METRO ONE TELECOMMUNICATIONS INC
Form DEF 14A
July 06, 2007
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 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Metro One Telecommunications, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ENHANCED TELECOM SERVICES

July 6, 2007

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Metro One Telecommunications, Inc. The meeting will be held on August 14, 2007, at 9:00 a.m., local time, at Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon. The directors of Metro One and I look forward to greeting as many of our shareholders as possible.

At this meeting, you will be asked to consider and approve the issuance of additional shares in connection with a $10 million financing transaction, which will bring us much needed capital. We are seeking your approval as a condition to completing the second phase of the financing transaction in order to comply with the The Nasdaq Stock Market s continued listing requirements. The Board of Directors recommends that you vote *FOR* the issuance of these additional shares (Proposal II). Please refer to the attached proxy statement for more detailed information.

Whether or not you plan to attend, it is important that your shares be represented and voted at the meeting. Please either sign and return the accompanying proxy card in the postage-paid envelope or instruct us by telephone or via the Internet as to how you would like your shares voted. This will ensure representation of your shares if you are unable to attend. Instructions on how to vote your shares by telephone or via the Internet can be found on the proxy card.

On behalf of the Board of Directors, I would like to express our continued appreciation for your interest in Metro One s business affairs.

Sincerely,

Gary E. Henry
President and Chief Executive Officer

Metro One Telecommunications, Inc.
11200 Murray Scholls Place
Beaverton, Oregon 97007

Notice of Annual Meeting of Shareholders

To be held August 14, 2007

To the Shareholders of

Metro One Telecommunications, Inc.:

Notice is hereby given that the annual meeting of shareholders of Metro One Telecommunications, Inc. (Metro One) will be held on August 14, 2007, at 9:00 a.m., local time, at Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon, for the following purposes:

1. To elect two Class III directors;

2. To approve the issuance of additional shares in connection with a financing transaction;

3. To ratify the selection by the Audit Committee of the Board of Directors of BDO Seidman, LLP as Metro One s independent registered public accounting firm for the year ending December 31, 2007; and

4. To transact such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

The Board of Directors has fixed June 5, 2007, as the record date for the meeting. Only holders of record of shares of Metro One Series A convertible preferred stock and common stock at the close of business on the record date will be entitled to notice of and to vote at the meeting or any adjournments or postponements of the meeting.

By Order of the Board of Directors

Gary E. Henry
President, Chief Executive Officer and Secretary

Beaverton, Oregon
July 6, 2007

Metro One Telecommunications, Inc.
11200 Murray Scholls Place
Beaverton, Oregon 97007

Proxy Statement
For the Annual Meeting of Shareholders
To be held August 14, 2007

The Board of Directors of Metro One Telecommunications, Inc. is furnishing this proxy statement to Metro One s shareholders to solicit proxies for use at the annual meeting of shareholders to be held on August 14, 2007, at 9:00 a.m., local time, at Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon, and at any adjournments or postponements of the meeting. In this proxy statement, Metro One, we, us and our refer to Metro One Telecommunications, Inc.

This proxy statement, together with the enclosed proxy, is expected to be first mailed to shareholders on or about July 6, 2007.

Record Date

The Board of Directors has fixed June 5, 2007, as the record date for the meeting. Only holders of record of shares of Metro One Series A convertible preferred stock (convertible preferred stock) and common stock (common stock) at the close of business on the record date will be entitled to notice of and to vote at the meeting or any adjournments or postponements of the meeting. On the record date, there were outstanding 6,233,326 shares of our common stock and 220 shares of our convertible preferred stock.

Quorum

A quorum must be present at the meeting with respect to a proposal for action to be taken on that proposal. The presence, in person or by proxy, of a majority of the voting power of outstanding shares of convertible preferred stock will constitute a quorum for purposes of taking action on the election of directors. The presence, in person or by proxy, of a majority of the voting power of outstanding shares of common stock will constitute a quorum for purposes of taking action on proposal II. The presence, in person or by proxy, of a majority of the total voting power of the outstanding shares of convertible preferred stock and common stock, taken together as a single class, will constitute a quorum for the transaction of other business at the meeting. Abstentions and broker nonvotes will be counted as present for purposes of determining the presence of a quorum. A broker nonvote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the beneficial owner.

Voting

Each holder of record of our common stock at the close of business on the record date is entitled to one vote for each share of common stock registered in the shareholder s name, and each holder of record of convertible preferred stock at the close of business on the record date is entitled to an approximately 0.856 vote for each share of common stock into which the convertible preferred stock registered in the shareholder s name could be converted. For additional limitations on voting of the convertible preferred stock, see Proposal II Description of Capital Stock Series A Convertible Preferred Stock Voting. At the record date, the holders of our common stock were entitled to a total of 6,233,326 votes and the holders of our convertible preferred stock were entitled to a total of 1,057,977 votes. As discussed with

respect to each proposal, approval may require the requisite vote of common stock, of convertible preferred stock or of both, voting as a single class.

Proxy Instructions

You may vote your shares (1) over the telephone by calling a toll-free number, (2) by using the Internet, or (3) by mailing in your proxy card. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on August 13, 2007. If you wish to vote using the proxy card, complete, sign and date your proxy card and return it to us before the meeting.

