METRO ONE TELECOMMUNICATIONS INC
Form S-3/A
June 13, 2008

As filed with the Securities and Exchange Commission on June 13, 2008

Registration No. 333-144400

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

METRO ONE TELECOMMUNICATIONS, INC.

(Exact name of Registrant as Specified in its Charter)

Oregon (State or Other Jurisdiction of Incorporation or Organization)	**93-0995165** (I.R.S. Employer Identification No.)

11200 Murray Scholls Place
Beaverton, Oregon 97007
(503) 643-9500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

JAMES F. HENSEL

President and Chief Executive Officer
Metro One Telecommunications, Inc.
11200 Murray Scholls Place
Beaverton, Oregon 97007
(503) 643-9500

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

With a Copy to:

NEAL H. BROCKMEYER, Esq.
Heller Ehrman LLP
333 S. Hope Street, 39th Floor
Los Angeles, California 90071-3043
(213) 689-7507

Approximate Date of Commencement of Proposed Sale to the Public: For time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock	1,486,742 shares	$ 0.655	$ 164,265	$ 7(3)

(1) The number of shares being registered consists of 1,486,742 shares of our common stock that may be sold upon the conversion of outstanding shares of series A convertible preferred stock issued at the initial and second closings of the Securities Purchase Agreement dated June 5, 2007 and August 15, 2007. Of these shares, 1,235,955 were covered by the registration statement on Form S-3 filed July 6, 2007, and an additional 250,787 shares are to be registered by this Amendment No. 1.Pursuant to Rule 416 of the Securities Act of 1933, as amended, the number of shares registered hereby shall also include an indeterminate number of additional shares of common stock that may be issued upon conversion of the series A convertible preferred stock as a result of anti-dilution provisions thereof.

(2) Estimated solely for purposes of determining the additional registration fee on the additional 250,787 shares to be registered by this Amendment pursuant to Rule 457 of the Securities Act of 1933, as amended, based on the average of the high and low prices reported on the Nasdaq Capital Market on June 6, 2008.

(3) Represents the fee payable on the additional number of shares to be registered. A fee of $79 was previously paid when the registration statement on Form S-3 was initially filed on July 6, 2007..

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JUNE 13, 2008

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

PROSPECTUS

1,486,742 Shares

Metro One Telecommunications, Inc.

Common Stock

This prospectus relates to the sale of up to an aggregate of 1,486,742 shares of common stock, no par value, of Metro One Telecommunications, Inc. issuable upon conversion of our series A convertible preferred stock that may be offered and sold from time to time by the selling shareholders named in this prospectus and the persons to whom such selling shareholders may transfer their shares. The selling shareholders may sell shares at prices and on terms determined at the time of the offering. The selling shareholders may sell our common stock through ordinary brokerage transactions, directly to market makers of our shares, directly to or with the assistance of broker-dealers, who may receive compensation in excess of their customary commissions, or through any other means described in the section entitled Plan of Distribution beginning on page 12.

We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus.

Our common stock trades on the Nasdaq Capital Market under the symbol INFO. On June 6, 2008, the last reported sale price of our common stock on the Nasdaq Capital Market was $0.6696 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June , 2008.

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We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or any accompanying prospectus supplement as if we had authorized it. This prospectus and any accompanying prospectus supplements do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor does this prospectus and any accompanying prospectus supplements constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and any accompanying prospectus supplement is correct on any date after their respective dates, even though this prospectus or any prospectus supplement is delivered or securities are sold on a later date

PROSPECTUS SUMMARY

This summary highlights only selected information contained elsewhere in this prospectus. It does not contain all of the information that is important to you before investing in our common stock. To understand this offering fully, you should read the entire prospectus carefully, including the risk factors and financial statements included or incorporated by reference herein. Unless otherwise indicated or the context otherwise required, the terms Metro One, we, our, and us refer to Metro One Telecommunications, Inc.

