

Mattersight Corp
Form DEF 14A
March 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by Registrant Filed by a Party other than the Registrant

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- Preliminary Proxy Statement
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- Definitive Proxy Statement
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MATTERSIGHT CORPORATION

(Exact name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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March 31, 2016

Dear Mattersight Stockholder:

On behalf of the Board of Directors and management of Mattersight Corporation, I cordially invite you to attend the 2016 Annual Meeting of Mattersight's stockholders (the "Annual Meeting"). The Annual Meeting will be held at 9:00 a.m. Central Time on Thursday, May 12, 2016, at the Company's offices at 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606.

The agenda for this year's Annual Meeting includes the proposed election of our three Class II directors for a term of three years and the ratification of our independent public accountants for the 2016 fiscal year. Details of the business to be conducted at the Annual Meeting are given in the attached Notice of Annual Meeting and Proxy Statement. At the Annual Meeting, stockholders will have an opportunity to comment and ask appropriate questions. You may also obtain more information about Mattersight from documents we have filed with the Securities and Exchange Commission.

Our Board of Directors recommends that you vote "FOR" the election of the three nominees to serve on our Board of Directors for a term of three years and "FOR" the ratification of the appointment of Grant Thornton LLP as our independent public accountants for the 2016 fiscal year. The nominees for director will be elected by a plurality of the votes cast at the Annual Meeting, meaning the nominees who receive the greatest number of votes will be elected as directors. The ratification of the appointment of Grant Thornton LLP as the Company's independent public accountants for the 2016 fiscal year requires approval of the affirmative vote of holders of a majority of shares of Mattersight Stock outstanding and entitled to vote as of the record date and present in person or represented by proxy at the Annual Meeting.

On behalf of our Board of Directors, we thank you for your continued support of Mattersight. We encourage you to read the accompanying Proxy Statement and vote promptly. To ensure that your shares are represented at the Annual Meeting, whether or not you plan to attend in person, we urge you to submit a proxy with your voting instructions by telephone, via the Internet, or by signing, dating, and mailing your proxy card in accordance with the instructions provided on it.

Sincerely,

/s/ Kelly D. Conway
Kelly D. Conway
President and Chief Executive Officer

This Proxy Statement is first being made available to stockholders on or about March 31, 2016. Once again, this year, we are pleased to be providing our stockholders with proxy materials over the Internet. By using this method of delivery, we are able to provide these important materials in an expedited manner while reducing our costs and the environmental impact of our Annual Meeting.

MATTERSIGHT CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 12, 2016

The Annual Meeting of Mattersight Corporation, a Delaware corporation (referred to herein as the “Company,” “Mattersight,” “we,” “us,” or “our” as the context requires), will be held at 9:00 a.m. Central Time on Thursday, May 12, 2016 at our offices at 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606, for the following purposes:

1. To elect the three nominees identified in this Proxy Statement as Class II directors to our Board of Directors, to serve for a three-year term ending at the 2019 annual meeting of stockholders;
2. To ratify the appointment of Grant Thornton LLP as our independent public accountants for the 2016 fiscal year; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Proxy Statement more fully describes the foregoing items of business.

Only holders of record of shares of Mattersight Common Stock, \$0.01 par value per share (“Common Stock”), and holders of record of shares of Mattersight 7% Series B Convertible Preferred Stock, \$0.01 par value per share (“Series B Stock”, together with the Common Stock, “Mattersight Stock”), at the close of business on March 11, 2016 (the “Record Date”) may vote at the Annual Meeting. A list of the stockholders entitled to vote at the Annual Meeting will be available for inspection at Mattersight’s offices at 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606, during normal business hours, for ten days prior to the Annual Meeting.

Once again this year, we are pleased to be using the Securities and Exchange Commission (the “SEC”) “e-proxy” rule that allows companies to furnish their proxy materials over the Internet instead of mailing printed copies of the proxy materials to each stockholder. On or about March 31, 2016, we will mail a Notice of Internet Availability of Proxy Materials (the “Notice of Internet Availability”) to stockholders as of the Record Date, other than those stockholders who previously requested electronic or paper delivery of communications from us. The Notice of Internet Availability contains instructions on how to access an electronic copy of our proxy materials, including our Proxy Statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC on March 11, 2016 (the “Annual Report”). The Notice of Internet Availability also contains instructions on how to request a paper copy of the Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting in person, please vote at your earliest convenience. Your vote before the Annual Meeting will ensure representation of your shares at the Annual Meeting, even if you are unable to attend.

By Order of the Board of Directors,

/s/ Christine R. Carsen
Christine R. Carsen
General Counsel and Corporate Secretary

Chicago, Illinois

March 31, 2016



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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING

This Proxy Statement is being furnished to our stockholders as part of the solicitation of proxies by our Board of Directors for use at the Annual Meeting to be held at our offices at 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606 on Thursday, May 12, 2016, at 9:00 a.m. Central Time, or at any postponement or adjournment thereof. The proxy materials, together with a copy of Mattersight's 2015 Annual Report, are first being made available to our stockholders beginning on or about March 31, 2016.

The purpose of the Annual Meeting is for our stockholders to consider and vote upon the proposed election of our three Class II directors for a term of three years and the ratification of Mattersight's independent public accountants for the 2016 fiscal year. The following is intended to address questions you might have regarding the Annual Meeting.

How may I receive proxy materials?

We are pleased to be using the Securities and Exchange Commission "e-proxy" rule that allows companies to furnish their proxy materials over the Internet instead of mailing printed copies of the proxy materials to each stockholder. As a result, we are mailing our stockholders a notice about the Internet availability of the proxy materials that contains instructions on how to access this Proxy Statement, the accompanying Notice of Annual Meeting, and our 2015 Annual Report online. If you received this notice, then you will not automatically receive a printed copy of the proxy materials in the mail. Instead, the notice instructs you on how to access and review all of the important information contained in the proxy materials and how you may submit your proxy. The notice also contains instructions on how stockholders may, if desired, request a printed copy of our proxy materials.

How does our Board of Directors recommend that our stockholders vote?

After careful consideration, our Board of Directors recommends that you vote "FOR" the election of our three Class II directors and "FOR" the ratification of the appointment of Grant Thornton LLP as our independent public accountants for the 2016 fiscal year.

Who is entitled to vote at the Annual Meeting?

Only holders of record of shares of Common Stock and holders of record of shares of Series B Stock at the close of business on the Record Date may vote at the Annual Meeting. On the Record Date, 28,220,226 shares of Mattersight Stock, comprised of 26,578,240 shares of Common Stock and 1,641,986 shares of Series B Stock, were outstanding and entitled to be voted at the Annual Meeting. Each share of Mattersight Stock entitles the holder to one vote and both classes of Mattersight Stock will vote together as a single class on all matters presented for a vote at this meeting.

How many votes must be present to hold the Annual Meeting?

A quorum is necessary to hold a valid Annual Meeting. A quorum will be present at the Annual Meeting if the holders of a majority of the 28,220,226 shares of Mattersight Stock outstanding and entitled to vote generally in the election of directors on the Record Date are present, either in person or by proxy. Abstentions and broker-non-votes are counted for purposes of a quorum. Your shares are counted as present if you attend the meeting and vote in person or if you properly return a proxy over the Internet, by telephone, or by mail.

What is the difference between routine vs. non-routine matters?

The election of directors is considered to be a non-routine matter under applicable rules. Because a broker cannot vote without instructions on non-routine matters, there may be broker non-votes on this proposal. The ratification of the

appointment of Grant Thornton LLP as our independent public accountants for the 2016 fiscal year is considered to be a routine matter under applicable rules. A broker may generally vote on routine matters, and therefore, there should be no broker non-votes in connection with this proposal.

What vote is required to approve each of the proposals?

On all matters, each share has one vote. Our organizational documents do not provide for cumulative voting. Therefore, the nominees for director will be elected by a plurality of the votes cast at the Annual Meeting, meaning the nominees who receive the greatest number of affirmative votes will be elected as directors. Neither broker non-votes nor abstentions are included in the tabulation of the voting results and, therefore, do not have the effect of votes "AGAINST" the election of directors. The ratification of the appointment of Grant Thornton LLP as the Company's independent public accountants for the 2016 fiscal year must be approved by the affirmative vote of holders of a majority of shares of Mattersight Stock outstanding and entitled to vote as of the Record Date

and present in person or represented by proxy at the Annual Meeting. A failure to vote your shares of Mattersight Stock or a broker non-vote will have no effect on the outcome of the ratification of the appointment of Grant Thornton LLP as the Company's independent public accountants. An abstention will have the same effect as voting "AGAINST" the ratification of the appointment of Grant Thornton LLP as the Company's independent public accountants.

How do I vote or change my vote?

You may vote in person at the Annual Meeting or by proxy through the Internet, by telephone, or by mail. Likewise, you may revoke your proxy at any time before the voting at the Annual Meeting following proper procedure.

Voting in Person—If you hold shares in your name as a stockholder of record and plan to attend the Annual Meeting and wish to vote in person, you will be given a ballot at the Annual Meeting or you may give us a signed proxy card before voting is closed. If you would like to attend the Annual Meeting, please bring proof of identification with you to the Annual Meeting. Even if you plan to attend the Annual Meeting, we strongly encourage you to submit a proxy for your shares in advance as described below, so your vote will be counted if you later decide not to attend. If your shares are held in "street name," which means your shares are held of record by a broker, bank, or other nominee, and you wish to vote in person at the Annual Meeting, you must bring to the Annual Meeting a proxy from the record holder of the shares (your broker, bank, or nominee) authorizing you to vote at the Annual Meeting. To do this, you should contact your broker, bank, or nominee.

Voting by Proxy—If you are a holder of record of Mattersight Stock (that is, you hold your stock in your own name) on the Record Date, you may submit a proxy with your voting instructions by any of the following methods:

- Through the Internet: Go to the website www.proxyvote.com and follow the instructions included with the Notice of the Annual Meeting or, if applicable, on your proxy card, at any time before 11:59 p.m. Eastern Time on Wednesday, May 11, 2016. Instructions are also provided on the website.
- By Telephone: Call 1-800-690-6903 on a touch-tone telephone from anywhere within the United States or Canada at any time before 11:59 p.m. Eastern Time on Wednesday, May 11, 2016, and follow the instructions included with the Notice of the Annual Meeting or, if applicable, on your proxy card. Instructions are also provided by recorded telephone message.
- By Mail: You may also complete, sign, and mail your proxy card using the instructions provided on it.

