

METRO ONE TELECOMMUNICATIONS INC
Form 10-Q
August 08, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-27024

METRO ONE TELECOMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

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Oregon
(State or other jurisdiction of incorporation
or organization)

93-0995165
(I.R.S. Employer Identification No.)

11200 Murray Scholls Place

Beaverton, Oregon
(Address of principal executive offices)

97007
(Zip Code)

Registrant's telephone number, including area code: **(503) 643-9500**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

Common Stock without par value
(Class)

6,233,326
(Outstanding at August 7, 2008)

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Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****METRO ONE TELECOMMUNICATIONS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands, except share amounts)**

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,711	\$ 7,999
Restricted cash	1,700	3,000
Accounts receivable, net of allowance for doubtful accounts of \$26 and \$2	587	2,421
Prepaid costs and other current assets	329	573
Assets of discontinued operations:		
Accounts receivable, net of allowance for doubtful accounts of \$14 and \$0	100	
Furniture, fixtures and equipment held for sale	46	
Total current assets	12,473	13,993
Furniture, fixtures and equipment, net of accumulated depreciation of \$7,181 and \$8,067	178	1,438
Intangible assets, net	168	4,055
Other assets	74	81
Total assets	\$ 12,893	\$ 19,567
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 58	\$ 281
Accrued liabilities	1,313	1,484
Accrued payroll and related costs	1,350	2,173
Preferred stock dividend payable	427	230
Liabilities of discontinued operations	1,466	
Total current liabilities	4,614	4,168
Preferred stock warrants	149	615
Other long-term liabilities	81	319
Total liabilities	4,844	5,102
Commitments and contingencies (Notes 8 and 14)		
Redeemable preferred stock:		
Preferred stock, no par value, 10,000,000 shares authorized: Series A convertible preferred stock, 1,385 shares authorized, 1,000 and 1,000 shares issued and outstanding; liquidation preference of \$10,427 and \$10,230	9,164	8,798

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Shareholders' equity (deficit):		
Common stock, no par value; 50,000,000 shares authorized: 6,233,326 and 6,233,326 shares issued and outstanding	122,260	122,246
Accumulated deficit	(123,375)	(116,579)
Total shareholders' equity (deficit)	(1,115)	5,667
Total liabilities, redeemable preferred stock and shareholders' equity	\$ 12,893	\$ 19,567

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**METRO ONE TELECOMMUNICATIONS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands, except per share amounts)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 536	\$ 232	\$ 1,045	\$ 561
Costs and expenses:				
Direct operating	489	72	746	145
Selling, general and administrative	1,883	1,876	3,499	3,556
Depreciation and amortization	36	51	82	116
Restructuring charges		35		113
	2,408	2,034	4,327	3,930
Loss from operations	(1,872)	(1,802)	(3,282)	(3,369)
Gain (loss) associated with valuation of warrants	(38)		466	
Interest income	44	79	117	199
Other income (expense), net	(83)		(100)	
	(77)	79	483	199
Loss from continuing operations	(1,949)	(1,723)	(2,799)	(3,170)
Loss from discontinued operations, net of income taxes	(2,172)	(1,941)	(7,725)	(4,196)
Gain on disposal of intangible assets of discontinued operations, net of income taxes	4,281		4,281	
Net income (loss)	160	(3,664)	(6,243)	(7,366)
Preferred stock dividends	(100)		(198)	
Accretion of preferred stock	(191)		(366)	
Net loss attributable to common shareholders	\$ (131)	\$ (3,664)	\$ (6,807)	\$ (7,366)
Basic and diluted loss per common share from continuing operations	\$ (0.31)	\$ (0.28)	\$ (0.45)	\$ (0.51)
Basic and diluted income (loss) per common share from discontinued operations	\$ 0.34	\$ (0.31)	\$ (0.55)	\$ (0.67)
Basic and diluted net loss per common share attributable to common shareholders ⁽¹⁾	\$ (0.02)	\$ (0.59)	\$ (1.09)	\$ (1.18)
Shares used in per share calculations	6,233	6,233	6,233	6,233

(1) Amounts may not add due to rounding.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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	For the Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (6,243)	\$ (7,366)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of continuing operations	82	44
Depreciation and amortization of discontinued operations	400	1,113
Loss on disposal of fixed assets	18	90
Loss on disposal of fixed assets of discontinued operations	35	
Gain on disposal of intangible assets of discontinued operations	(4,281)	
Impairment of fixed assets	918	
Deferred rent	(127)	(28)
Stock-based compensation expense	14	20
Gain associated with valuation of warrants	(466)	
Change in accounts receivable of discontinued operations	1,153	
Change in liabilities of discontinued operations	(594)	
Changes in operating assets and liabilities:		
Accounts receivable, net	581	(458)
Prepaid costs and other current assets	244	139
Other assets	7	
Accounts payable	33	(453)
Accrued liabilities	339	(104)
Accrued payroll and related costs	471	(1,210)
Other long-term liabilities	(111)	
Net cash used in operating activities	(7,527)	(8,213)
Cash flows from investing activities:		
Decrease in restricted cash	1,300	
Capital expenditures	(93)	(57)
Proceeds from sale of fixed assets of discontinued operations	23	13
Proceeds from sale of intangible assets of discontinued operations	8,001	
Additions to intangible assets	(3)	
Net cash provided by (used in) investing activities	9,228	(44)
Cash flows from financing activities:		
Proceeds from issuance of convertible preferred stock		1,813
Refund of preferred stock offering costs	11	
Net cash provided by financing activities	11	1,813
Increase (decrease) in cash and cash equivalents	1,712	(6,444)
Cash and cash equivalents:		
Beginning of period	7,999	11,965

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End of period	\$ 9,711	\$ 5,521
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	\$ 3	\$ 18
Supplemental disclosure of non-cash information:		
Preferred stock dividend	\$ 198	\$
Accretion of preferred stock	366	
Transfer of assets to assets of discontinued operations	5,070	
Transfer of liabilities to liabilities of discontinued operations	2,060	