resulted in a basic and diluted loss per share of \$0.10 (2014: \$0.13). Net loss from continuing operations before non-controlling interest was \$949 (2014: \$1,008).

Our operating expenses decreased approximately 36% during the quarter ended September 30, 2015 compared to quarter ended September 30, 2014. The decrease is primarily attributed to reductions in professional fees, corporate governance and stock-based compensation expense along with certain expenses allocated to the discontinued operations.

#### **Intellectual property**

In the three months ended September 30, 2015, the Company recognized \$90 in licensing revenue related to the gaming patent, compared to \$1 for the same period last year, which was primarily from the Insufflator.

Selling, general and administrative expenses for the three months ended September 30, 2015 were \$72 (2014: \$84), attributed to legal and consulting costs and amortization of the intellectual property assets.

#### **Gaming – Continuing operations**

During the three months ended September 30, 2015, our selling, general and administrative expenses for this segment were \$8 (2014: \$281). In the prior year the expenses consisted of employee compensation, information technology and office related expenses in MGT Studios. The company did not incur any research and development costs for the three months ended September 30, 2015, (2014: \$40). The decreases are due to the headcount and overhead expense reductions in 2015 as the Company focused on monetizing DraftDay.com.

#### **Gaming – Discontinued operations (DraftDay.com)**

During the three months ended September 30, 2015, the Company recognized \$176 in revenues for this segment as compared to \$297 for the same period last year. The decrease is attributable to selling and discontinuing the operation during the three months ended September 30, 2015.

Our cost of revenue for the three months ended September 30, 2015 was \$39 (2014: \$168), which primarily consisted of overlay incurred on the DraftDay website. The website offers Daily Fantasy Sports contests and charges entry fees to play. Occasionally, as an incentive for user activity some contests may pay out higher prize money than the charged entry fees, the expense is recognized as overlay and included in cost of revenues.

During the three months ended September 30, 2015, our selling, general and administrative expenses were \$366 (2014: \$572), primarily consisting of marketing expenses, employee compensation, information technology and office related expenses. The decrease is attributable to selling and discontinuing the operation during the three months ended September 30, 2015.

#### **Unallocated corporate / other**

Selling, general and administrative expenses during the three months ended September 30, 2015 were \$562 (2014: \$597), primarily due to lower corporate governance and stock-based compensation expense.

The Company recorded \$8 in interest income, recognized an impairment of \$256 on a note receivable, and recorded a loss of \$144 on the sale of assets during the quarter ended September 30, 2015.

During the comparable period ended September 30, 2014, the Company recognized interest income of \$2.

#### **Nine months ended September 30, 2015 and 2014**

The Company achieved the following results for the nine months ended September 30, 2015, and 2014, respectively:

- Revenues from continuing operations totaled \$104 (2014: \$88).
- Operating expenses were \$2,293 (2014: \$3,179).
- Losses of \$924 from discontinued operations (2014: \$1,184).
- Net loss attributable to Common shareholders was \$3,443 (2014: \$3,894) and resulted in a basic and diluted loss per share of \$0.27 (2014: \$0.78). Net loss from continuing operations before non-controlling interest was \$2,622 (2014: \$3,083).

Our operating expenses decreased approximately 28% during the nine months ended September 30, 2015 compared to nine months ended September 30, 2014. The decrease is primarily attributed to reductions in professional fees, corporate governance and stock-based compensation expense along with certain expenses related to the discontinued operations.

#### **Intellectual property**

In the nine months ended September 30, 2015, the Company recognized \$102 primarily related to gaming patent, compared to \$81 for the same period last year, mostly attributed to the Insufflator.

Selling, general and administrative expenses for the nine months ended September 30, 2015 were \$311 (2014: \$350), related to legal and consulting costs and amortization of the intellectual property assets.

#### **Gaming – Continuing operations**

During the nine months ended September 30, 2015, our selling, general and administrative expenses for this segment were \$35 (2014: \$894). In the prior year the expenses consisted of employee compensation, information technology and office related expenses in MGT Studios. The company did not incur any research and development costs for the nine months ended September 30, 2015, (2014: \$153). The decreases are due to the headcount and overhead expense reductions in 2015 as the Company focused on monetizing DraftDay.com.

#### **Gaming – Discontinued operations (DraftDay.com)**

During the nine months ended September 30, 2015, the Company recognized \$640 in revenues for this segment as compared to \$615 for the same period last year. The revenues were lower in the previous year, as the Company did not acquire DraftDay until the second quarter of 2014.