Forward-Looking Statements

All statements and trend analyses contained in this prospectus relative to the future constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may, but do not necessarily, include words such as believes, expects, anticipates, intends, plans, estimates, may, will, should, could, continue or similar expressions. Forward- are not guarantees. They involve known and unknown business and economic risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include those discussed under Risk Factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Metro One

Current Business

We are an experienced operator of call centers and data management services. We hope to leverage our call center expertise by providing outbound and inbound telesales (collectively, contact services). We began our outbound services in January 2008 and expect to earn revenues from inbound services beginning in the fourth quarter of 2008. For our outbound services, our operator agents call small businesses and provide relevant information about available telecom services to induce them to enter into agreements. By way of illustration, we have an agreement as a sub-contractor to a master agent of a large Regional Bell Operating Company (RBOC). In this arrangement, our revenues are earned when the businesses we call either renew existing contracts or enter into new contracts for telephone services with the carrier. We are performing these services in our call center facility in Beaverton, Oregon which is located within our principal executive office. We expect to grow this business over the next year, marketing additional products and services to a wider customer base and have entered into two other agreements with large communications providers. We also intend to enter into agreements to provide other non-directory assistance inbound call center services from the same facility. We are making the necessary investments to support approximately 140 operators in our Beaverton, Oregon location and have the option to expand these facilities to approximately 250 operators as the need arises.

We also will continue providing directory assistance services in electronic format. These services are provided to customers who electronically issue directory assistance queries and use the returned information to complete and correct their own data records. We currently provide electronic directory assistance services in a number of delivery formats to meet customer needs including automated file processing and real-time individual look ups. In addition to directory assistance data, we house national databases of consumer and business information. We blend this data with directory assistance data to build products that we sell to a broad range of companies that require electronic directory assistance data and marketing data. These customers include companies in the service, marketing, and financial sectors. This electronic services business (collectively, data services) represents an emerging business that is based on infrastructure originally developed to support abandoned voice-based directory assistance call center business.

Our principal executive offices are located at 11200 Murray Scholls Place, Beaverton, Oregon 97007. Our telephone number is (503) 643-9500.

Historical Business

Historically, our revenues have been derived primarily from accepting inbound calls in our live operator call centers from consumers seeking directory assistance (usually telephone numbers), accessing that information in our databases and providing the information to the caller. On March 21, 2008, we announced our intention to exit this directory assistance business, and as of June 1, 2008, we no longer are earning revenues from this line of business. We started our business in 1989 and entered into our first contract with a wireless carrier in 1991 to provide directory assistance service to that carrier s subscribers on a charge-per-call basis. Until our recent decision to exit this business, we contracted with wireless carriers, Voice over Internet Protocol (VoIP) providers, cable companies, Incumbent Local Exchange Carriers (ILEC), Competitive Local Exchange Carriers (CLEC), free directory assistance providers, prepaid carriers, and payphone operators to provide live operator directory assistance services to their subscribers and users. Revenues were derived principally through fees charged to telecommunications carriers and other customers.

During the last four years, several of our largest customers transferred their calls to another provider for a variety of reasons, but primarily in order to obtain lower prices or as a result of consolidation in the wireless industry. Beginning in the second quarter of 2005, in response to the loss of these customers and the associated revenues and as a result of our ongoing operating losses and declining cash balance, we significantly restructured our operations to lower our cost structure and to refocus our efforts on adding new wholesale customers. In spite of these efforts, we did not win a sufficient number of new accounts and corresponding revenues to generate the required operating margins necessary to sustain our then-reduced cost structure.

Liquidity and Capital Resources

On March 21, 2008, we announced that, as part of a strategic business review and in furtherance of our ongoing effort to cut costs and align expenses with reduced revenues, we had decided to exit the wholesale directory assistance business by the end of May 2008. Our strategic review determined that the current economic environment did not provide the potential to deliver an acceptable long-term return on investment and that our remaining resources would be better spent pursuing our nascent data and contact services businesses and monetizing our intellectual property portfolio.

Our directory assistance call centers in Long Island and Portland were closed in March 2008 prior to our decision to leave the directory assistance business. Our call centers in Minneapolis, Orlando and Charlotte were closed May 5, 2008 as part of that decision and our Honolulu call center was also closed near the end of May 2008. We also reduced corporate staff at our Beaverton headquarters. A total of approximately 700 employees were, or will be, terminated in connection with the call center closures and related activities. We anticipate the total costs to be incurred in connection with the closure of all of the call centers and the reduction in corporate staff will range from $3.5 million to $4.0 million. These costs are anticipated to result in cash expenditures of approximately $1.9 million. The fixed asset impairments will not result in cash expenditures. We recognized $2.6 million of these costs in the first quarter of 2008 as a component of discontinued operations and expect to recognize approximately $0.7 million of the costs in the second quarter of 2008. The remaining costs, estimated to be between $0.2 million and $0.7 million, will be recognized over the remaining terms of our operating leases, which run through September 2009.