If you choose to submit your proxy with voting instructions by telephone or through the Internet, you will be required to provide your assigned control number before your proxy will be accepted. This number is included either with the Notice of the Annual Meeting or, if applicable, on your proxy card. Once you have indicated how you want to vote in accordance with the instructions provided, you will receive a confirmation that your proxy has been successfully submitted.

Properly executed proxies that do not contain specific voting instructions will be voted "FOR" the election of our three Class II directors for a term of three years and "FOR" the ratification of the appointment of Grant Thornton LLP as our independent public accountants for the 2016 fiscal year.

Revocation of Proxy—Submitting a proxy on the enclosed form does not preclude a stockholder from voting in person at the Annual Meeting. You may revoke your proxy at any time before the voting at the Annual Meeting by any of the following methods:

- voting again at a later date by telephone or through the Internet — your latest voting instructions will be counted and your earlier instructions, using the same procedures, revoked;
- submitting a new proxy that is properly signed with a later date;
-

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sending a properly signed written notice of your revocation to Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606, Attention: Corporate Secretary; or

voting in person at the Annual Meeting. Attendance at the Annual Meeting will not itself revoke an earlier submitted proxy.

If your shares are held in street name through a broker, bank, or other nominee, then you must contact your broker, bank, or nominee to revoke your proxy.

If my shares are held in “street name” by my broker, will my broker vote my shares for me?

If your shares of Mattersight Stock are held in “street name,” then you will receive instructions from your broker, bank, or other nominee that you must follow in order to have your shares voted. Your broker or nominee is permitted to use discretion to vote your shares on routine matters if you fail to provide instructions. Your broker or nominee is not permitted to vote your shares on non-routine matters without your instructions. Shares that are not permitted to be voted by your broker are called “broker non-votes.”

The election of directors is considered to be a non-routine matter under applicable rules. As a result, without your instruction, your broker will not be able to vote your shares on this matter, which will result in broker non-votes. Broker non-votes will not be counted and therefore will have no effect on this proposal. The ratification of the appointment of Grant Thornton LLP as our independent public accountants is considered to be a routine matter under applicable rules. Because brokers may generally vote on routine matters, there should be no broker non-votes in connection with this proposal.

How are proxies solicited?

This proxy solicitation is being made and paid for by Mattersight on behalf of its Board of Directors. Our directors, officers, and employees may solicit proxies by personal interview, mail, email, telephone, facsimile, or other means of communication, but they will not be paid additional remuneration for their efforts. We also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of Mattersight Stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses for doing this.

What does it mean if I get more than one proxy card?

If your shares are registered differently and are in more than one account, then you might receive more than one proxy card. Please complete, sign, date, and return all of the proxy cards you receive regarding the Annual Meeting to ensure that all of your shares are voted.

When may a meeting be adjourned?

When any meeting is convened, the presiding officer, if directed by our Board of Directors, may adjourn or postpone the meeting if (i) no quorum is present for the transaction of business or (ii) our Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information that our Board of Directors determines has not been made sufficiently or timely available to stockholders or otherwise to effectively exercise their voting rights. Any adjournment of the Annual Meeting for the purpose of soliciting additional proxies in order to achieve a quorum will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the Annual Meeting as adjourned or postponed.

Who may I contact regarding additional questions?

If you have more questions about any of the proposals on the Annual Meeting agenda, need assistance in submitting your proxy or voting your shares, or need additional copies of the Proxy Statement or the enclosed proxy card, you should contact Christine R. Carsen, General Counsel and Corporate Secretary, Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606 or call 877-235-6925.

PROPOSAL #1: ELECTION OF DIRECTORS

Our Board of Directors consists of three classes of directors, each of which is elected for a staggered three-year term, as follows:

| Class I | Class II | Class III |
|--|--|---|
| Term Expires at 2018 | Term Expires at this | Term Expires at 2017 |
| Annual Meeting Tench Coxe John T. Kohler | Annual Meeting Philip R. Dur Henry J. Feinberg John C. Staley | Annual Meeting Kelly D. Conway David B. Mullen Michael J. Murray |

Each of the following individuals recommended by our Board of Directors is standing for election as a Class II director to serve a three-year term expiring at the 2019 annual meeting of stockholders and until his successor is duly elected and qualified, unless he resigns or is removed: Philip R. Dur; Henry J. Feinberg; and John C. Staley.

As described below under the caption “Selection of Director Nominees,” for the reasons described below, our Board of Directors has nominated each of the director nominees to stand for election at the Annual Meeting, based on the recommendation of the Nominating and Corporate Governance Committee of our Board of Directors (the “Nominating and Corporate Governance Committee”). If for any reason a nominee becomes unable or is unwilling to serve at the time of the meeting, then the persons named as proxies in the enclosed proxy card will have discretionary authority to vote for a substitute nominee selected by the Nominating and Corporate Governance Committee and approved by the Board of Directors. It is not anticipated that any of the nominees will be unavailable for election.

Vote Required for the Election of Directors

The nominees for director will be elected by a plurality of the votes cast at the Annual Meeting. This means that the nominees who receive the most affirmative votes of shares outstanding and entitled to vote as of the Record Date and present in person or represented by proxy at the Annual Meeting will be elected to serve as directors.

Director Qualifications

Our Board of Directors consists of eight directors, each of whom is well-qualified to serve on our Board of Directors and represent our stockholders’ best interests. As described below under the caption “Selection of Director Nominees,” the Nominating and Corporate Governance Committee selects nominees with a view to establishing a Board of Directors that is comprised of members who:

- have the highest professional and personal ethics, consistent with our values and standards;
- are committed to enhancing stockholder value;
- have sufficient time to carry out their duties;
- provide insight and practical wisdom based on experience; and
- are capable of representing the interests of all stockholders.

We believe that each of our directors and director nominees brings these qualifications to our Board of Directors. Moreover, they provide a diversity of business experience and personal skills in technology, finance, marketing,

financial reporting, and other areas that contribute to an effective Board of Directors, as well as public board experience, and knowledge of the technology industry and our business.

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The following describes the key qualifications, business skills, experience, and perspectives that each of our directors brings to the Board of Directors, in addition to the general qualifications described above and the information included in the biographical summaries provided below:

- Kelly D. Conway (Director since May 1999) Mr. Conway, 59, is the President and Chief Executive Officer of Mattersight, a position he has held since its incorporation in May 1999 as a subsidiary of Technology Solutions Company (“TSC”). Mr. Conway joined TSC in November 1993 as Senior Vice President, assumed the position of Executive Vice President in July 1995, and became Group President in October 1998. With over 15 years’ service as the Chief Executive Officer of the Company, he has extensive knowledge of, and experience with, the information-technology industry and our operations, strategy, financial position, and management team.
- Tench Coxe (Director and Chairman of the Board since February 2000) Mr. Coxe, 58, is a managing director of the general partner of Sutter Hill Ventures, a venture capital company located in Palo Alto, California, and has held that position since 1987. He has over 25 years of experience in the venture capital business and extensive experience on public company boards. With over 15 years of service as the Chairman of the Board, he has extensive knowledge of, and experience with, the information-technology industry and our operations, strategy, and financial position. Mr. Coxe currently serves as a director of NVIDIA Corporation (NASDAQ: NDVA), Artisan Partners Asset Management Inc. (NYSE: APAM), and various private companies.
- Philip R. Dur (Director since December 2011) Mr. Dur, 43, is a Venture Partner of Investor Growth Capital, LLC (“IGC”). He has been involved in venture capital and private equity since 1995 and joined IGC’s technology investment team in 2004. Prior to joining IGC, Mr. Dur spent four and a half years with Morgan Stanley Venture Partners and two years with Morgan Stanley Capital Partners. He has significant experience working with growth-oriented software companies as an investor and has served as a director or observer to over a dozen software businesses. He currently serves as a director of a number of private companies.
- Henry J. Feinberg (Director since May 2007) Mr. Feinberg, 64, is Executive Chairman of Yield Management Systems located in Chicago, Illinois. Previously, he was a Partner at Technology Crossover Ventures, a venture capital firm located in Palo Alto, California. Mr. Feinberg has experience as Executive Chairman, Chief Executive Officer, and in a number of other senior management positions, at various private and public corporations, as well as being a Partner at a technology-oriented venture capital firm. He currently serves as a director of one privately-held company.
- John T. Kohler (Director since May 1999) Mr. Kohler, 69, is the former President and Chief Executive Officer of TSC. Mr. Kohler held such office from 1995 until his retirement in February 2000. He joined TSC as Senior Vice President in 1992, was promoted to Executive Vice President and named to the Office of the Chairman in 1993, and became President and Chief Operating Officer in 1994. Mr. Kohler has significant past experience on public company boards, including audit and compensation committees, and deep knowledge of our operations. He has been a General Partner of a private technology company since 2000.
- David B. Mullen (Director since March 2009) Mr. Mullen, 65, is the former Executive Vice President and Chief Financial Officer of Navteq Corporation, having held that position from December 2002 to January 2010. Navteq was acquired by Nokia Corporation (NYSE: NOK) in July 2008. Including his service with Navteq, he has over 25 years of experience as an executive for technology companies. Mr. Mullen has significant past experience on public company boards, particularly on audit committees, and strong financial acumen. He currently acts as an independent consultant. Mr. Mullen served as a director and Audit Committee

member of Avid Technology, Inc. (NASDAQ: AVID) until October 2014. He currently serves as a director of Angie's List, Inc. (NASDAQ: ANGI) and is the chairman of its Audit Committee.

Michael J. Murray Mr. Murray, 71, retired in July 2000 as President of Global Corporate and Investment Banking at Bank of America Corporation (NYSE: BAC), a position he had held since 1998. Mr. Murray has over 30 years of experience in banking, including heading Bank of America's Global Wholesale Bank, with responsibility for its business with large corporate, international, and government clients around the world. He has extensive experience on public company boards and deep knowledge of Mattersight. He served as a director of Con-Way Inc. (NYSE: CNW), a publicly-traded transportation company, and served on Con-Way's Compensation and Nominating Committees, until it was acquired by XPO Logistics, Inc. (NYSE: XPO) in October 2015. He also serves on the Advisory Board of a venture capital firm and a private equity firm.

John C. Staley Mr. Staley, 74, is the former Managing Partner - Lake Michigan Area of Ernst & Young LLP, a global audit and tax firm, a position that he held from 1985 to his retirement in June 2001. He has extensive experience on public company boards, particularly on audit committees, as well as strong financial acumen and deep knowledge of Mattersight. Mr. Staley is presently the chairman of the Board of Directors of Hospira, Inc. (NYSE: HSP). Mr. Staley also served on the board of Nicor Inc. until it was acquired by AGL Resources, Inc. (NYSE: GAS) in 2011.