Our cost of revenue for the nine months ended September 30, 2015 was \$225 (2014: \$384), which primarily consisted of overlay incurred on the DraftDay website. The website offers Daily Fantasy Sports contests and charges entry fees to play. Occasionally, as an incentive for user activity some contests may pay out higher prize money than the charged entry fees, the expense is recognized as overlay and included in cost of revenues.

During the nine months ended September 30, 2015, our selling, general and administrative expenses were \$1,202 (2014: \$1,415), primarily consisting of marketing expenses, employee compensation, information technology and office related. The decrease is attributable to selling and discontinuing the operation during the three months ended September 30, 2015.

#### **Unallocated corporate / other**

Selling, general and administrative expenses during the nine months ended September 30, 2015 were \$1,947 (2014: \$1,782), primarily due to reclassification.

The Company recorded \$28 in interest expense, recognized an impairment of \$256 on a note receivable, and recorded a loss of \$144 on the sale of assets during the nine months ended September 30, 2015. During the comparable period ended September 30, 2014, the Company recognized interest expense of \$1 and recorded an impairment of \$135 on intangible assets.

## Liquidity and capital resources

	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>Working capital summary:</b>		
Cash and cash equivalents (excluding \$39 and \$138 of restricted cash as of June 30, 2015 and December 31, 2014 respectively)	\$ 428	\$ 648
Other current assets	2,977	146
Current assets – Discontinued operations	–	838
Current liabilities	(575)	(391)
Current liabilities – Discontinued operations	–	(988)
<b>Working capital surplus</b>	<b>\$ 2,830</b>	<b>\$ 253</b>
	<u>2015</u>	<u>2014</u>
<b>Cash flow summary:</b>		
Cash (used in) / provided by:		
Operating activities	\$ (1,684)	\$ (2,372)
Investing activities	(114)	2
Financing activities	1,644	1,285
Discontinued operations	(66)	(1,352)
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (220)</b>	<b>\$ (2,437)</b>

On September 30, 2015, MGT's cash and cash equivalents were \$428 excluding \$39 of restricted cash. The Company continues to exercise discipline with respect to current expense levels, as revenues remain limited. Our cash and cash equivalents have decreased during the nine months ended September 30, 2015, primarily due to \$1,684 used in operating activities, the \$250 note sold to Tera and mostly offset by the release of restricted cash and security deposit of \$101 and \$1,644 in net proceeds from ATM sales of common stock.

### Operating activities

Our net cash used in operating activities differs from the net loss predominantly because of various non-cash adjustments such as depreciation, amortization of intangibles and stock-based compensation, and change in fair value of warrants and movement in working capital.

### Risks and uncertainties related to our future capital requirements

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of September 30, 2015, the Company had incurred significant operating losses since inception and continues to generate losses from operations and has an accumulated deficit of \$302,606. These matters raise substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Commercial results have been limited and the Company has not generated significant revenues. The Company cannot assure its stockholders that the Company's revenues will be sufficient to fund its operations. If adequate funds are not available, the Company may be required to curtail its operations significantly or to obtain funds through entering into arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of our technologies or products that the Company would not otherwise relinquish.

The Company's primary source of operating funds since inception has been debt and equity financings. On December 30, 2013, and as amended on March 27, 2014, the Company entered into an At the Market Offering Agreement (the "ATM Agreement") with Ascendant Capital Markets, LLC (the "Manager"). Pursuant to the ATM Agreement, the Company may offer and sell shares of its Common Stock (the "Shares") having an aggregate offering price of up to \$8.5 million from time to time through the Manager. The Company intends to use the net proceeds from any sales of Shares in the offering for working capital, capital expenditures, and general business purposes. For the nine months ended September 30, 2015, the Company sold approximately 3,155,000 Shares under the ATM Agreement for gross proceeds of approximately \$1,644 before related expenses. The proceeds will be used for general corporate purposes. As of August 14, 2015, the Company has approximately \$5.4 million remaining under the program, assuming sufficient Shares are available to be issued.