Whether you choose to vote by telephone, over the Internet, or by mail, you may specify whether your shares should be voted for all, some, or none of the nominees for directors (Proposal I), and whether you approve, disapprove or abstain from voting on any of the other proposals. **If you do not specify on your proxy card, or when giving your proxy by telephone or over the Internet, how you want to vote your shares, the proxy holders will vote them *FOR* each of the nominees for director (Proposal I), *FOR* the approval of the issuance of additional shares in connection with a financing transaction (Proposal II), and *FOR* the ratification of the selection of BDO Seidman, LLP as Metro One s independent registered public accounting firm for the year ending December 31, 2007 (Proposal III).**

Revocation of Proxies

Your presence at the meeting will not automatically revoke your proxy. You may, however, revoke your proxy at any time prior to its exercise by (1) submitting a written notice of revocation to Secretary, Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon 97007, (2) submitting another proxy by telephone, via the Internet, or by mail that is later dated and, if by mail, that is properly signed, or (3) attending the meeting and voting in person. All valid, unrevoked proxies will be voted at the meeting.

Election of Directors
(Proposal I)

Nominees and Directors

The authorized number of our directors currently ranges from three to nine. Our Board of Directors has fixed the number of directors at six. Our articles of incorporation provide that, so long as the number of directors is fixed at six or more, our directors are divided into three classes, Class I, Class II and Class III. Each year, a different class of directors is automatically up for election at each annual meeting for a three-year term; provided, however, that the holders of our convertible preferred stock, voting separately as a class, have the right to elect members of our Board of Directors as summarized below. This year our Class III directors are up for election and, if elected by the shareholders, will hold office until the 2010 annual meeting and until their successors are elected and qualified.

Under the Articles of Amendment that we filed with the Oregon Secretary of State in connection with the initial closing of our financing transaction, for so long as at least 203 shares of convertible preferred stock are outstanding, the holders of the convertible preferred stock, voting separately as a class, will have the right to elect two members of our Board of Directors. Once at least 540 shares of convertible preferred stock are outstanding, the holders of the convertible preferred stock, voting separately as a class, will have the right to elect a majority of the members of our Board. At present, there are 220 shares of convertible preferred stock outstanding.

Effective at the initial closing of the financing transaction on June 5, 2007, Messrs. Kenneth D. Peterson, Jr. and Jonathan A. Ater were elected as directors to fill the two existing vacancies created by the resignations of Messrs. William Rutherford and Murray Swanson. Mr. Peterson is the Chairman and

Chief Executive Officer of Columbia Ventures Corporation, which is an investor in the financing transaction, and Mr. Ater was recommended to serve on our Board of Directors by Mr. Peterson. Mr. Peterson, who is currently a Class III director, and Mr. Ater, who was originally elected to fill a vacancy in our Class II directors, have been designated as the nominees of the holders of convertible preferred stock and of our Board for election as Class III directors, to serve until the 2010 annual meeting and until their successors are elected and qualified. Consequently, because the only nominees to be elected at the annual meeting are those of the holders of the convertible preferred stock, they will be elected by vote of the holders of convertible preferred stock, and the holders of common stock will not have any right to vote on members of the Board of Directors at the annual meeting.

It is not anticipated that the nominees will decline or be unable to serve as directors. If, however, that should occur, the proxy holders will vote the proxies in their discretion for any nominee designated to fill the vacancy by the present Board of Directors.

The following table sets forth the names of the members of the Board of Directors who are up for election at and/or who will be continuing on the Board after this annual meeting. The table also includes each director s age, class, the periods during which each has served as a director and the positions currently held by him or her.

Name	Age	Director Since	Class	Current Term Expires	Position With Metro One
Elchanan (Nani) Maoz	40	2006	I	2008	Director
Mary H. Oldshue	55	2006	I	2008	Director
Gary E. Henry	50	2004	II	2009	President, Chief Executive Officer, Secretary and Director
Jonathan A. Ater	66	2007	II	2009	Director
Kenneth D. Peterson, Jr.	54	2007	III	2007	Chairman of the Board

As mentioned above, Mr. Ater is currently a Class II director but is up for election as a Class III director. James Usdan, who is currently a Class III and whose term expires this year at the annual meeting, is not up for election. Certain information as to the nominees who are up for election at the meeting follows:

Nominees for Class III Directors (Term to Expire in 2010)

Jonathan A. Ater is a partner of Ater Wynne LLP, a law firm based in Portland, Oregon, with which he has been affiliated since 1970. Mr. Ater serves as principal or general counsel for several corporate entities, and for the Medical Society of Metropolitan Portland. He also serves as vice-chair of the Oregon Health Policy Commission and was co-chair of the Governor s 2004 Mental Health Task Force, as well as a member of several working groups advising senior management of the Oregon Department of Human Resources. Mr. Ater is a director of Axio Research Corporation, a private biostatistics service provider. He holds a Bachelor of Arts degree from Yale University and a LL.B. degree from the Yale Law School.

Kenneth D. Peterson, Jr. has been the Chairman and Chief Executive Officer of Columbia Ventures Corporation, located in Vancouver, Washington, since its inception in 1988. Prior to 1988, Mr. Peterson was engaged in a private legal practice. Columbia Ventures is a private equity firm that makes passive and actively managed investments in a variety of companies, both public as well as private. Mr. Peterson serves as a director of American Capital Strategies, Ltd. (traded on NASDAQ), and European Capital Ltd. (traded on the London Stock Exchange), both asset management companies, and the Washington Policy Center. He is the Chairman of the Board of One Communications, a private telecommunications company

headquartered in the Northeastern United States. Mr. Peterson holds an A.B. Degree in Government from The College of William and Mary and a J.D. Degree from Willamette University College of Law.