Recommendation of Our Board of Directors

THE BOARD RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF OUR CLASS II DIRECTORS, PHILIP R. DUR, HENRY J. FEINBERG, AND JOHN C. STALEY

BOARD LEADERSHIP AND CORPORATE GOVERNANCE

The business and affairs of Mattersight are managed under the direction of our Board of Directors. Our Board of Directors has responsibility for establishing broad corporate policies relating to the overall performance of Mattersight, rather than managing day-to-day operating details. Members of our Board of Directors stay informed of our business and operations by participating in quarterly board and committee meetings and through discussions with the Chief Executive Officer and other members of the executive management team.

Corporate Governance

Having been elected by our stockholders, it is the responsibility of our Board of Directors to govern the Company's business and affairs. Our Board of Directors approves the executive management team, acts as an advisor to executive management, and monitors the performance of executive management and the Company. Our Board of Directors reviews the Company's corporate strategy, financial objectives, and operating plans, and is responsible for overseeing risk management and internal compliance.

Board Independence

The listing standards of The NASDAQ Stock Market LLC ("NASDAQ") require that a majority of our Board of Directors qualify as independent directors under the NASDAQ rules. Therefore, with respect to each director, our Board of Directors has made a determination as to whether or not the director qualifies as independent. Under our independence determination procedure, no director is considered independent unless our Board of Directors affirmatively determines that (i) the director meets all of NASDAQ's independence standards and (ii) based on a review of all of the facts and circumstances of each non-management director's relationship with Mattersight, there is no business, commercial, or personal relationship that would impact the performance by the director of his board duties.

Our Board of Directors has determined that seven of the Company's eight directors — Messrs. Coxe, Dur, Feinberg, Kohler, Mullen, Murray, and Staley — are independent, constituting a majority of the board as required by NASDAQ rules. Mr. Conway is not independent because he is Mattersight's President and Chief Executive Officer.

Board Leadership Structure

Our Board of Directors is led by an independent Chairman, Mr. Coxe. Mattersight believes that this is the most appropriate structure for the Company in light of the differences between the roles of Chairman of the Board and Chief Executive Officer. The Chief Executive Officer is responsible for setting the strategic direction of the Company and for the day-to-day leadership and performance of the Company, whereas the Chairman of the Board manages and provides leadership to the Board. Furthermore, we believe this structure enhances the accountability of the Chief Executive Officer to our Board of Directors and strengthens our board's independence from management. We have had this leadership structure since our inception.

Board Oversight of Risk

Our executive management team is responsible for day-to-day risk management activities for the Company. Our Board of Directors oversees these risk management activities, delegating its authority in this regard to the standing committees of the Board of Directors. The Audit Committee of our Board of Directors (the "Audit Committee") is responsible for discussing with executive management policies with respect to financial and enterprise risk. The Audit Committee also oversees the Company's corporate compliance programs, including compliance with Section 404 of the Sarbanes-Oxley Act. The Compensation Committee of our Board of Directors (the "Compensation Committee")

considers risks in connection with the design of compensation programs for our executives. The Nominating and Corporate Governance Committee reviews, at least annually, and monitors compliance with, our Corporate Governance Guidelines, Code of Ethical Business Conduct, and other corporate governance policies. In addition to each committee's risk management oversight, our Board of Directors and its committees regularly engage in discussions of the most significant risks that the Company is facing and how these risks are being managed.

The Company's General Counsel and Corporate Secretary reports directly to the Chief Executive Officer, thereby providing the Chief Executive Officer with additional visibility to the Company's risk profile. Our Board of Directors believes that the respective risk oversight functions served by the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, together with the efforts of the full board and the Chief Executive Officer in this regard, enable our Board of Directors to effectively oversee Mattersight's risk management activities.

Board Meetings and Attendance

Our Board of Directors held four regularly-scheduled meetings during the fiscal year ended December 31, 2015. Each of our directors attended all of the meetings of the board and of the board committees on which he served with the exception of Mr. Staley, who attended 92% of the meetings of the board and of the board committees on which he served in 2015. Our Board of Directors met in executive session four (4) times in 2015. Mattersight does not have a formal policy regarding board members' attendance at its annual stockholders' meetings, although attendance is encouraged. The 2015 Annual Meeting was attended by Mr. Conway.

Selection of Director Nominees

Responsibility. The nominees for director for this year's Annual Meeting were nominated by the Board of Directors based on the recommendation of the Nominating and Corporate Governance Committee, under the terms of its charter. Specifically, under its charter, the Nominating and Corporate Governance Committee is responsible for: (i) reviewing the suitability and qualifications of, approving, and recommending to the Board of Directors those persons to be nominated for election to the board at each annual meeting of stockholders; (ii) identifying, approving, and recommending to the Board of Directors potential director candidates in the event of a vacancy on the Board of Directors or an increase in the size of the Board of Directors; and (iii) reviewing and making recommendations, at least annually, to the Board of Directors regarding the appropriate size, performance, composition, duties, and responsibilities of the Board of Directors and the other committees of the board.

Stockholder Nominees. The Nominating and Corporate Governance Committee will consider properly submitted stockholder nominations for candidates for membership on our Board of Directors based on the standards identified under the caption "Identifying and Evaluating Nominees for Directors." Any stockholder nominations proposed for consideration by the Nominating and Corporate Governance Committee should include the nominee's name and qualification for board membership and all other information relating to such nominee that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the regulations promulgated thereunder, including such nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected. In addition, nominations must be submitted within the timeframe and to the address specified under the caption "Submission of Stockholder Proposals for 2017" on page 36.

Identifying and Evaluating Nominees for Directors. In discharging its responsibilities to identify and nominate candidates for election to our Board of Directors, the Nominating and Corporate Governance Committee has not specified any minimum qualifications for serving on the board nor does it operate under a formal diversity policy. However, the Nominating and Corporate Governance Committee seeks to identify, evaluate, and approve candidates with a diversity of business experience and personal skills in technology, finance, marketing, financial reporting, and other areas that may be expected to contribute to an effective board. In seeking candidates, the Nominating and Corporate Governance Committee may consider factors such as industry knowledge and experience, public company experience, financial expertise, diversity, current employment, and other board memberships. The Nominating and Corporate Governance Committee endeavors to ensure that our Board of Directors is comprised of individuals who have experience relevant to the needs of Mattersight and who have the highest professional and personal ethics, consistent with our values and standards. Candidates should be committed to enhancing stockholder value and should have sufficient time to carry out their duties. Each director must represent the interests of all stockholders.

The Nominating and Corporate Governance Committee may utilize a variety of methods for identifying candidates to serve on our Board of Directors. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current board members, professional search firms (which may receive a fee), stockholders, or other persons. Any such candidate would be evaluated at a meeting of the Nominating and Corporate Governance

Committee and then recommended for nomination to our Board of Directors, which may be held at any point during the year. As described above, the Nominating and Corporate Governance Committee will consider all properly submitted stockholder nominations for candidates for the board on the same basis as director-nominated candidates.

Board Committee Structure and Responsibilities

Our Board of Directors has three standing committees to assist it in the discharge of its responsibilities: an Audit Committee; a Compensation Committee; and a Nominating and Corporate Governance Committee. Each of these committees is described below.

Audit Committee. The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of our public accountants (including resolution of disagreements between management and the public accountants regarding financial reporting) subject, if applicable, to stockholder ratification of the public accountants' appointment, for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for us. The Audit Committee approves all audit engagement fees and terms and all non-audit engagements with the public accountants as required by applicable law and the requirements of NASDAQ. In connection with its duties, the Audit Committee regularly meets privately with our independent public accountants. The Audit Committee has adopted a policy for the receipt, retention, and treatment of complaints or concerns regarding accounting-related matters. See "Communications with the Board" on page 15. The Audit Committee operates under a written charter, the current version of which was adopted by our Board of Directors in November 2010. The Audit Committee reviews and reassesses the adequacy of its charter annually. The Audit Committee charter is available on our website, at www.Mattersight.com. A copy of the Audit Committee charter may also be obtained by sending a written request to the Corporate Secretary at Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606.

The Audit Committee met eight times during fiscal year 2015. At its February 2016 meeting, our Board of Directors approved a change to the composition of the Audit Committee. Currently, the Audit Committee is comprised of Mr. Mullen, who serves as Chairman, and Messrs. Feinberg and Staley. For the 2015 fiscal year, our Audit Committee was comprised of four members: Mr. Staley, who served as Chairman, and Messrs. Murray, Mullen, and Kohler. Our Board of Directors has determined that each of Messrs. Mullen and Staley qualifies as an "audit committee financial expert", as that term is defined in the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002. Additionally, management of the Company has determined that Mr. Feinberg meets the financial literacy requirements for audit committee members described in the NASDAQ rules. Our Board of Directors has determined that, as required by NASDAQ rules, each of the members of our Audit Committee meets both the SEC's independence requirements and NASDAQ's independence standards.

The "Report of the Audit Committee" appears later in this Proxy Statement on page 34.