In May 2008, we sold a portfolio of surplus intellectual property, including a majority of our patents and trademarks, for $8.0 million in cash. The book value of these patents and trademarks was $3.7 million, and , accordingly, we will recognize a gain of $4.3 million on the sale in the second quarter of 2008 as a component of discontinued operations. We believe that this cash, in addition to the remaining amount of the $5.3 million of cash and cash equivalents at March 31, 2008, will be sufficient to fund our operations for at least the remainder of 2008. In addition, we are aggressively pursuing new, potentially more profitable sources of revenues, including contact services and are working to grow our data services business. There can be no assurance that our efforts in these areas will be successful. If not successful, we may attempt to establish borrowing arrangements or raise additional capital in order to maintain adequate liquidity, although we cannot provide assurance that debt or equity financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to profitably conduct our operations according to our plans or obtain additional financing, we may be forced to cease operations.

Financing Transaction

The Company entered into a financing transaction (financing transaction) pursuant to a securities purchase agreement dated June 5, 2007, between us and Columbia Ventures Corporation (Columbia) and Everest Special Situations Fund L.P. (Everest), two private investment firms. Under the securities purchase agreement:

- At an initial closing on June 5, 2007, we issued (i) 220 shares of our newly authorized Series A convertible preferred stock (convertible preferred stock) at a purchase price of $10,000 per share, together with stock purchase warrants (warrants) to purchase an additional 77 shares of convertible preferred stock at an exercise price of $10,000 per share, for gross proceeds of $2.2 million; and (ii) senior secured convertible revolver bridge notes (convertible notes) drawable upon the satisfaction of certain conditions in an aggregate maximum principal amount of $7.8 million.

- At a second closing on August 15, 2007, we issued 780 shares of convertible preferred stock on funding and conversion of the convertible notes at a rate of $10,000 per share, together with warrants to purchase an additional 273 shares of convertible preferred stock at an exercise price of $10,000 per share, for gross proceeds of $7.8 million.

At the date of this prospectus, we had outstanding 1,000 shares of convertible preferred stock that are convertible into 5,617,978 shares of common stock at the initial conversion price of $1.78 per share, and warrants to purchase at an exercise price of $10,000 per share 350 additional shares of convertible preferred stock that would be convertible into 1,966,292 shares of common stock. Dividends in the amount of $400,000 were accrued and unpaid on June 5, 2008, and to the extent not paid before conversion of the convertible preferred stock, would be added to the amount into which the conversion price would be divided, thus resulting in the issuance on conversion of additional shares of common stock. Only 1,486,742 shares of common stock issuable upon conversion of the outstanding convertible preferred stock are being registered for resale at this time.

The rights and preferences of the convertible preferred stock and terms of the warrants are summarized under Description of Capital Stock Series A Preferred Stock in this prospectus.

Payments to Selling Shareholders and Affiliates. The following table sets forth the dollar amount of each payment in connection with the financing transaction that we have made or may be required to make to any selling shareholder, any affiliate of a selling shareholder, or any person with whom any selling shareholder has a contractual relationship regarding the financing transaction. These payments are allocable 80% to Columbia and 20% to Everest, which is in proportion to their ownership of the convertible preferred stock.

Interest payments (l)	0
Dividend payment due June 5, 2008(2)	400,000
Maximum liquidated damages (3)	2,000,000
Reimbursement of legal fees (4)	80,472

Total	$	2,480,472

(1) No funds were drawn on the convertible notes and accordingly no interest was paid.

(2) The terms of the convertible preferred stock provide for payment of an annual dividend of $400 per share, and if not paid, such dividends cumulate and must be paid prior to declaration or payment of any distribution with respect to shares of any other class or series of our capital stock. To the extent dividends remain accrued and unpaid before conversion of the convertible preferred stock, they would be added to the amount into which the conversion price would be divided, thus resulting in the issuance on conversion of additional shares of common stock. Since it is unknown as to whether dividends will be paid in cash, only the dividends accrued and unpaid on June 5, 2008 are shown in the table.

(3) The registration rights agreement between us and the selling shareholders requires that we pay liquidated damages of 1.25% of the purchase price of the convertible preferred stock (or $125,000) per month for each month (prorated for partial months) after a specified date (currently June 15, 2008) that a registration statement, if filed on Form S-3, is not declared effective by the Securities Exchange Commission, with total liquidated damages not to exceed 20% of the $10 million purchase price of the convertible preferred stock. For purposes of this table, we have assumed payment of the maximum liquidated damages.