Certain information as to the continuing directors who are not up for election at the meeting follows:

Continuing Class I Directors (Current Term Expires in 2008)

Elchanan (Nani) Maoz has served as the Chairman of Everest Funds LP, an investment partnership that he founded, since 2000. From 1998 to 2000, Mr. Maoz served as manager of the General Partner to the Galil Fund, an investment partnership. From 1994 to 1998, Mr. Maoz held a number of different positions with Dovrat Shrem & Company Investment Management Ltd, an investment company, including chairman of Dovrat Shrem Enterprises and board member of Dovrat Shrem & Co. Provident Fund Management. Mr. Maoz serves on the Israeli Board of the America Israel Friendship League and is a director of a private software company. A former member of the Israeli Army and the elite Special Forces, Mr. Maoz holds a Bachelor of Science degree in Engineering with honors from King s College, University of London.

Mary H. Oldshue has served as a Principal of Arras Advisory Associates, a financial and business development service provider, since 1994. In 2005 she served briefly as a Senior Consultant with RV Kuhns & Associates, an investment consulting firm. She also served as Vice President, Development and Finance from 1991 to 1992 and as CFO from 1987 to 1991 of Pacific Development Inc., a real estate entity formed by PacifiCorp, a NYSE-listed company. From 1980 to 1987, Ms. Oldshue served in a number of capacities, including as Treasurer, at NERCO, Inc, a NYSE-listed natural resources company. Prior to 1980, Ms. Oldshue held management positions with QUALICO, First Interstate Bank of Oregon and Chemical Bank. Ms. Oldshue has also served on the boards of a number of professional and civic organizations, which currently include the Board of Trustees of Marylhurst University, the Advisory Council of the Center for Ethics in Healthcare, the Oregon Health & Sciences University and the board of the Associated Alumnae/i of Vassar College (AAVC). Ms. Oldshue holds a Bachelor of Arts degree from Vassar College.

Continuing Class II Directors (Current Term Expires in 2009)

Gary E. Henry joined Metro One in 1992 and has served as our President and Chief Executive Officer since 2006 and a director since 2004. Mr. Henry served as Executive Vice President Chief Operating Officer and Corporate Secretary from 1999 to 2006, when he became our President and Chief Executive Officer. From 1992 to 1999, he served Metro One in a variety of operational positions, including Senior Vice President and Vice President Field Operations. From 1985 to 1992, he served as Senior Vice President, Executive Corporate Services Director for Imperial Corporation of America, Inc., a financial institution. Mr. Henry holds a Bachelor of Arts degree in Public Administration from San Diego State University.

Jonathan A. Ater currently serves as a Class II director, but has been nominated as a Class III director. If he is elected at this annual meeting as a Class III director, there will be a vacancy in the Class II directors.

Board Recommendation; Vote Required

The Board of Directors recommends a vote FOR the election of each of the nominees for director. If a quorum is present at the meeting, the affirmative vote of the holders of not less than a plurality of the voting power of our convertible preferred stock, voting as a separate class, present or represented and entitled to vote at the annual meeting is required for the election of a director. Abstentions and broker

non-votes are counted for purposes of determining whether a quorum exists but will have no effect on the determination of whether a plurality exists with respect to a given nominee.

Approval of the Issuance of Additional Shares in Connection with a Financing Transaction (Proposal II)

Summary of Transaction

Our Board of Directors has approved the terms of a financing transaction pursuant to a securities purchase agreement 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 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 (the convertible notes) drawable upon the satisfaction of certain conditions in an aggregate maximum principal amount of $7.8 million.

- Subject to shareholder approval of this proposal and the satisfaction of certain closing conditions, we will issue at a second closing 780 shares of convertible preferred stock on funding and conversion of the convertible notes at a rate of $10,000 per share, and additional shares of convertible preferred stock for accrued interest on any amounts drawn by us on the convertible notes, together with warrants to purchase an additional 273 shares of convertible preferred stock.

A copy of the securities purchase agreement is included in this proxy statement as *Annex A*. Also included in this proxy statement as *Annex B* is a copy of the registration rights agreement required by the securities purchase agreement. Other financing documents were filed on June 8, 2007 as exhibits to our Form 8-K and can be accessed through the website of the Securities and Exchange Commission (*www.sec.gov*). The material terms of these agreements are summarized below under Summary of Agreements. *The following summary is intended to provide you with certain information concerning the financing; however, it is not a substitute for reviewing the documents that are included in this proxy statement.*

Convertible Preferred Stock. Each share of convertible preferred stock has a stated value of $10,000 and is convertible into shares of our common stock at an initial conversion price of $1.78 per share (subject to antidilution provisions discussed below). The shares of convertible preferred stock we issued at the initial closing are convertible at any time after August 5, 2007, at the initial conversion price into an aggregate of 1,235,955 shares of our common stock, which constitute approximately 16.5% of our outstanding common stock on an as converted basis. The shares of convertible preferred stock to be issued at the second closing will initially be convertible at the initial conversion price into an aggregate of 4,382,022 shares of our common stock (not including any additional shares issued for accrued interest on the convertible notes) and, when added to the shares issued at the initial closing, will constitute approximately 47.4% of our outstanding common stock on an as converted basis. A description of the material terms of our convertible preferred stock, including certain restrictions on the conversion rights of the holders prior to shareholder approval, is set forth below under Description of Capital Stock Series A Convertible Preferred Stock. A copy of the articles of amendment establishing the convertible preferred stock is included in this proxy statement as *Annex C*.

Convertible Notes. The convertible notes have a four-month term and accrue interest due at maturity at 13% per annum on outstanding amounts. Funds can only be drawn by us under the convertible notes when our non-restricted cash balance falls below $3.0 million and certain other conditions are met, but the amount that can be drawn may not exceed the amount necessary to raise our non-restricted cash balance to $3.5 million. No amounts have yet been drawn under the convertible notes. Immediately following shareholder approval of this proposal, assuming that the certain conditions to closing have been satisfied, we will draw down the full remaining principal amount of the convertible notes and all the convertible notes will immediately be converted into 780 shares of convertible preferred stock. Any accrued interest will also convert into shares of convertible preferred stock. We have granted a security interest in certain of our assets as security for the repayment of amounts outstanding under the convertible notes. If our shareholders fail to approve this proposal, any amounts drawn under the convertible notes will become immediately due and payable.