Compensation Committee. The Compensation Committee met five times during fiscal year 2015. At its February 2016 meeting, our Board of Directors approved a change to the composition of the Compensation Committee. Currently, the Compensation Committee is comprised of Mr. Dur, who serves as Chairman, and Messrs. Coxe and Kohler. For the 2015 fiscal year, our Compensation Committee was comprised of four members: Mr. Kohler, who served as Chairman, and Messrs. Coxe, Dur, and Feinberg. Our Board of Directors has determined that, as required by NASDAQ rules, each of the members of our Compensation Committee meets both the SEC's independence requirements and NASDAQ's independence standards. The Compensation Committee administers the Mattersight Corporation 1999 Stock Incentive Plan, as amended and restated as of February 17, 2016 (the "1999 Plan"), reviews and acts with respect to stock incentive and other employee benefit plans, approves or makes recommendations to our Board of Directors with respect to the salary and annual incentive compensation of, and equity awards for, our executive officers, and assesses the risk associated with our material incentive compensation programs. In administering the 1999 Plan, the Compensation Committee may delegate certain of its duties to one or more of our officers as permitted by law and to the extent otherwise consistent with the terms of the 1999 Plan. The Compensation Committee has not engaged a compensation consultant. Compensation for senior executives is determined by the Compensation Committee after analyzing the Company's performance against its established goals, and the performance of the applicable executive against his or her established individual goals, based on the recommendations

of our Chief Executive Officer (except with respect to his own compensation). The Compensation Committee operates under a written charter, which was adopted by our Board of Directors in February 2011. The Compensation Committee reviews and reassesses the adequacy of its charter annually. The Compensation Committee charter is available on our website, at www.Mattersight.com. A copy of the Compensation Committee charter may also be obtained by sending a written request to the Corporate Secretary at Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met three times in 2015. Currently, the Nominating and Corporate Governance Committee is comprised of Mr. Murray, who serves as Chairman, and Messrs. Coxe and Dur. For the 2015 fiscal year, our Nominating and Corporate Governance Committee was comprised of three members: Mr. Murray, who served as Chairman, and Messrs. Coxe and Dur. Our Board of Directors has determined that, as required by NASDAQ rules, each of the members of our Nominating and Corporate Governance Committee meets NASDAQ's independence standards. The Nominating and Corporate Governance Committee is directly responsible for considering, reporting, and making recommendations to our Board of Directors on matters relating to the selection and qualification of directors and candidates nominated to serve as directors, as well as other matters relating to the duties of the Board of Directors, the operation of the Board of Directors, and oversees our corporate governance policies, including our Corporate Governance Guidelines and Code of Ethical Business Conduct. The Nominating and Corporate Governance Committee operates under a written charter, which was adopted by our Board of Directors in February 2012. The Nominating and Corporate Governance Committee reviews and reassesses the adequacy of its charter annually. The Nominating and Corporate Governance Committee charter is available on our website, at www.Mattersight.com. A copy of the Nominating and Corporate Governance Committee charter may also be obtained by sending a written request to the Corporate Secretary at Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606.

Communications with the Board

Stockholders wishing to communicate with our Board of Directors, any committee of the Board, any individual director, or the independent members of our Board of Directors (the "Non-Employee Directors") may do so by writing to the Corporate Secretary at Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606. The Corporate Secretary will forward any communications as directed by the stockholder. Mattersight maintains a separate, internal system for the receipt of confidential communications from employees.

Code of Ethics

Mattersight has adopted a Code of Ethical Business Conduct, which sets the standard for ethics and compliance for all of its employees, officers, and directors. The Code of Ethical Business Conduct was amended in May 2012. The Code of Ethical Business Conduct is available on Mattersight's website, at www.Mattersight.com. A copy of the Code of Ethical Business Conduct may also be obtained by sending a written request to the Corporate Secretary at Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606.

Transactions with Related Persons

Mattersight's Code of Ethical Business Conduct requires that all business transactions be at arms' length, negotiated in good faith, and based on merit alone. All Mattersight employees and directors are expected to observe high ethical standards in the performance of their duties and to observe all laws and regulations governing their business transactions and practices. If a situation arises that would constitute a related-party transaction as defined in applicable rules promulgated by the SEC, then the independent directors will review the propriety of, and approve or disapprove, such transaction.

In addition to the cash and equity compensation arrangements of our directors and executive officers discussed herein, the following is a description of our 2014 and 2015 fiscal year related-party transactions, as defined in the applicable rules promulgated by the SEC.

On July 22, 2015, we entered into a definitive Common Stock Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Purchasers") to raise approximately \$16.2 million in gross proceeds in a registered direct offering of our Common Stock. Under the terms of the Purchase Agreement, we sold 2,728,712 shares of our

Common Stock (the “Shares”). Of the Shares, 2,563,238 were sold to certain Purchasers at a price of \$5.93 per share and 165,474 were sold to Purchasers who were our officers, directors (including certain of their affiliates), or the beneficial owners of 5% or more of our voting capital stock, at a price of \$6.11 per share. Upon closing the offering, we received approximately \$15.9 million in net proceeds, including approximately (i) \$500,000 from IGC Fund VI, LP, a 5% holder of our Common Stock at the time of the offering, for whom Mr. Dur, a member of our Board of Directors, serves as a consultant and Venture Partner of an affiliate of IGC Fund VI, LP, Investor Growth Capital Inc.; (ii) \$75,000 from Mr. Dur individually; (iii) \$306,000 from Michael J. Murray, a member of our Board of Directors; (iv) \$30,550 from John C. Staley, a member of our Board of Directors; (v) \$50,000 from Richard M. Dresden, our Executive Vice President of Sales; and (vi) \$50,000 from Sheau-ming K. Ross, our Chief Financial Officer.

In June 2015, our Board of Directors formed a Special Committee to review, evaluate, and negotiate the Purchase Agreement for the offering. Our Board of Directors designated the Special Committee because the group of investors, as described above, included certain directors and their affiliates. The members of the Special Committee, Messrs. Mullen, Feinberg, and Kohler, with Mr. Mullen serving as Chairman, were disinterested directors who did not participate, directly or indirectly, in the offering. Mr. Staley was originally a member of the Special Committee; however, on July 15, 2015, he recused himself from the Committee due to his desire to participate in the offering. As a result, Mr. Staley did not vote on or attend the meeting in which the Special Committee approved our sale of the Shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Mattersight's directors and executive officers, as well as any persons who beneficially own more than 10% of our Common Stock, to file with the SEC initial reports and reports of changes in beneficial ownership of such stock. Persons subject to Section 16 are required by SEC regulations to furnish Mattersight with copies of all Section 16(a) reports that they file.

Based on its review of copies of such reports filed through or furnished to Mattersight and on written representations from certain reporting persons that no other reports were required, Mattersight believes that all required Section 16(a) reports filed during or for fiscal year 2015 with respect to persons who were subject to Section 16(a) reporting obligations during such period were filed on a timely basis. Based on its review of copies of such reports filed through or furnished to Mattersight and on written representations from certain reporting persons that no other reports were required, Mattersight believes that all required Section 16(a) reports filed during or for fiscal year 2015 with respect to persons who were subject to Section 16(a) reporting obligations during such period were filed on a timely basis, except that the grant of shares by Mattersight to its then-current executive officers, Kelly D. Conway, Christine R. Carsen, Christopher J. Danson, Richard M. Dresden, David R. Gustafson, and Mark Iserloth, in respect of their 2014 performance, which grant was approved by the Compensation Committee on February 11, 2015, was reported late on Forms 4 filed with the SEC on February 17, 2015.

DIRECTOR COMPENSATION

Meeting Attendance Fees

During Mattersight’s fiscal year ended December 31, 2015, each Non-Employee Director received a fixed annual fee, the amount of which was calculated for each director based on the following assumptions:

- \$1,500 per board meeting (assuming four per year) plus an additional \$500 per meeting for the Chairman of the Board;
- \$2,000 per Audit Committee meeting (assuming eight per year) plus an additional \$500 per meeting for the Audit Committee chairman;
- \$2,000 per Compensation Committee meeting (assuming four per year) plus an additional \$500 per meeting for the Compensation Committee chairman; and
- \$2,000 per Nominating and Corporate Governance Committee meeting (assuming three per year) plus an additional \$500 per meeting for the Nominating and Corporate Governance Committee chairman.

The Company also reimburses directors for their travel-related expenses incurred in attending meetings of the Board of Directors and its committees. However, Mattersight has adopted the practice of holding meetings of the Board of Directors and its committees by video and telephone conference, thereby minimizing reimbursements for these expenses.

Initial Grant and Annual Grants

In addition to cash compensation for meetings, each Non-Employee Director receives: (i) an option to purchase 50,000 shares of Common Stock upon commencement of service as a director (an “Initial Grant”) and (ii) an option to purchase 10,000 shares of Common Stock on the day after each annual meeting of stockholders during which such service continues (an “Annual Grant”). Stock options granted to Non-Employee Directors have an exercise price per share equal to the fair market value of a share of Common Stock on the grant date and a maximum term of ten years. Each Initial Grant vests ratably over a period of 48 months from the end of the month following the grant date. Historically, each Annual Grant vested over a period of 48 months, commencing with a vesting of 25% on the May 31st of the year of the grant date and 6.25% on each quarterly vesting date thereafter. Commencing in 2015, as approved by the Compensation Committee, the Annual Grant vests over a period of 12 months, commencing with a vesting of 25% on the May 31st of the year of the grant date and 25% on each quarterly vesting date thereafter.

In addition to the Initial Grant and the Annual Grant, by unanimous written consent of the Compensation Committee effective September 11, 2014, each Non-Employee Director received 10,000 shares of restricted Common Stock, of which 25% vested on November 30, 2014 and the remaining balance vested over the following three quarters.

Director Compensation

The following table summarizes the meeting fees earned by, and restricted stock and option grants awarded to, our Non-Employee Directors during 2015 for their service as members of our Board of Directors. Kelly Conway, our President and Chief Executive Officer, was also a director during the 2015 fiscal year but did not receive any additional compensation for his service as a director. Mr. Conway’s compensation as an executive officer is set forth under “Executive Compensation—2015 Summary Compensation Table”:

| Name | Fees Earned | Stock Awards ⁽¹⁾ | Option Awards ⁽²⁾ | Total |
|------|-------------|-----------------------------|------------------------------|-------|
|------|-------------|-----------------------------|------------------------------|-------|

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| | | | | |
|-------------------|----------|-----------|-----------|-----------|
| Tench Coxe | \$22,000 | \$ 61,300 | \$ 31,188 | \$114,488 |
| Philip R. Dur | \$20,000 | \$ 61,300 | \$ 31,188 | \$112,488 |
| Henry J. Feinberg | \$14,000 | \$ 61,300 | \$ 31,188 | \$106,488 |
| John T. Kohler | \$32,000 | \$ 61,300 | \$ 31,188 | \$124,488 |
| David B. Mullen | \$22,000 | \$ 61,300 | \$ 31,188 | \$114,488 |
| Michael J. Murray | \$29,500 | \$ 61,300 | \$ 31,188 | \$121,988 |
| John C. Staley | \$26,000 | \$ 61,300 | \$ 31,188 | \$118,488 |

(1) Reflects the grant date fair value of the awards granted during 2015, which was computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 718. On May 15, 2015, each member of the Company’s Board of Directors received a grant of 10,000 shares of restricted stock, which vests in equal quarterly increments of 25% commencing May 31, 2015. The details with respect to our stock awards granted in 2015 are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, under “Mattersight Corporation Consolidated Financial Statements – Notes to Consolidated Financial Statements – Note Twelve – Stock-Based Compensation”.