At September 30, 2015, MGT's cash, cash equivalents and restricted cash were \$467. The Company intends to raise additional capital, either through debt or equity financings or through the continued sale of the Company's assets in order to achieve its business plan objectives. Management believes that it can be successful in obtaining additional capital; however, no assurance can be provided that the Company will be able to do so. There is no assurance that any funds raised will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail or cease its operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

On September 8, 2015, the Company and MGT Sports entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Viggle, Inc. ("Viggle") and Viggle's subsidiary DraftDay Gaming Group, Inc. ("DDGG"), pursuant to which Viggle acquired all of the assets of the DraftDay.com business (the "DraftDay Business", "DraftDay.com") from the Company and MGT Sports. In exchange for the acquisition of DraftDay.com, Viggle paid MGT Sports the following: (a) 1,269,342 shares of Viggle's common stock, par value \$0.001 per share, (b) a promissory note in the amount of \$234 due September 29, 2015 (the "September 2015 Note"), (c) a promissory note in the amount of \$1,875 due March 8, 2016 (the "March 2016 Note"), and (d) 2,550,000 shares of common stock of DDGG. In addition, in exchange for providing certain transitional services, DDGG will issue to MGT Sports a warrant to purchase 1,500,000 shares of DDGG common stock at an exercise price of \$0.40 per share. Following consummation of the transactions contemplated by the Asset Purchase Agreement, including certain agreements between Viggle and third parties, MGT Sports owns 2,550,000 shares of DDGG common stock, Viggle owns 11,250,000 shares of DDGG common, and Sportech, Inc. own 9,000,000 shares of DDGG common stock. The Company anticipates, but cannot guarantee, that following the sale of the DraftDay Business its operating costs will be reduced by approximately \$125 per month. As a result of the transaction, the Company has presented the MGT Sports segment as a discontinued operation.

On October 8, 2015, the Company entered into separate subscription agreements (the "Subscription Agreement") with accredited investors (the "Investors") relating to the issuance and sale of \$700 of units (the "Units") at a purchase price of \$0.25 per Unit, with each Unit consisting of one share (the "Shares") of the Company's common stock, par value \$0.001 per share (the "Common Stock") and a three year warrant (the "Warrants") to purchase two shares of Common Stock at an initial exercise price of \$0.25 per share (such sale and issuance, the "Private Placement").

The Warrants are exercisable at a price of \$0.25 on the earlier of (i) one year from the date of issue or (ii) the occurrence of certain corporate events, including a private or public financing, subject to approval of the lead investor, in which the Company receives gross proceeds of at least \$7,500; a spinoff; one or more acquisitions or sales by the Company of certain assets approved by the stockholders of the Company; or a merger, consolidation, recapitalization, or reorganization approved by the stockholders of the Company (each, a "Qualifying Transaction"). The Warrants may be exercised by means of a "cashless exercise" following the four month anniversary of the date of issue, provided that the Company has consummated a Qualifying Transaction and there is no effective registration statement registering the resale of the shares of Common Stock underlying the Warrants (the "Warrant Shares"). The Company is prohibited from effecting an exercise of any Warrant to the extent that, as a result of any such exercise, the holder would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of such Warrant, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99%. The Warrants are also subject to certain adjustments upon certain actions by the Company as outlined in the Warrants.

#### Off-balance sheet arrangements

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

#### **Item 3. Quantitative and qualitative disclosures about market risk**

Not required for smaller reporting companies.

#### **Item 4. Controls and procedures**

(a) *Evaluation of disclosure controls and procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of September 30, 2015 (the end of the period covered by this Quarterly Report on Form 10-Q), have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2015, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal proceedings

On April 21, 2015, Gioia Systems, LLC (“Gioia”) filed a complaint against the Company, the Company’s majority owned subsidiary, MGT Interactive, LLC and Interactive directors with the United States District Court for the Southern District of New York. MGT Interactive, LLC was also included as a derivative plaintiff in the action. Gioia Systems, LLC’s complaint asserts claims for breach of contract and breach of fiduciary duty relating to the September 3, 2013 Contribution Agreement and related agreements between Gioia, the Company and MGT Interactive, LLC. This litigation was settled on October 2, 2015.