Warrants. The number of shares of convertible preferred stock that can be purchased on exercise of the warrants represents 35% on amounts invested in convertible preferred stock at the initial closing and upon conversion of the convertible notes at the second closing. The warrants have a term of two years and an initial all cash exercise price of $10,000 per share. Subject to shareholder approval of this proposal, the warrants we issued at the initial closing will be exercisable at the initial exercise price of $1.78 per share for an aggregate of 77 shares of our convertible preferred stock and the warrants to be issued upon conversion of the convertible notes will be exercisable at that initial exercise price for an aggregate of 273 shares of our convertible preferred stock. The 77 shares and 273 shares of convertible preferred stock issuable upon exercise of the warrants will be convertible at the initial conversion price of $1.78 per share into 432,584 and 1,533,707 shares of our common stock, respectively. If all of the convertible preferred stock (including the convertible preferred stock issuable on conversion of the convertible notes) is converted to shares of common stock, the warrants will be exchanged for warrants to purchase common stock.

Background and Reasons for the Financing

As a result of the termination of contracts with significant customers, including Nextel Communications, Inc. and AT&T Wireless, we have experienced significant operating losses and a reduction of cash flows over the last several years. To mitigate the loss of these customers, we have significantly reduced the direct costs of delivering our services as well as our general and administrative costs. In order to return to profitability, we will need to significantly increase our revenue base. While we have experienced successes during the past six months in acquiring significant customers, including Jingle Networks, Inc., One Communications and Hawaiian Telecom, Inc., our current liquidity position has continued to deteriorate and will restrict our ability to acquire new customers in the near future.

At March 31, 2007, we had cash and cash equivalents of approximately $7.2 million, down from approximately $12.0 million at December 31, 2006 (exclusive of approximately $4.7 million of restricted cash at each date). We received gross proceeds of approximately $2.2 million from the sale of convertible preferred stock, together with warrants, at the initial closing on June 5, 2007. We expect to continue to deplete these funds to finance our operations and will continue to incur operating losses for some period of time. This is attributable in large part to the long sales cycle that is typical in our industry for both new customer contracts and contract extensions. We will need the proceeds from the second closing to address our critical liquidity issues, support our working capital requirements, strengthen our balance sheet and support our business development efforts to return to profitability. Unless a realistic alternative should materialize, our inability to obtain these additional funds will most likely lead to an eventual wind-down of the business and liquidation.

Our Board of Directors has explored various strategic alternatives for some time and we have had conversations and, in some cases, negotiations with various prospective investors and purchasers of our business. The acquisition transactions that we explored were subject to various conditions and our Board

believed that, for a variety of reasons, the likelihood of successfully closing such a transaction at a price that would be acceptable was remote. Effective as of April 2, 2007, we engaged XRoads Solutions Group, LLC (XRoads) to review and evaluate the strategic alternatives available to us, make recommendations to our Board and lead the execution of the strategies and work approved by the Board. The Board also appointed Alexander W. Stevenson, one of the principals of XRoads, as our Executive Vice President Restructuring. The arrangement with XRoads provided for monthly fees, as well as a performance fee for certain types of transactions which we might undertake, including financings. It is anticipated that XRoads will receive a performance fee for this financing of approximately $250,000.

On April 11, 2007, XRoads made a presentation to the Board as to our strategic alternatives and recommended as an option to pursue, among others, a private financing. At that time, Elchanan (Nani) Maoz, one of our directors, indicated a willingness to explore such a financing among the entities with which he is affiliated and other entities with which he was familiar. At a meeting on April 12, 2007, the Board created a Special Committee consisting of two independent directors, Mary Oldshue and Murray Swanson, to, among other things, and with the assistance of its advisors, identify potential investors, review and evaluate the terms and conditions proposed, negotiate with any party they deem appropriate, determine the advisability of such a transaction and make recommendations to the full Board.

During the next several weeks, XRoads discussed the possibility of such a financing with Mr. Maoz of Everest, Mr. Peterson of Columbia and other potential investors. A proposed term sheet was prepared by the Special Committee, in consultation with its advisors, which, together with materials describing our business and financial data, was distributed by XRoads to Columbia and Everest on or about April 18, 2007, as well as to others that might have an interest in participating in a financing or other transaction. On May 2, 2007, the Special Committee and its advisors received a revised term sheet detailing a proposed investment by Columbia and Everest. The Special Committee and its advisors held a number of meetings and negotiations were conducted over the proposed terms. An agreement in principle on the terms and conditions of the financing was reached in the afternoon of May 15, 2007. A press release announcing the proposed transaction was issued the next day and the preparation of definitive documents was begun.

With the oversight of the Special Committee through a series of meetings and other communications during the next two weeks, the definitive documents were negotiated by Mr. Stevenson and counsel with representatives of, and counsel to, Columbia and Everest. On May 30, 2007, the Special Committee met, reviewed the terms of the financing transaction that had been negotiated, determined the financing to be in the best interests of Metro One and the shareholders who are not participating in the financing and recommended that the Board approve and authorize Metro One to consummate the financing. In making this recommendation, the Special Committee had considered whether there were any realistic alternatives to the financing that might be reasonably available, or likely to be completed, within the timeframe to meet our near term needs.