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The aggregate number of stock awards outstanding for each Non-Employee Director as of December 31, 2015 was:

| Name | Vested | Unvested |
|-------------------|--------|----------|
| Tench Coxe | 17,500 | 2,500 |
| Philip R. Dur | 17,500 | 2,500 |
| Henry J. Feinberg | 17,500 | 2,500 |
| John T. Kohler | 17,500 | 2,500 |
| David B. Mullen | 17,500 | 2,500 |
| Michael J. Murray | 17,500 | 2,500 |
| John C. Staley | 17,500 | 2,500 |

(2) Reflects the grant date fair value of the options granted during 2015, which was computed in accordance with FASB ASC 718. The assumptions used with respect to the valuation of option grants are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, under “Mattersight Corporation Consolidated Financial Statements – Notes to Consolidated Financial Statements – Note Twelve – Stock-Based Compensation”. The aggregate number of stock options outstanding for each Non-Employee Director as of December 31, 2015 was:

| Name | Outstanding Options | |
|-------------------|---------------------|----------|
| | Vested | Unvested |
| Tench Coxe | 98,075 | 13,125 |
| Philip R. Dur | 69,287 | 12,755 |
| Henry J. Feinberg | 141,875 | 13,125 |
| John T. Kohler | 98,075 | 13,125 |
| David B. Mullen | 82,875 | 13,125 |
| Michael J. Murray | 102,926 | 13,125 |
| John C. Staley | 98,075 | 13,125 |

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the most recent information reflected in Mattersight's records regarding beneficial ownership of the Company's Common Stock and Series B Stock (as beneficial ownership is determined for purposes of Rule 13d-3 under the Exchange Act) as of March 11, 2016, except as otherwise indicated, by: (i) each person or group that beneficially owns more than 5% of the outstanding shares of Series B Stock or Common Stock; (ii) each of Messrs. Conway, Danson, and Gustafson (the 2015 "Named Executive Officers" of Mattersight); (iii) each of the directors of Mattersight; and (iv) all current executive officers and directors of Mattersight as a group. Series B Stock generally votes with Common Stock as a single class. Except as otherwise indicated below, each owner has sole voting and investment power with respect to all shares listed as beneficially owned. The applicable percentage of beneficial ownership is based on shares of Series B Stock outstanding as of March 11, 2016 and shares of Common Stock outstanding as of March 11, 2016 unless otherwise indicated, the address of each of the beneficial owners identified below is c/o Mattersight Corporation, 200 W. Madison Street, Suite 3100, Chicago, Illinois 60606.

| Name and Address of Beneficial Owner | Common Stock Amount and Nature of Beneficial Ownership ⁽¹⁾⁽²⁾ | | Percent of Class ⁽¹⁾⁽²⁾ | Series B Stock Amount and Nature of Beneficial Ownership | | Percent of Class | Percent of Total Voting Power ⁽¹⁾⁽³⁾ |
|---|---|--------|--|---|--------|------------------------|---|
| | Amount | Nature | | Amount | Nature | | |
| Tench Coxe and various persons affiliated with Sutter Hill Ventures c/o Sutter Hill Ventures 755 Page Mill Road, Suite A-200 Palo Alto, CA 94304 | 4,637,274 ⁽¹⁾⁽⁴⁾ | | 16.8 % | 1,008,907 ⁽⁵⁾ | | 61.4 % | 16.4 % |
| Investor Growth Capital, LLC One Rockefeller Plaza, Suite 2801 New York, NY 10020 | 2,720,370 ⁽⁶⁾ | | 10.2 % | — | | — | 9.6 % |
| Unterberg Capital, LLC 445 Park Avenue, Room 901 New York, NY 10022 | 2,055,012 ⁽⁷⁾ | | 7.7 % | — | | — | 7.3 % |
| FMR LLC 245 Summer Street Boston, MA 02210 | 1,854,975 ⁽⁸⁾ | | 7.0 % | — | | — | 6.6 % |
| Kelly D. Conway Prescott Group Capital Management, LLC and its affiliates 1924 South Utica, Suite 1120 | 1,812,172 | | 6.8 % | 3,862 | | * | 6.4 % |
| | 1,550,996 ⁽⁹⁾ | | 5.8 % | — | | — | 5.5 % |

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| | | | | | | | |
|---|---------------------------|-----|---|---|---|-----|---|
| Goldman Capital Management Inc. 767 Third Avenue | 1,447,201 ⁽¹⁰⁾ | 5.5 | % | — | — | 5.1 | % |
|---|---------------------------|-----|---|---|---|-----|---|

New York, NY 10017

| | | | | | | | | |
|-----------------------|-------------------------|-----|---|--------|-----|---|-----|---|
| Michael J. Murray | 593,785 | 2.3 | % | 23,243 | 1.4 | % | 2.1 | % |
| Christopher J. Danson | 449,367 | 1.7 | % | 2,356 | * | | 1.6 | % |
| David R. Gustafson | 387,641 | 1.5 | % | — | — | | 1.4 | % |
| John C. Staley | 192,856 | * | | — | — | | * | |
| Henry J. Feinberg | 167,865 | * | | — | — | | * | |
| John T. Kohler | 124,738 | * | | — | — | | * | |
| David B. Mullen | 129,938 ⁽¹¹⁾ | * | | — | — | | * | |
| Philip R. Dur | 105,439 | * | | — | — | | * | |

| | | | | | | | | |
|--|-----------|------|---|---------|------|---|------|---|
| All current directors and executive officers as a group (13 individuals) | 8,293,579 | 30.2 | % | 871,691 | 53.1 | % | 29.4 | % |
|--|-----------|------|---|---------|------|---|------|---|

*Less than 1%

(1) Includes shares of Common Stock that may be acquired on or within 60 days after March 11, 2016 through the exercise of stock options outstanding as of such date, as follows: Mr. Coxe, 102,138 shares; Mr. Conway, 681,250 shares; Mr. Murray, 106,989 shares; Mr. Danson, 255,624 shares; Mr. Gustafson, 80,311 shares; Mr. Staley, 102,138 shares; Mr. Feinberg, 89,688 shares; Mr. Kohler, 102,138 shares; Mr. Mullen, 86,938 shares; Mr. Dur, 73,164 shares; and all current directors and executive officers of Mattersight as a group, 1,744,128 shares. With respect to each of these individuals and such group, the individual's or such group's respective shares have been deemed to be outstanding in computing the percent of class in the preceding table.

- (2) Includes shares of Common Stock that may be acquired within 60 days after March 11, 2016 through exercise of the conversion feature associated with the shares of Series B Stock held by such person or group, in the amounts reflected for such person or group in the preceding table under the heading "Series B Stock". With respect to each of these individuals and such group, the individual's or such group's respective shares have been deemed to be outstanding in computing the percent of class in the preceding table.
- (3) Represents the aggregate number of shares of Common Stock and Series B Stock held by each of these persons and such group as a percentage of the aggregate number of issued and outstanding shares of Common Stock and Series B Stock, respectively.
- (4) Mr. Coxe is a managing director and member of the management committee of the general partner of Sutter Hill Ventures, a California Limited Partnership ("SHV"), which holds of record 1,124,042 shares of Common Stock. In such capacity, Mr. Coxe is deemed to share, with each of the individuals named below who are also managing directors and members of the management committee, voting and investment power over all shares of Common Stock held of record by SHV. In addition, this amount includes 78,494 shares of and options to purchase 102,138 shares of Common Stock held by Mr. Coxe (Mr. Coxe shares pecuniary interest in these shares with other individuals pursuant to a contractual relationship); 412,171 shares held in The Coxe Revocable Trust, of which Mr. Coxe is a trustee; 73,411 shares held by a retirement trust for the benefit of Mr. Coxe; and 1,283,497 shares held by Rooster Partners, L.P., of which Mr. Coxe is a trustee of a trust that is the general partner. This amount also includes shares held by the other members of the management committee, including: (i) 172,115 shares held in The White Revocable Trust, of which James N. White, is a trustee and 16,188 shares held by a retirement trust for the benefit of Mr. White; (ii) 71,840 shares held in the Jeffrey W. and Christina R. Bird Trust, of which Jeffrey W. Bird is a trustee and 92,368 shares held by NestEgg Holdings, LP, of which Mr. Bird is a trustee of a trust that is the general partner; (iii) 159,801 shares held in the Speiser Trust, of which Michael L. Speiser is a trustee; (iv) 21,151 shares held in the Dyckerhoff 2001 Revocable Trust Dated August 30, 2001, of which Stefan A. Dyckerhoff is a trustee; and (v) 21,151 shares held in The Pullara Revocable Trust, of which Samuel J. Pullara III is a trustee. Each managing director and member of the managing committee disclaims beneficial ownership of the shares beneficially owned by other managing directors and members of the management committee.
- (5) Sutter Hill Ventures holds of record 639,253 shares of Series B Stock. In his capacity as a managing director and member of the management committee, Mr. Coxe is deemed to share, with the individuals named below who are also managing directors and members of the management committee, voting and investment power over all shares of Series B Stock held of record by SHV. This amount also includes 202,977 shares of Series B Stock held in The Coxe Revocable Trust, of which Mr. Coxe is a trustee. This amount also includes shares held by the other members of the management committee, including: (i) 62,093 shares held in The White Revocable Trust, of which James N. White is a trustee; (ii) 46,823 shares held in the Jeffrey W. and Christina R. Bird Trust, of which Jeffrey W. Bird is a trustee; (iii) 47,327 shares held in the Speiser Trust, of which Michael L. Speiser is a trustee; (iv) 5,217 shares held in the Dyckerhoff 2001 Revocable Trust Dated August 30, 2001, of which Stefan A. Dyckerhoff is a trustee; and (v) 5,217 shares held in The Pullara Revocable Trust, of which Samuel J. Pullara III is a trustee. Each managing director and member of the managing committee disclaims beneficial ownership of the shares beneficially owned by other managing directors and members of the management committee.
- (6) This information, which is not within the direct knowledge of Mattersight, has been derived from Schedule 13D filed with the SEC on July 24, 2015 with respect to Common Stock beneficially owned as of July 22, 2015. Based on the information contained therein, Investor Growth Capital, LLC ("IGC"), a Delaware limited liability company, possesses the sole power to vote and the sole power to direct the disposition of the 2,720,370 shares of Common Stock held in the name of IGC Fund VI, L.P., a fund affiliated with IGC. IGC is controlled by a Board of Directors consisting of Michael V. Oporto, Noah Walley, and Lennart Johansson.
- (7) This information, which is not within the direct knowledge of Mattersight, has been derived from a Form 13G filed with the SEC on January 14, 2016 with respect to Common Stock beneficially owned as of January 4, 2016. Based on the information contained therein, Unterberg Capital, LLC, Thomas L. Unterberg, and Ross A. Koller have shared voting power and the shared power to direct the disposition of the 2,055,012 shares of Common Stock held in the name of Unterberg Capital, LLC.