(4) Reflects payments made through January 5, 2008, and an estimate of $10,000 to reflect reimbursement of legal fees that may be due in relation to the updating and filing of amendments to the registration statement of which this prospectus is a part. We agreed in the securities purchase agreement to reimburse the investors for their legal fees incurred in connection with the financing transaction and with the registration of shares covered by this prospectus.

Net Proceeds from Financing Transaction. The following table sets forth the gross proceeds received from each selling shareholder in the financing transaction and calculates the net proceeds after deduction of the payments and anticipated future payments to be made by us in the first year after the financing transaction pursuant to the terms of the convertible preferred stock and the securities purchase agreement. The calculation of net proceeds includes payment of dividends, but not contingent payments such as liquidated damages, and assumes no conversion of the convertible preferred stock.

Gross proceeds		
Received from Columbia	$	8,000,000
Received from Everest		2,000,000
Total gross proceeds		10,000,000
Less cash payments by the Company:		
Legal and accounting fees(1)		438,288
Dividends		400,000
Other professional fees(2)		400,000
Third party proxy service fees(3)		60,138
Special committee fees(4)		30,000
Total cash payments		1,328,426
Net proceeds	$	8,671,574

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(1) Consists of payments of our legal and accounting fees in connection with the financing transaction through January 5, 2008, as well as our reimbursement of the legal fees of Columbia and Everest in connection with the financing transaction and with the registration of shares covered by this prospectus and includes $20,000 as an estimate of legal and accounting fees to be paid and reimbursed since January 5, 2008, in relation to the updating and filing of amendments to the registration statement of which this prospectus is a part.

(2) Consists of payments to XRoads Solutions Group LLC, our third-party restructuring consultant, including advisory fees allocable to the offering in the amount of $150,000 and a performance fee with respect to the financing transaction of $250,000.

(3) Consists of payments to our transfer agent, financial printer and proxy solicitation firm related to the annual meeting of shareholders.

(4) Consists of fees for services of members of a special committee of the Board of Directors that evaluated and recommended the financing transaction.

Potential Investor Profit or Loss. The following table illustrates the potential profit or loss that might be realized by the investors upon conversion of the convertible preferred stock (including the convertible preferred stock that would be outstanding upon full exercise of the warrants) based on the initial conversion price and the closing price of our common stock on June 5, 2007 (the date we entered into the securities purchase agreement) and on June 6, 2008. The total discount or premium of the aggregate conversion price to the closing prices on these dates is allocable 80% to Columbia and 20% to Everest, which is in proportion to their ownership of the convertible preferred stock.

Closing price per share at June 5, 2007	$	2.05

Closing price per share at June 6, 2008	$	0.6696
Conversion price per share	$	1.78
Total shares underlying convertible preferred stock based on conversion price(1)		7,808,989
Aggregate market value of underlying shares based on closing price at June 5, 2007(2)	$	16,008,427
Aggregate market value of underlying shares based on closing price at June 6, 2008(3)	$	5,228,899
Aggregate conversion price of underlying shares(4)	$	13,900,000
Total discount to closing price of underlying shares at June 5, 2007(5)	$	2,108,427
Total premium to closing price of underlying shares at June 6, 2008(6)	$	(8,671,101)

(1) Consists of 5,617,978 shares of common stock issuable on conversion of outstanding convertible preferred stock, 1,966,292 shares of common stock issuable on conversion of convertible preferred stock issuable on exercise of outstanding warrants,

and 224,719 additional shares of common stock issuable on conversion of convertible preferred stock assuming dividends accrued on June 5, 2008 are not paid in cash prior to conversion.

(2) Calculated as the product of the June 5, 2007 closing price and the total underlying shares in footnote (1).

(3) Calculated as the product of the June 6, 2008 closing price and the total underlying shares in footnote (1).

(4) Calculated as the product of the conversion price and the total underlying shares in footnote (1)

(5) Calculated as the difference between footnote (2) and footnote (4).

(6) Calculated as the difference between footnote (3) and footnote (4).

Comparison of Net Proceeds to Potential Investor Profit or Loss. The following table compares the net proceeds to the Company with the potential investor profit or loss from the financing transaction. For purposes of this table, we have assumed that all the warrants will be exercised.