At a meeting held on June 1, 2007, without Mr. Maoz participating, the Board upon consideration of the terms of the financing transaction, a presentation by XRoads and the recommendation of the Special Committee, voted, with Mr. Usdan abstaining, to approve the financing transaction and to authorize officers to enter into the definitive documents. The documents were signed and exchanged, and the initial closing occurred, on June 5, 2007, and press releases on the private placement and change in the composition of the Board were issued prior to the opening of the market the next morning. At the time of the initial closing, the resignations of Messrs. Rutherford and Swanson, and the election of Messrs. Peterson and Ater, as directors became effective.

Impact of the Financing on Existing Shareholders

Columbia and Everest both held shares of our common stock prior to this financing. If this proposal is approved, they will acquire a substantially greater equity ownership and the additional ownership will dilute our other existing shareholders. If all the convertible preferred stock issued in the initial and second

closings were to be converted into common stock at the initial conversion price of $1.78 per share, our existing shareholders (exclusive of Columbia and Everest) would hold approximately 41.8% of our common stock, and Columbia and Everest would hold approximately 44.4% and 13.8% of our common stock, respectively. If the warrants were also to be exercised and the underlying convertible preferred stock converted into common stock at the initial price of $1.78 per share, our existing stockholders would hold 35.8% of our common stock and Columbia and Everest would hold approximately 49.3% and 14.6% of our common stock, respectively, and we would have received additional gross proceeds of approximately $3.5 million from the exercise of these warrants.

The holders of convertible preferred stock will have a claim against our assets senior to the claim of the holders of our common stock in the event of a liquidation and certain other events. Our existing shareholders will also have less influence on our affairs and the ability to control major corporate decisions. Columbia will be our largest shareholder with approximately 41.8% of the total voting power of our outstanding capital stock, before giving effect to the conversion of convertible preferred stock into common stock or the exercise of the warrants. As a result of the first closing and for so long as at least 203, but less than 540, shares of convertible preferred stock are outstanding, the holders of convertible preferred stock are entitled to elect two members of our Board. After the second closing and for so long as at least 540 shares of convertible preferred stock are outstanding, the holders of convertible preferred stock will be entitled to elect a majority of the members of our Board.

Accordingly, Columbia and Everest will have significant influence over matters submitted to our shareholders, including potential change-of-control transactions. Their interests may be different from your interests, and they may be in a position to influence us to act in a way inconsistent with the interests of public shareholders generally. This concentration of voting power may deter other companies from seeking to acquire us, which might depress the market price of our common stock.

Why We Need Shareholder Approval

Our common stock is listed on the Nasdaq Capital Market and we have agreed as a condition to continued listing to the corporate governance requirements of The Nasdaq Stock Market. Nasdaq s Marketplace Rules require that listed companies obtain shareholder approval for any issuance of securities that would result in a change of control. These Rules also require listed companies to obtain shareholder approval for the issuance of securities in a private offering to officers, directors, employees or consultants at a price below the closing price on the date of sale, and for the issuance of securities in a private placement of common stock (or securities convertible into common stock) at a price less than the greater of the book or market value of the stock, if the issuance amounts to 20% or more of the common stock or 20% or more of the voting power before the issuance.

All of these Rules may be applicable to certain aspects of the financing transaction. We are therefore seeking shareholder approval in general for any issuance of securities that could result in the number of shares of common stock issuable upon conversion of the convertible preferred stock, combined with all other issuances required to be aggregated with such issuance under the Nasdaq Marketplace Rules in determining the need for shareholder approval for listing, equaling or exceeding 19.9% of the total number of shares of common stock outstanding immediately before the issuance. This would include, for example, the issuance of convertible preferred stock at the second closing, the issuance of convertible preferred stock on exercise of the warrants issued at the initial closing and the second closing, the issuance of common stock on conversion of the convertible preferred stock issued at the second closing and the issuance of any additional shares under antidilution provisions of these securities. In addition, we are seeking shareholder approval for the issuance of common stock on conversion of the convertible preferred stock issued to Columbia in an amount that, when aggregated with the number of shares of common stock then held by Columbia, would exceed 19.9% of the number of shares of common stock then outstanding, and the issuance of common stock on conversion of the convertible preferred stock issued to Everest.

Consequences of Failure of Shareholders to Approve

If our shareholders do not approve this proposal, the additional $7.8 million investment will not be received by us and we will have received only the funds invested at the initial closing. Unless a realistic alternative should materialize, our inability to obtain these additional funds will most likely lead to an eventual wind-down of the business and liquidation. The failure to obtain shareholder approval will also constitute an event of default under the convertible notes so that any amounts then outstanding will become immediately due and payable in full, together with any accrued but unpaid interest, and the security interest in certain of our assets can be enforced to the extent we are unable to repay those amounts.

Interest of Certain Persons in the Financing

Kenneth D. Peterson, Jr. and Jonathan A. Ater became members of our Board of Directors on June 5, 2007, at the time of the initial closing. These two individuals were appointed to our Board in fulfillment of a provision of the securities purchase agreement entitling the holders of the convertible preferred stock to two representatives on our Board of Directors prior to shareholder approval of this proposal. Mr. Peterson is the Chairman and Chief Executive Officer of Columbia, an investor in this financing, and Mr. Ater is a partner in the law firm of Ater Wynne LLP, and was designated for membership on our Board by Mr. Peterson.

Elchanan (Nani) Maoz, who has been one of our directors since April 2006, is the Chairman and Chief Executive Officer of Maoz Everest Fund Management Ltd., which is general partner of Everest, the other investor in this financing.

For the details of the beneficial ownership of shares of our common stock by Columbia and Everest on the record date, June 5, 2007, see Security Ownership of Certain Beneficial Owners and Management elsewhere in this proxy statement.