(8) This information, which is not within the direct knowledge of Mattersight, has been derived from a Form 13G filed with the SEC on February 12, 2016 with respect to Common Stock beneficially owned as of December 31, 2015. Based on the information contained therein, FMR LLC has sole power to dispose or to direct the disposition of 1,854,975 shares of Common Stock. Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co"), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees.

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- (9) This information, which is not within the direct knowledge of Mattersight, has been derived from a Schedule 13G/A filed with the SEC on January 29, 2016 with respect to Common Stock beneficially owned as of December 31, 2015. Based on the information contained therein, Prescott Group Aggressive Small Cap Master Fund, G.P., an Oklahoma general partnership (“Prescott Master Fund”), holds of record 1,550,996 shares of Common Stock. The shares were purchased by Prescott Group Aggressive Small Cap, L.P., an Oklahoma limited partnership (“Prescott Small Cap”), and Prescott Group Aggressive Small Cap II, L.P., an Oklahoma limited partnership (“Prescott Small Cap II” and, together with Prescott Small Cap, the “Small Cap Funds”), through the account of Prescott Master Fund, of which the Small Cap Funds are general partners. Prescott Group Capital Management, L.L.C., an Oklahoma limited liability company, serves as the general partner of the Small Cap Funds and may direct the Small Cap Funds to direct the vote and disposition of the 1,550,996 shares held by Prescott Master Fund. As the principal of Prescott Capital, Mr. Frohlich may direct the vote and disposition of the shares held by Prescott Master Fund and may be considered the beneficial owner of the shares held by the Small Cap Funds.
- (10) This information, which is not within the direct knowledge of Mattersight, has been derived from a Form 13F-HR filed with the SEC on February 16, 2016 with respect to Common Stock beneficially owned as of such date. Based on the information contained therein, Goldman Capital Management Inc. has sole voting power with respect to 1,447,201 shares of Common Stock.
- (11) Includes 5,000 shares owned by a member of Mr. Mullen’s immediate family.

INCORPORATION BY REFERENCE

Notwithstanding anything to the contrary in any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, before or after the date of this Proxy Statement, that incorporate future SEC filings made by us, none of the information under the “Report of the Audit Committee” contained herein will be incorporated by reference into any of our other filings with the SEC and shall not be deemed to be “Soliciting Material” under SEC rules. In addition, this Proxy Statement includes several website addresses, which are intended to provide inactive, textual references only. The information on these websites is not part of this Proxy Statement.

COMPENSATION CONSULTANTS

Under its charter, the Compensation Committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board of Directors or management. The Compensation Committee may, at its discretion, also review the choice of any consultants or other experts recommended by management for the purpose of reviewing executive compensation. Authority to select, retain, terminate, and approve the fees and other retention terms of any compensation consultants retained to assist in the evaluation of director, CEO, or executive officer compensation shall be vested solely in the Compensation Committee. The Compensation Committee has not engaged a compensation consultant.

EXECUTIVE COMPENSATION

2015 Summary Compensation Table⁽¹⁾

The following table sets forth information regarding 2014 and 2015 compensation for each of our 2015 Named Executive Officers.

| Name and Principal Position | Year | Salary | Stock Awards ⁽²⁾ | Option Awards ⁽³⁾ | Non-Equity Incentive Plan Compensation | All Other Compensation ⁽⁴⁾ | Total |
|--|------|-----------|-----------------------------|------------------------------|--|---------------------------------------|-------------|
| Kelly D. Conway President and Chief Executive Officer | 2015 | \$350,000 | \$863,731 | — | \$173,729 | \$4,500 | \$1,391,960 |
| | 2014 | \$330,000 | \$348,753 | \$422,888 | \$109,500 | — | \$1,211,141 |
| David R. Gustafson Executive Vice President and Chief Operating Officer | 2015 | \$300,000 | \$551,921 | — | \$150,000 | \$3,975 | \$1,005,896 |
| | 2014 | \$275,000 | \$160,193 | \$105,722 | \$100,375 | — | \$641,290 |
| Christopher J. Danson Executive Vice President and Chief Technology Officer | 2015 | \$300,000 | \$420,556 | — | \$150,000 | \$4,500 | \$875,056 |
| | 2014 | \$290,000 | \$229,128 | \$211,444 | \$109,500 | — | \$840,072 |

(1) For a description of the employment agreements entered into between Mattersight and each of the current Named Executive Officers, see “Employment Agreements” on page 27.

(2) Reflects the grant date fair value of the stock awards granted to the Named Executive Officers in each applicable year, which was computed in accordance with FASB ASC 718. The assumptions used with respect to the valuation of stock grants are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, under “Mattersight Corporation Consolidated Financial Statements – Notes to Consolidated Financial Statements – Note Twelve – Stock-Based Compensation.” 2015 bonus awards will be paid 50% in cash on April 15, 2016 and 50% was paid in the form of restricted shares of Common Stock granted on February 12, 2016, which will vest in full on February 28, 2017. This column includes the value of shares of Common Stock granted to the Named Executive Officers with respect to their 2015 bonuses.

(3) Reflects the grant date fair value of the options granted to the applicable Named Executive Officers, which was computed in accordance with FASB ASC 718. The assumptions used with respect to the valuation of option grants are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, under “Mattersight Corporation Consolidated Financial Statements – Notes to Consolidated Financial Statements – Note Twelve – Stock-Based Compensation.” The cash portion of the awards to our 2015 Named Executive Officers are reflected in the column titled “Non-Equity Incentive Plan Compensation” of this table. The cash and stock portions of these awards are described in more detail below under the heading “2015 Incentive Compensation.”

(4) This column reflects employer contributions to a Mattersight qualified defined contribution plan. 2015 Equity Awards and Incentive Compensation

2015 Equity Awards

On February 12, 2016, the following equity awards to the Named Executive Officers were approved by the Compensation Committee in respect of their 2015 performance:

| Name | Restricted Stock Award |
|-----------------------|------------------------|
| Kelly D. Conway | 143,750 shares |
| Christopher J. Danson | 52,083 shares |
| David R. Gustafson | 52,083 shares |

The Compensation Committee, based on the recommendation of Mr. Conway (other than with respect to his own award), approved the equity awards for each Named Executive Officer. The amount of the awards were determined based on (i) the long-term incentive plan (“LTIP”) equity target established by the Compensation Committee for each Named Executive Officer, based upon a subjective assessment that such targets reflected the experience and responsibility of the officers and were sufficient to retain the officers and (ii) the Named Executive Officer’s 2015 performance levels, as subjectively assessed by Mr. Conway (other than respect to his own award which is assessed by the Compensation Committee). The actual amount of the award was calculated by dividing the grant, in dollars, that was approved by the Compensation Committee by \$12.00 per share. The grants of restricted stock awarded to the Named Executive Officers will vest 50% on February 28, 2018, with the remainder vesting on an equal quarterly basis over eight quarters thereafter, with all vesting subject to continued employment. The Named Executive Officer’s 2015 LTIP targets were as follows: (a) Mr. Conway: \$1,380,000; (b) Mr. Gustafson, \$500,000; and (c) Mr. Danson, \$500,000.

2015 Incentive Compensation

In addition to the equity awards described above, on February 12, 2016, the following incentive compensation awards to the Named Executive Officers were approved by the Compensation Committee in respect of their 2015 performance:

| Name | Incentive Compensation |
|-----------------------|------------------------|
| Kelly D. Conway | \$ 347,458 |
| Christopher J. Danson | \$ 320,552 |
| David R. Gustafson | \$ 327,521 |

The Compensation Committee approved the payment of the incentive compensation awards to the Named Executive Officers for up to 100% bonus attainment as follows: 50% in cash and 50% in the form of a grant of shares of Common Stock, which will vest in full on February 28, 2017. Any bonus attainment in excess of 100% was approved to be paid in stock on the same terms. These incentive awards were based on four factors: (i) the target bonus amount of the Named Executive Officer, as established in his employment agreement or as otherwise established by Mr. Conway and approved by the Compensation Committee, except for Mr. Conway's own target bonus amount, which was established and approved by the Compensation Committee, (ii) the Company's performance against those of its established performance goals for 2015 that were assigned to the Named Executive Officer, (iii) the Named Executive Officer's performance against established individual performance goals, and (iv) the subjective determination of Mr. Conway (except with regard to his own performance which is assessed by the Compensation Committee) and the Compensation Committee with regard to the discretionary portion(s) of each Named Executive Officer's target bonus. The actual amount of each such award was calculated by (a) determining the total percentage goal attainment for each Named Executive Officer based on the foregoing factors, and (b) multiplying the 2015 target bonus dollar amount by the approved payout percentage.

The percentages assigned to each Named Executive Officer's 2015 performance goals are as follows:

| Named Executive Officer | Company | | | Individual | CEO | Compensation |
|-------------------------|---------|-------|-------|------------|---------------|--------------|
| | Goals | Goals | Goals | Goals | Discretionary | Committee |
| Conway | 50% | 30% | — | — | — | 20% |
| Gustafson | 50% | 30% | 10% | 10% | 10% | 10% |
| Danson | 50% | 30% | 10% | 10% | 10% | 10% |

The Company's 2015 performance goals, the attainment of which comprises 50% of each officer's incentive compensation target, and the Company's 2015 performance levels, were as follows:

| Goal | Metric | 50% | 100% | 200% |
|------|--------|-----|------|------|
|------|--------|-----|------|------|

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| | % of Company Attainment | | 20% | 30% | 50% | Actual Attainment % |
|----------------------------|-------------------------------|---|-------------------|-------------------|-------------------|---------------------------|
| 2015 Growth | 40% | The percentage growth year-over-year in 2015 annual revenues | Revenue Growth | Revenue Growth | Revenue Growth | 108% |
| Foundation for 2016 Growth | 40% | The percentage growth year-over-year in the 2015 year-end book of business | 20% BoB Growth | 30% BoB Growth | 50% BoB Growth | 110% |
| Operating Leverage | 20% | The year-over-year change in EBITDA, divided by the year over year change in revenues | 10% Leverage | 20% Leverage | 30% Leverage | 66% |
| Total | | | | | | 100% |