Total gross proceeds payable to or deemed received by us in the financing transaction(1)	$	13,500,000
All payments that have been made or may be required to be made by us(2)	$	480,472
Net proceeds to us assuming payments to selling shareholders and affiliates(3)	$	13,019,528
Total possible profit to the investors at June 5, 2007(4)	$	2,108,427
Total possible loss to the investors at June 6, 2008(5)	$	(8,671,101)
Percentage (%) of payments and profit at June 5, 2007 over net proceeds(6)		19.88%
Percentage (%) of payments and loss at June 6, 2008 over net proceeds(7)		(62.91)%

(1) Includes gross proceeds payable on the issuance of the convertible preferred stock in the amount of $10 million and assumes full exercise of the warrants at an aggregate exercise price of $3.5 million.

(2) Total possible payments by us to the investors or their affiliates assuming that the dividends are accrued and paid in cash for one year and that no liquidated damages are incurred.

(3) Total net proceeds to us calculated by subtracting the result in footnote (2) from the result in footnote (1).

(4) Possible profit to the investors based only on the aggregate discount to market price at June 5, 2007 of the shares underlying the convertible preferred stock, as indicated in the above table under the caption Potential Investor Profit or Loss at footnote (5).

(5) Possible loss to the investors based only on the aggregate difference between the conversion price and the market price at June 6, 2008 of the shares underlying the convertible preferred stock, as indicated in the above table under the caption Potential Investor Profit or Loss at footnote (6).

(6) Percentage of the total possible payments to the investors as calculated in footnote (2) plus profit calculated in footnote (4) compared to the net proceeds disclosed in footnote (3).

(7) Percentage of the total possible payments to the investors as calculated in footnote (2) minus loss calculated in footnote (5) compared to the net proceeds disclosed in footnote (3).

The Offering

Common stock offered by selling shareholders	1,486,742 shares
Common stock outstanding after offering	7,720,068 shares
Total dollar value of common stock offered by selling shareholders	$ 995,522(1)
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling shareholders.
Nasdaq Capital Market Symbol	INFO
Risk Factors	Investing in our common stock is subject to risks that you should carefully consider before deciding to invest in our common stock. These risks are discussed more fully in Risk Factors beginning on page 7.

(1) Based on the closing market price of the common stock on June 6, 2008 of $0.6696.

The total of 7,720,068 shares of common stock to be outstanding after this offering is based on 6,233,326 shares outstanding on June 6, 2008, and assumes conversion of approximately 265 shares of our convertible preferred stock into 1,486,742 shares of our common stock (the number of shares being registered) at the election of the selling shareholders, but excludes:

- 4,129,213 shares of common stock issuable upon conversion of the remaining shares of convertible preferred stock;
- 1,966,292 shares of common stock issuable upon conversion of an aggregate of 350 shares of convertible preferred stock underlying warrants;
- any additional shares issuable on conversion of the convertible preferred stock representing accrued and unpaid dividends; and
- 933,891 shares of common stock issuable upon exercise of outstanding stock options.

RISK FACTORS

An investment in our common stock involves a high degree of risk, including the risks described below. These risks are not the only ones that we may face. Additional issues and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition, results of operations or cash flows could be materially and adversely affected. You should carefully consider these risk factors and the other information in this prospectus before making an investment decision.

We have a history of losses and negative cash flows on a quarterly and annual basis, and may experience additional losses from operations, which raises doubt about our ability to continue as a going concern.

We have experienced net losses in each of the quarterly and annual periods since the second quarter of 2003. In the years ended December 31, 2007 and 2006, we incurred losses of $14.4 million and $19.2 million, respectively. Our recent decision to exit the directory assistance business will lead to increased cash expenditures in the near term, as we pay the costs of closing those operations. To achieve profitability, we will need to generate revenue from new and existing lines of business and continue to decrease our expenditures. We can give no assurance that we will generate sufficient revenues in our new and continuing businesses or succeed in reducing expenditures enough to achieve profitability on a quarterly or annual basis in the future. These factors, among others, raise doubt about our ability to continue as a going concern. Even if we do ultimately achieve profitability, we may not be able to sustain profitability on a quarterly or annual basis.

We will likely need additional capital in the future, and it may not be available on acceptable terms, or at all.

Our unrestricted cash balances at March 31, 2008 were approximately $5.3 million, which did not include the proceeds from the sale of our patents and trademarks. We believe that we will have sufficient unrestricted cash to fund our operations for at least the remainder of 2008. In addition, we are aggressively pursuing n