Summary of Agreements

The following description summarizes the material provisions of the securities purchase agreement and the registration rights agreement, copies of which are included in this proxy statement as *Annex A* and *Annex B*, respectively. As this is only a summary, we urge you to read the complete agreements for the precise terms and other information that may be important to you.

Purchase and Sale of Securities. Under the securities purchase agreement, as signed on June 5, 2007, we agreed to sell, and Columbia and Everest agreed to purchase,

- at the initial closing, (i) 220 shares of convertible preferred stock at a price of $10,000 per share, together with warrants to purchase 77 additional shares of convertible preferred stock at an exercise price of $10,000 per share, for aggregate proceeds of $2.2 million, and (ii) convertible notes drawable upon satisfaction of certain conditions for up to an aggregate principal amount of $7.8 million; and

- at a second closing, subject to shareholder approval of this proposal and the satisfaction of certain other conditions, 780 shares of convertible preferred stock on conversion of the convertible notes at a rate of $10,000 per share, and additional shares of convertible preferred stock for accrued interest on any amounts drawn by us on the convertible notes, together with warrants to purchase 273 additional shares of convertible preferred stock.

The shares of convertible preferred stock, warrants and convertible notes issued at the initial closing were allocated among Columbia and Everest as follows: Columbia acquired 176 shares and warrants to purchase 61.6 additional shares of convertible preferred stock for an investment of $1,760,000; and Everest acquired 44 shares and warrants to purchase 15.4 additional shares of convertible preferred stock for an investment of $440,000. Of the $7.8 million maximum principal amount of convertible notes, notes in the

maximum principal amounts of $6,240,000 and $1,560,000 were issued to Columbia and Everest, respectively.

Covenants. In the securities purchase agreement, we have made a number of agreements with the investors, including the following: (a) we will promptly following the initial closing prepare a proxy statement, call a meeting of shareholders to be held as soon as practicable to vote on the transaction and use our best efforts to solicit and obtain votes in favor of the transaction; (b) we will notify the investors of events, circumstances and occurrences that could reasonably be expected to result in a breach of our representations or warranties or covenants; and (c) without the investors consent, we will not enter into any new agreement or arrangement, or substantially modify or supplement any existing agreement or arrangement, with any of our officers or directors.

Registration Rights. We must prepare and, as soon as practicable but in no event later than 30 calendar days after the initial closing, file with the SEC a registration statement on Form S-3 that allows for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the shelf registration statement), provided that if the SEC determines that we are not eligible to register the resale of shares of our common stock on Form S-3, the shelf registration statement must be on Form S-1 and in such case must be filed no later than 60 days after determination by the SEC that Form S-3 is not available. The shelf registration statement will cover the resale of all shares of common stock issuable on conversion of the convertible preferred stock (including shares of convertible preferred stock issuable on exercise of the warrants) outstanding as of the second closing (registrable securities). If the shelf registration statement is not filed with the SEC within the 30- or 60-day period described above, we must pay liquidated damages to the investors (or their assigns) in an amount equal to 1.25% of the purchase price paid for the convertible preferred stock for each 30-day period or pro rata for any part thereof until such registration default is cured, provided that the liquidated damages shall not in the aggregate exceed 20% of the convertible preferred stock purchase price.

We must use our best efforts to have the shelf registration statement declared effective by the SEC as soon as practicable. If it is not declared effective by the SEC either (i) within 90 days after being first filed (with a 30 day extension in the event of a full review by the SEC), if filed on Form S-3 or (ii) within 120 days after being first filed, if filed on Form S-1, we must pay liquidated damages in the manner described above.

Subject to our ability to suspend the effectiveness of the shelf registration statement for a limited period of time under certain circumstances, we are required to maintain its effectiveness until the earliest of (i) the date on which all shares of common stock covered by the shelf registration statement have been sold thereunder, or (ii) the date on which all such shares of common stock can be sold during a three-month period without registration pursuant to Rule 144 or another similar exemption under the Securities Act.

After the effective date of the shelf registration statement, if there is not in existence an effective registration statement allowing for the registration and sale of all registrable securities, and if we receive a written request from the holders of at least 20% of the registrable securities then outstanding and not eligible for such registration, that we file a registration statement under the Securities Act covering the registration of all or a portion of such registrable securities (a demand registration statement), then we must use commercially reasonable efforts to file the demand registration statement as soon as practicable (and in any event within 30 days of the receipt of such request) and to cause it to become effective within 60 days after filing. If it is not filed or does not become effective within such time periods, we must pay liquidated damages in the manner described above. However, we are not required to file a demand registration statement during the six-month period immediately following the effective date of the shelf registration statement and are only required to file a demand registration statement if the aggregate offering price is at least $1.0 million. In addition, if we furnish a certificate signed by our President stating that we are engaged in an activity that, in the good faith judgment of our Board of Directors, is material

and nonpublic and would be required to be disclosed in the applicable demand registration statement and such disclosure would be seriously detrimental to us and our shareholders, then we can direct that such registration request be delayed for a period of not more than 60 days, provided that we may not utilize this right more than once in any twelve-month period. We are not obligated to effect more than three demand registrations, provided that each has become effective and the registrable securities requested to be included therein have been included.

Holders of convertible preferred stock are also entitled to unlimited piggy-back registration rights on all future registrations by us (with certain limitations) and on any demand registrations of any other investors, subject to customary underwriters cutbacks to reduce the number of shares to be registered in view of market conditions.