The Named Executive Officer’s individual performance goals, the attainment of which comprises 30% of each officer’s incentive compensation target, and their 2015 performance levels, are: (i) Mr. Conway, Customer Satisfaction (“CSAT”), Deployment Times, and Sales Scalability; (ii) Mr. Danson, CSAT, Time to Deploy Annual Contract Value (“ACV”), and Routing Expansion; and (iii) Mr. Gustafson, CSAT, Time to Deploy ACV, and Algorithms. These goals are defined, and the Company’s 2015 achievement thereof are, as follows (with measurement commencing as of April 1, 2015):

| Goal | Metric | 50% | 100% | 200% | Actual Attainment % |
|--------------------|--|----------------|----------------|----------------|---------------------|
| CSAT | % of time high severity level client satisfaction issues remain categorized as high severity level | 15% | 10% | 5% | 190% |
| | Average time to | 6 weeks | 4 weeks | 2 weeks | |
| | deploy ACV from contract execution | 7 months | 6 months | 5 months | |
| | to go-live date | | | | |
| Time to Deploy ACV | | | | | 104% |
| Sales Scalability | Number of new Predictive Behavioral Routing pilots | 30 | 35 | 40 | 0% |
| | Number of new Predictive Behavioral Routing algorithms | 2 new versions | 4 new versions | 6 new versions | |
| Algorithms | | | | | 100% |
| Routing Expansion | Number of new Predictive Behavioral Routing seats sold | 8,000 | 12,000 | 20,000 | 77% |
| | | | | | |

The 2015 target bonus for each Named Executive Officer, and the percentage attainment, are as follows:

| Named Executive Officer | Bonus Target | % | % | % | % Attainment | |
|-------------------------|--------------|---------|------------|---------------|---------------|------------|
| | | Company | Individual | CEO | Committee | Total % |
| | | Goals | Goals | Discretionary | Discretionary | Attainment |
| Conway | \$350,000 | 50.2% | 29.1% | N/A | 20.0% | 99.3% |
| Gustafson | \$300,000 | 50.2% | 39.0% | 10.0% | 10.0% | 109.2% |
| Danson | \$300,000 | 50.2% | 36.7% | 10.0% | 10.0% | 106.9% |

401(k) Plan

We maintain a tax-qualified retirement plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees are able to defer eligible compensation subject to applicable annual limits under the Internal Revenue Code of 1986, as amended (the “Code”). Currently, we match 25% of each eligible employee’s contributions up to 6% of total eligible compensation. Employees’ pre-tax contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participants’ directions. Employees are immediately and fully vested in their contributions, and our matching contribution vests 100% after three years of service. The 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 401(k) plan’s related trust intended to be tax exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan.

Employment Agreements

Mattersight has entered into employment agreements with each of the Named Executive Officers. The material terms of such agreements are summarized in the following paragraphs.

Employment Agreement with Mr. Conway

Under his executive employment agreement, Mr. Conway's annual base salary is set at \$300,000, subject to annual review and discretionary adjustment. Mr. Conway's base salary has subsequently been increased with approval of the Compensation Committee as follows: (i) to \$330,000 in November 2013, effective January 1, 2014; (ii) to \$350,000 in February 2015, effective as soon as administratively practicable; and (iii) to \$360,000 in February 2016, effective March 1, 2016. In addition to base salary, he is eligible to participate in our other compensation programs, including annual bonus, equity incentive awards, and other employee benefit programs. Mr. Conway's agreement does not specify a term of employment and states that he is an employee at will. His employment agreement provides that we may terminate his employment at any time, with or without Cause (as defined in the agreement), and that Mr. Conway may terminate his employment with or without Good Reason (as defined in the agreement).

The severance and other benefits payable upon termination of Mr. Conway's employment by us without Cause, by Mr. Conway for Good Reason, in connection with a Change in Control (as defined in the agreement), or upon Mr. Conway's death or Disability (as defined in the agreement) are described under the caption "Severance and Change in Control Benefits," beginning on page 30.

Employment Agreements with Other Named Executive Officers

Mattersight has entered into executive employment agreements with its other Named Executive Officers, which provide for a base salary and eligibility to receive incentive compensation in the form of an annual performance bonus, as well as establishing a target amount for their respective annual incentive compensation. Mr. Danson's base salary for 2015 was \$300,000. In February 2016, his base salary was increased to \$305,000, effective March 1, 2016. Mr. Gustafson's base salary for 2015 was \$300,000. In February 2016, his base salary was increased to \$305,000, effective March 1, 2016. The executive employment agreements also include certain customary non-competition, non-solicitation, and proprietary information and invention provisions.

The executive employment agreements do not specify a term of employment and state that each of these Named Executive Officers is an employee at will. Each of these agreements provides that we may terminate the Named Executive Officer's employment at any time, with or without Cause (as defined in each agreement), and that the Named Executive Officer may terminate his employment with or without Good Reason (as defined in each agreement).

The severance and other benefits payable upon termination of employment of each of the Named Executive Officers other than Mr. Conway by us without Cause (as defined in the applicable agreement), by the Named Executive Officer for Good Reason (as defined in the applicable agreement), or upon the Named Executive Officer's death or Disability (as defined in the applicable agreement) are described under the caption "Severance and Change in Control Benefits," beginning on page 30.

Outstanding Equity Awards at 2015 Fiscal Year-End

The following table shows the total number of stock options (vested and unvested) and unvested restricted stock awards outstanding for our Named Executive Officers as of December 31, 2015. These amounts do not include 2016 equity awards. For information regarding the total beneficial ownership of Mattersight securities by its Named Executive Officers, see “Security Ownership of Certain Beneficial Owners and Management” beginning on page 19.

| Name | Option Awards | | | | Stock Awards | | Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾ |
|-----------------------|---|--|----------------------------|------------------------|---|---|---|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable ⁽¹⁾ | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested | Number of Units of Stock That Have Not Vested (#) | |
| Kelly D. Conway | 49,219 | 63,281 | \$ 6.38 | 04/21/2024 | 113,818 ⁽³⁾ | | \$ 746,646 |
| | 68,750 | 31,250 | \$ 4.69 | 3/15/2023 | | | |
| | 300,000 | — | \$ 5.79 | 2/27/2022 | | | |
| | 50,000 | — | \$ 6.15 | 6/06/2021 | | | |
| | 100,000 | — | \$ 10.54 | 2/19/2018 | | | |
| | 100,000 | — | \$ 21.95 | 2/20/2017 | | | |
| David R. Gustafson | 12,304 | 15,821 | \$ 6.38 | 04/21/2024 | 60,751 ⁽⁴⁾ | | \$ 398,527 |
| | 20,625 | 9,375 | \$ 4.69 | 3/15/2023 | | | |
| | 25,000 | — | \$ 5.79 | 2/27/2022 | | | |
| | 16,875 | 13,125 | \$ 4.10 | 11/06/2023 | | | |
| Christopher J. Danson | 24,609 | 31,641 | \$ 6.38 | 04/21/2024 | 46,778 ⁽⁵⁾ | | \$ 306,864 |
| | 34,375 | 15,625 | \$ 4.69 | 3/15/2023 | | | |
| | 115,000 | — | \$ 5.79 | 2/27/2022 | | | |
| | 35,000 | — | \$ 10.54 | 2/19/2018 | | | |
| | 40,000 | — | \$ 21.95 | 2/20/2017 | | | |

(1) With respect to Mr. Conway, comprised of the following:

- Initial option award of 112,500 on April 21, 2014; vesting 7,031 per quarter starting on May 31, 2014; 63,281 remaining unvested as of December 31, 2015. Initial option award of 100,000 on March 15, 2013; vesting 6,250 per quarter starting on May 31, 2013; 31,250 remaining unvested as of December 31, 2015.

With respect to Mr. Gustafson, comprised of the following:

- Initial option award of 28,125 on April 21, 2014; vesting 1,758 per quarter starting on May 31, 2014; 15,821 remaining unvested as of December 31, 2015. Initial option award of 30,000 on March 15, 2013; vesting 1,875 per quarter starting on May 31, 2013; 9,375 remaining unvested as of December 31, 2015. Initial option award of 30,000 on November 6, 2013; vesting 1,875 per quarter starting on November 30, 2013; 13,125 remaining unvested as of

December 31, 2015.

With respect to Mr. Danson, comprised of the following:

· Initial option award of 56,250 on April 21, 2014; vesting 3,515 per quarter starting on May 31, 2014; 31,641 remaining unvested as of December 31, 2015. Initial option award of 50,000 on March 15, 2013; vesting 3,125 per quarter starting on May 31, 2013; 15,625 remaining unvested as of December 31, 2015.

(2) Market value is calculated based on the number of shares multiplied by the closing market price of Common Stock on the NASDAQ Global Market on December 31, 2015 (the last business day of the year), which was \$6.56 per share.

(3) Comprised of the following:

· Initial grant of 37,500 on April 21, 2014; vesting 2,344; 19,108 remaining unvested as of December 31, 2015. Due to retirement eligible status on April 21, 2014, 1,984 shares were withheld as of the grant date to satisfy tax withholding obligations due to meeting age and service requirements for accelerated vesting of 20% of the underlying award. Initial grant of 100,000 on February 11, 2015; vesting 50% on February 28, 2017 then 6,250 per quarter starting on May 31, 2017; 94,710 remaining unvested as of December 31, 2015. Due to retirement eligible status on February 11, 2015, 5,290 shares were withheld as of the grant date to satisfy tax withholding obligations due to meeting age and service requirements for accelerated vesting of 20% of the underlying award.

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(4) Comprised of the following:

- Initial grant of 9,375 on April 21, 2014; vesting 586 per quarter; 5,273 remaining unvested as of December 31, 2015.
- Initial grant of 43,478 on February 11, 2015; vesting 50% on February 28, 2017 then 2,717 per quarter starting on May 31, 2017; 43,478 remaining unvested as of December 31, 2015.
- Initial grant of 12,000 on August 12, 2015; vesting 50% on August 31, 2017 then 750 per quarter starting on November 30, 2017; 12,000 remaining unvested as of December 31, 2015.

(5) Comprised of the following:

- Initial grant of 18,750 on April 21, 2014; vesting 1,172 per quarter; 10,546 remaining unvested as of December 31, 2015.
- Initial grant of 36,232 on February 11, 2015; vesting 50% on February 28, 2017 then 2,265 per quarter starting on May 31, 2017; 36,232 remaining unvested as of December 31, 2015.

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SEVERANCE AND CHANGE IN CONTROL BENEFITS

We are obligated under the terms of their respective executive employment agreements to make severance payments to our Named Executive Officers only in the event that we terminate their employment without Cause or in the event a Named Executive Officer resigns with Good Reason, except Mr. Conway is also entitled to accelerated vesting of shares of restricted stock and stock options in the event of a Change in Control, whether or not he incurs a termination in connection therewith. In the event we are obligated under the terms of the relevant agreement to make a severance payment, no payments are due unless the Named Executive Officer executes a general release.