On November 2, 2012, MGT Gaming filed a lawsuit (No. 3:12-cv-741) in the United States District Court for the Southern District of Mississippi alleging patent infringement against certain companies which either manufacture, sell or lease gaming systems alleged to be in violation of MGT Gaming’s patent rights, or operate casinos that offer gaming systems that are alleged to be in violation of MGT Gaming’s ’088 patent, including Penn National Gaming, Inc. (“Penn”), and Aruze Gaming America, Inc. (“Aruze America”). An amended complaint added the ’554 patent, a continuation of the ’088 patent. In May 2014, Aruze America successfully sought a stay of the Mississippi action pending resolution of a Petition filed by a co-defendant for Inter Parties Review (“IPR”) with the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (“PTO”), challenging the ’088 Patent. Aruze America and a related company, Aruze Macau, subsequently filed additional IPR Petitions seeking review of the ’088 and ’554 patents. Aruze America also filed a Request that was subsequently denied for Ex Parte Re-examination of the ’088 patent. On July 29, 2015, MGT, Aruze America, Aruze Macau, and Penn agreed, through their respective counsel, to settle all pending disputes, including the Mississippi litigation and all proceedings at the PTO. The parties subsequently jointly terminated the Mississippi litigation and the PTO proceedings. The Company received a payment of \$90, which was earned as licensing revenue.

### Item 1–A. Risk factors

*Following our September 8, 2015 asset purchase agreement with Viggie Inc., we own 10% of DraftDay Gaming Group, Inc., which operates a daily fantasy sports website. Companies with daily fantasy sports offerings operate in an unclear and evolving regulatory environment. If a regulator, state attorney general or US Attorney takes the position that DraftDay’s business operates in violation of applicable laws, or if laws are changed, it could force DraftDay to cease operating in certain states or to change its business models in ways that could materially and negatively impact its business. Current regulations require that DraftDay operate in a manner that may result in financial risk.*

At a U.S. federal level, Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) prohibits online gambling practices, but exempts fantasy sports, as long as they operate within certain parameters. The UIGEA specifically exempts fantasy sports games, educational games, or any online contest that "has an outcome that reflects the relative knowledge of the participants, or their skill at physical reaction or physical manipulation (but not chance), and, in the case of a fantasy or simulation sports game, has an outcome that is determined predominantly by accumulated statistical results of sporting events, including any non-participant's individual performances in such sporting events..." However, all prizing must be determined and announced in advance of the competition and cannot be influenced by the fees or number of participants. This creates financial risk because DraftDay must determine prizes for games in advance, and if DraftDay does not have enough paying players in a game to cover the amount of the prize for the game, DraftDay could experience significant losses.

Even if DraftDay operates in compliance with UIGEA, individual states can take more restrictive positions. In most U.S. states, fantasy sports currently is generally considered a game of skill and therefore not considered gambling. However, some states either use a more restrictive test of whether a game is one of skill or have specific laws outlawing pay-to-play fantasy sports. Therefore, DraftDay does not operate in Arizona, Iowa, Louisiana, Montana, Nevada, Vermont or Washington. In addition, on November 10, 2015, the Attorney General of New York issued a letter to FanDuel and DraftKings, two of the largest competitors in the fantasy sports industry, stating that it believes that their activities constitute illegal gambling under the laws of the State of New York and instructing them to cease their offerings to New York residents. As a result, DraftDay has ceased its fantasy sports offerings to New York residents, pending further developments on the matter. The legislative and regulatory environment for daily fantasy sports is evolving. The fantasy sports market has been subject to a significant amount of publicity and scrutiny in recent months. A number of states have recently undertaken reviews of the fantasy sports market to determine whether to regulate the market. Either the U.S. government or additional states could potentially pass laws or interpret their current laws in ways in a manner that would cause DraftDay to cease operating in those states, or to change the manner in which it operates. Any such change could materially and adversely affect DraftDay’s business.

**Item 2. Unregistered sales of equity securities and use of proceeds**

In the quarter ended September 30, 2015, the Company issued 155 shares of Series A Convertible Preferred stock as dividend shares to holders, representing dividends due from July 1, 2015, through September 30, 2015.

The above issuances were made in reliance on an exemption from registration set forth in Section 4(2) of the Securities Act. The issuances did not result in any proceeds to the Company.

**Item 3. Defaults upon senior securities**

None.

**Item 4. Mine safety disclosures**

Not Applicable.

**Item 5. Other information**

None

**Item 6. Exhibits**

31.1	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MGT CAPITAL INVESTMENTS, INC

November 16, 2015

By: /s/ ROBERT B. LADD  
Robert B. Ladd  
President and Chief Executive Officer  
*(Principal Executive Officer)*

November 16, 2015

By: /s/ ROBERT P. TRAVERSA  
Robert P. Traversa  
Treasurer and Chief Financial Officer  
*(Principal Financial Officer)*

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.