We and the investors are required to indemnify each other (and certain other persons) for any claims resulting from, among other things, false or misleading statements, omissions, or violations of federal or state securities laws and any rules or regulations promulgated thereunder, for which we and they are responsible in any registration statement filed pursuant to the terms of the registration rights agreement. We are also obligated for registration expenses (exclusive of underwriting discounts and commissions) of all registrations on exercise of the registration rights described above, including the expense of one special counsel of the selling shareholders in each registration in an amount up to $40,000.

Expenses. In addition to expenses incurred in connection with registration of our shares, we are obligated for all the expenses incurred in connection with the financing, including up to $100,000 of the legal fees and out-of-pocket expenses of counsel to the investors and the out-of-pocket expenses of the investors and their affiliates.

Conditions to Closing. *The initial closing was subject to the satisfaction of certain conditions, including the resignation and appointment of certain directors to reconstitute the Board of Directors. At each time we draw funds on the convertible notes and at the second closing, our representations and warranties in the securities purchase agreement must be accurate in all material respects and all authorizations and approvals with respect to issuance of the securities must be obtained and effective.*

Representations and Warranties. The securities purchase agreement contains various representations and warranties of the parties. Our representations and warranties pertain, among other things, to our organization, good standing, qualification, absence of conflicts, authorization, capitalization, governmental consents, securities law compliance, SEC reports and financial statements, absence of certain changes, litigation, patents and trademarks, permits, governmental regulation and absence of finders fees. The investors representations pertain, among other things, to authorization, investment intent and certain acknowledgements.

Indemnification. The securities purchase agreement contains indemnification provisions that obligate us to defend or settle at our expense any third party claim, suit or proceeding against any investor related to any breach or inaccuracy of any representation or warranty or any breach of any covenant, agreement or undertaking made by us in the securities purchase agreement. We must also indemnify and hold each investor harmless from and pay any and all losses, expenses, costs and damages (including reasonable attorneys fees) attributable to such claim, suit or proceeding.

Termination. The securities purchase agreement may be terminated at any time prior to the second closing: (i) upon the mutual consent of the parties; (ii) by us if any of the conditions to our obligation to close shall have become incapable of fulfillment and have not been waived by us; (iii) by the investors if any of the conditions to their obligation to close shall have become incapable of fulfillment and have not been waived by them; and (iv) by either us or the investors if the second closing has not occurred by October 5, 2007, unless the failure of the second closing to have occurred by such date is the result of any action or inaction under the securities purchase agreement by the party seeking termination.

Security. We have granted a security interest in certain of our assets as security for repayment of amounts outstanding under the convertible notes.

Description of Capital Stock

Our authorized capital stock consists of 50 million shares of common stock, no par value, and 10 million shares of preferred stock, no par value, of which 1,385 shares have been designated as Series A convertible preferred stock. As of June 5, 2007, the record date for this annual meeting, 6,233,326 shares of our common stock and 220 shares of our convertible preferred stock were outstanding.

Common Stock. Holders of common stock are entitled to one vote per share on all matters to be voted upon by the shareholders generally. Subject to preferences that may be applicable to the holders of outstanding shares of preferred stock, the holders of common stock are entitled to receive any lawful dividends that may be declared on our common stock by our Board of Directors. In the event of liquidation, dissolution or winding up, and subject to the rights of the holders of outstanding shares of preferred stock, the holders of shares of common stock are entitled to receive pro rata all of our remaining assets available for distribution to our shareholders. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock. Our Board of Directors has the power to issue, from time to time, one or more series of preferred stock or special stock in any manner permitted by law and not inconsistent with our articles of incorporation or bylaws. Our Board has the authority, without further action by our shareholders, to fix and determine, subject to the provisions of our articles of incorporation, the rights and preferences of the shares of any additional series, which are to be established by a resolution or resolutions of the Board providing for the issuance of the series. Unless otherwise required by law or regulation to obtain shareholder approval, our Board of Directors may issue preferred stock without shareholder approval and with voting and conversion rights which could adversely affect the voting power of holders of common stock.

Series A Convertible Preferred Stock. Our Board of Directors has designated 1,385 shares of preferred stock as Series A convertible preferred stock, of which 220 were issued in the initial closing and are outstanding. The following description summarizes the material terms of the convertible preferred stock. For a complete description of all terms that may be important to you, we urge you to read the copy of the articles of amendment, which is included in this proxy statement as *Annex C*.

General. The shares of convertible preferred stock rank senior to the common stock with respect to the payment of dividends, distributions in liquidation and certain other events.

Dividends. Dividends on the convertible preferred stock accrue at a rate of $400 per annum per share and are payable in cash upon each anniversary of June 5, 2007. Such dividends are cumulative, so that if at any time they have not been paid, the amount of the deficiency must be fully paid before any distribution, whether by way of dividend or otherwise, can be declared or paid with respect to the shares of any other class or series of our capital stock.

Liquidation Preference. In the event of liquidation, dissolution or winding up, the holders of the convertible preferred stock are entitled to receive in preference to the holders of common stock an amount (the liquidation preference) equal to (a) the aggregate purchase price of the convertible preferred stock plus (b) any accrued but unpaid dividends. A merger, reorganization or other transaction in which control of us is transferred or a sale of all or substantially all of our assets will be treated as a liquidation at the option of the holders of a majority of the then outstanding shares of convertible preferred stock.

Election of Directors. Following the conversion of the convertible notes, for so long as at least 540 shares of convertible preferred stock are outstanding, the holders of the convertible preferred stock, voting separately as a class, will have

the right to elect a majority of the members of our Board of Directors. Prior to the conversion of the convertible notes, and following such

conversion for so long as at least 203 but less than 540 shares of convertible preferred stock are outstanding, the holders of the convertible preferred stock, voting as a separate class, will have the right to elect two members of our Board.