Summary of Severance and Change in Control Benefits

Under his executive employment agreement, Mr. Conway is entitled to severance in the event that we terminate his employment without Cause or Mr. Conway terminates his employment with Good Reason, as follows: (i) the amount of \$1,200,000, payable in a lump sum, (ii) continuation of health insurance benefits for a period of 18 months or until such time as Mr. Conway qualifies for health insurance benefits through a new employer, whichever occurs first, and (iii) accelerated vesting of the shares of restricted stock and stock options that would have vested if he were employed for an additional period of 24 months. In the event of his death or Disability, Mr. Conway is entitled to (a) the amount of \$800,000, payable in a lump sum, (b) the cost of continuing health insurance benefits for a period of 12 months, and (c) vesting of all then unvested shares of restricted stock and stock options, with such options being exercisable for a period of one year. Upon a Change in Control, whether or not he incurred a termination of his employment in connection therewith, Mr. Conway would be entitled to accelerated vesting of the shares of restricted stock and stock options that would have vested if he were employed for an additional 36 months.

Under the executive employment agreements of our Named Executive Officers other than Mr. Conway, each Named Executive Officer is entitled to severance in the event that we terminate his employment without Cause or he terminates his employment with Good Reason, as follows: (i) an amount equal to 100% of his then-current base salary, payable in a lump sum, (ii) an additional amount equal to 100% of the average of the bonus he was paid in the year preceding his termination and the target bonus for the then-current year, payable in a lump sum, (iii) continuation of health insurance benefits for a period of 12 months or until such time as he qualifies for health insurance benefits through a new employer, whichever occurs first, and (iv) accelerated vesting of the shares of restricted stock and stock options that would have vested if he were employed for an additional 12 months. In the event of the Named Executive Officer's death or Disability, he is entitled to (a) an amount equal to 100% of his then-current base salary, payable in a lump sum, (b) an additional amount equal to 100% of the average of the bonus he was paid in the year preceding his termination and the target bonus for the then-current year, payable in a lump sum, (c) the cost of continuing health insurance benefits for a period of 12 months, and (d) vesting of 50% of the then unvested shares of restricted stock and stock options, with such options being exercisable for a period of one year.

Relevant Definitions

The following terms, which are relevant to the foregoing discussion, are defined as follows in each 2015 Named Executive Officer's employment agreement:

Cause. Under the employment agreements for all Named Executive Officers, a termination for "Cause" occurs if Mattersight terminates the employment of a Named Executive Officer for any of the following reasons:

- (i) conviction, including a plea of guilty or no contest, of any felony or any crime involving moral turpitude or dishonesty;
- (ii) fraud upon Mattersight (or an affiliate), embezzlement, or misappropriation of corporate funds;
- (iii) willful acts of dishonesty materially harmful to Mattersight;

- (iv) activities materially harmful to Mattersight's reputation;
- (v) the executive's willful misconduct, willful refusal to perform his duties, or substantial willful disregard of his duties provided that Mattersight first provides the executive with written notice of such conduct and thirty (30) days to cure such conduct, if such conduct is reasonably susceptible to cure; or
- (vi) material breach of the employment agreement or any other agreement with or policy of Mattersight, causing material harm to Mattersight, or breach of any statutory duty or common law duty owed to Mattersight.

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Good Reason. Under the employment agreements for all Named Executive Officers, an executive generally may terminate his employment for “Good Reason” if any of the following conditions occur:

- (i) the executive’s base salary or target bonus is reduced below the amount set forth in his agreement, unless such reduction is proportionately applied to the three most highly paid executives (excluding the executive);
- (ii) the executive is involuntarily relocated to any location outside of the metropolitan area in which his primary office is located, excluding temporary relocations and travel;
- (iii) a material diminution in the executive’s position (including offices, titles, and reporting relationships), authority, duties, or responsibilities;
- (iv) Mattersight materially breaches the terms of the agreement; or
- (v) Mattersight fails to assign the agreement to a successor upon a Change in Control.

Mr. Conway’s agreement also provides that the failure of our Board of Directors to nominate Mr. Conway as a director constitutes Good Reason. His agreement also provides that a Change in Control, in and of itself, will not constitute Good Reason unless it results in a significant diminution of his position as described in clause (iii) above.

The other Named Executive Officers’ agreements provide that the definition of Good Reason does not include the diminution of responsibilities if such diminution of responsibilities is in the ordinary course of either: (a) Mattersight becoming, pursuant to a Change in Control, part of a larger organization in which the executive directly reports to the chief executive officer of such organization; or (b) Mattersight becoming, pursuant to a Change in Control, either a subsidiary or equivalent separate functional business unit of a larger business organization.

Change in Control. Under the executive employment agreements for all Named Executive Officers, a “Change in Control” means:

- (i) the acquisition by any individual, entity, or group of beneficial ownership of 25% or more of Mattersight’s outstanding Common Stock or voting securities;
- (ii) a change in the identity of a majority of the members of our Board of Directors from those who constituted the board at the time Mattersight was spun off from TSC (the “Incumbent Board”), counting any new director whose election was approved by a majority of the members of the Incumbent Board as a member of the Incumbent Board;
- (iii) the consummation of a reorganization, merger or consolidation involving Mattersight or a sale or other disposition of all or substantially all of Mattersight’s assets, other than in a transaction following which the beneficial owners of more than 60% of the outstanding Common Stock and voting securities prior to the transaction beneficially own 60% or more of the outstanding Common Stock and voting securities of the surviving or acquiring entity, in substantially the same relative proportion before and after the transaction; or
- (iv) the consummation of a plan of complete dissolution or liquidation of Mattersight.

For each of the executive employment agreements, the definition of Change in Control derives from the 1999 Plan.

Disability. Under the executive employment agreement for Mr. Conway, “Disability” means a permanent disability rendering him unable to perform his duties for 90 consecutive days or 180 days in any 12-month period, which determination shall be made after the period of disability, unless an earlier determination can be made, by an independent physician appointed by our Board of Directors. Under the executive employment agreement for the other Named Executive Officers, “Disability” has the meaning provided under the terms of the Company’s then-current long-term disability program or, if no such program is then in effect, the same meaning as provided under Mr. Conway’s agreement.

Non-Competition

The executive employment agreements for our Named Executive Officers provide non-competition restrictions on our Named Executive Officers for our benefit. These non-competition restrictions provide that for a period of one year following a termination for any reason, the Named Executive Officer cannot, for himself or as an agent, partner, or employee of any person, firm, or corporation:

- (i) with respect to Mr. Conway, without the prior written consent of our Board of Directors, engage in the practice of providing consulting or related services for any Mattersight client or prospect to or for whom he directly or indirectly performed or provided consulting or related services, or with whom he had personal contact, or prospect to whom he submitted (or assisted or participated in any way in the submission of) a proposal, during the two year period preceding termination of his employment with Mattersight;

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(ii) with respect to the other Named Executive Officers, without the prior written consent of the chief executive officer or his designee, perform services of the type performed by him during his employment with Mattersight, or any services substantially similar thereto, for any Mattersight client or prospective client to or for whom the executive directly or indirectly performed services, or prospect to whom he submitted (or assisted or participated in any way in the submission of) a proposal, during his prior two years of employment with Mattersight, in any country in which Mattersight has performed services or sold products during the preceding three years. Mr. Gustafson's executive employment agreement also provides similar restrictions as to any direct competitor of Mattersight for a period of one year after the termination of his employment with us.

Non-Solicitation

The executive employment agreements for our Named Executive Officers provide non-solicitation restrictions on our Named Executive Officer's for our benefit. These non-solicitation restrictions provide that while employed by Mattersight and during the one year period immediately following termination of employment for any reason, the executive cannot (i) induce or assist in the inducement of any employee away from Mattersight's employ or from the faithful discharge of such employee's contractual and fiduciary obligations to serve Mattersight's interests with undivided loyalty or (ii) directly or indirectly, on behalf of the executive or any other person or entity, solicit any person, firm, company, corporation, or other entity to whom the executive was first introduced by Mattersight and is, becomes, or is known to be, an actual or potential client or customer of Mattersight, to become a client and/or customer of the executive or of any person or entity other than Mattersight.

PRINCIPAL ACCOUNTING FEES AND SERVICES

For fiscal years 2015 and 2014, fees for services provided by Grant Thornton LLP (“Grant Thornton”) were as described below. The Audit Committee has concluded that the provision of the services rendered by Grant Thornton with respect to the fees described below was compatible with maintaining Grant Thornton’s independence.

Audit Fees

Total audit fees paid to Grant Thornton for the 2015 and 2014 fiscal years were \$519,000 and \$292,000 respectively. Of the total audit fees paid in fiscal year 2015, \$508,000 was for professional services rendered for the audits of the consolidated financial statements and internal controls of Mattersight and \$11,000 was for statutory audit work for Mattersight affiliates in non-U.S. jurisdictions.

Audit-Related Fees

There were no audit-related fees for accounting consultations paid to Grant Thornton for the 2015 or 2014 fiscal years.

Tax Fees

There were no tax fees paid to Grant Thornton for fiscal years 2015 or 2014.

All Other Fees

No fees other than those described above were paid to Grant Thornton for fiscal years 2015 or 2014.

Pre-Approval Policy

The Audit Committee pre-approves all audit and permissible non-audit services provided to Mattersight by Grant Thornton. Pre-approval generally is provided at a regular meeting of the Audit Committee, covers a period of at least two years, and is, at a minimum, reviewed annually. Any pre-approval is detailed as to the particular service or category of services covered and is generally subject to a specific budget. The independent auditors and management periodically report to the Audit Committee regarding the extent of services provided by Grant Thornton in accordance with this pre-approval and the fees for the services performed to-date. The Audit Committee, or its Chairman, may also pre-approve other particular services on a case-by-case basis. All services provided to Mattersight by Grant Thornton during 2015 and 2014 were pre-approved by the Audit Committee in accordance with this policy. Specifically, the Audit Committee pre-approved Grant Thornton’s provision of audit services for 2015 and 2014.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with Mattersight's management and Grant Thornton the audited financial statements of Mattersight contained in Mattersight's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The Audit Committee also has discussed with Grant Thornton the matters required to be discussed pursuant to Auditing Standard No. 16, Communication with Audit Committees, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from Grant Thornton required by the applicable requirements of the Public Company Accounting Oversight Board and has discussed with Grant Thornton its independence.