Voting. The holders of convertible preferred stock are entitled to vote together with the holders of common stock on all matters presented to our shareholders for consideration, except that as long as the holders of convertible preferred stock are entitled to vote as a separate class to elect members of the Board of Directors, they will not be entitled to vote for the remaining directors. When entitled to vote, each holder of convertible preferred stock will be entitled to the number of votes per share equal to the quotient obtained by dividing (a) the then applicable conversion price of the convertible preferred stock by (b) $2.08 for each share of common stock into which such shares of convertible preferred stock could be converted. Under our articles of amendment, prior to shareholder approval of this proposal, a holder of our convertible preferred stock that holds 10% or more of our outstanding capital stock shall not be permitted to exercise voting power with respect to all shares of our capital stock held by that holder that exceeds 19.9% of our total voting power. See Protective Provisions below for certain actions that require approval of holders of the convertible preferred stock. In addition, there are certain actions that may require a class vote of the convertible preferred stock under Oregon law.

Conversion. Each share of convertible preferred stock may be converted at any time after August 5, 2007, at the option of the holder, into a number of shares of common stock determined by dividing the liquidation preference by the conversion price, as adjusted (see Antidilution Provisions below). The initial conversion price is $1.78 per share. Upon the election of the holders of a majority of the outstanding shares of convertible preferred stock, all of the convertible preferred stock automatically will be converted into shares of common stock at the then-applicable conversion rate. Upon our election (with the approval of a majority of the disinterested members of the Board) at any time after the common stock has been traded on The Nasdaq Stock Market with a volume weighted average closing price in excess of $4.00 (subject to adjustment in certain events) for 20 consecutive business days following December 5, 2007, all shares of convertible preferred stock (or any portion thereof that we designate) shall automatically be converted into shares of common stock at the then-applicable conversion rate.

Notwithstanding the foregoing, (a) shares of convertible preferred stock that are issued to a person that is an affiliate of us (as defined in Rule 144(a)(1) promulgated under the Securities Act) on the date of such issuance, or are issuable upon conversion or exercise of derivative securities (such as the convertible notes or warrants) that are issued to a person that is an affiliate of us on the date of such issuance, may not be converted into shares of common stock prior to the date that such issuances are approved by the holders of a majority of the outstanding shares of our common stock; and (b) shares of convertible preferred stock that are issued to a person that holds 10% or more of our outstanding capital stock on the date of such issuance, or are issuable upon conversion or exercise of derivative securities (such as the convertible notes or warrants) that are issued to a person that holds 10% or more of our outstanding capital stock on the date of such issuance, may not, prior to the date that such issuances are approved by the holders of a majority of the outstanding shares of our common stock, be converted into shares of common stock in an amount that, when aggregated with the number of shares of common stock then held by such holder, would exceed 19.9% of the number of shares of our common stock then outstanding.

Redemption. Upon the approval of the disinterested members of the Board not elected by the holders of the convertible preferred stock, we may redeem all or a portion of the outstanding shares of convertible preferred stock in cash at the liquidation preference at any time after the second anniversary of the initial closing.

Antidilution Provisions. If we issue or are deemed to have issued, at any time or from time to time prior to the one year anniversary of the date of the 2007 annual shareholders meeting, any additional shares (subject to certain carve-outs) for an aggregate consideration in excess of $2.0 million, at a price per share less than the conversion price then in effect, the conversion price will be adjusted to a price equal to the price paid per share for such excess additional shares (a full ratchet adjustment). If we issue or are deemed to have issued any additional shares (subject to certain carve-outs) at any time after the initial closing at a price per share less than the conversion price then in effect, and the conversion price is not subject to the full ratchet adjustment described in the preceding sentence, the conversion price will be adjusted on a weighted average basis.

Additionally, the conversion price will be appropriately adjusted if we take certain actions, including (a) declare or pay, without consideration, any dividend on our common stock payable solely in common stock, (b) effect a split or subdivision of the outstanding shares of our common stock into a greater number of shares, or (c) combine or consolidate the outstanding shares of our common stock into a lesser number of shares.

Protective Provisions. In addition to the voting rights accorded the convertible preferred stock, (a) during the first 12 months after the initial closing, for so long as at least 203 of the shares of the convertible preferred stock are outstanding (subject to certain adjustments), and (b) thereafter, for so long as at least 338 of the shares of the convertible preferred stock are outstanding (subject to certain adjustments), the consent of the holders of a majority of the outstanding shares of convertible preferred stock, voting as a separate class, shall be required for any of the following actions: (i) the creation of any senior or *pari passu* security; (ii) declaration or payment of dividends on common stock; (iii) redemption or repurchase of common stock, except from employees, directors and certain other persons pursuant to agreements approved by our Board; (iv) incurrence of any debt other than in the ordinary course or pursuant to credit facilities in existence on the date of the initial closing, in either case in an aggregate amount not to exceed $1.0 million; (v) any merger, sale or consolidation of us with another entity or any transaction or series of transactions in which more than 50% of our voting power is disposed of or transferred; (vi) any increase or decrease in the number of authorized shares of convertible preferred stock; (vii) any modification or change to the rights, preferences and privileges of the convertible preferred stock, which materially and adversely affects the convertible preferred stock; (viii) any change in the size of our Board of Directors; (ix) an amendment or waiver of our articles of incorporation or bylaws, by merger or otherwise, which adversely affects the convertible preferred stock; (x) the adoption or amendment of an employee stock incentive plan, or issuance of any options outside of any employee stock incentive plan, unless approved by the directors elected by the holders of the convertible preferred stock; and (xi) any voluntary dissolution or liquidation.

Vote Required

The approval of this proposal will require the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker nonvotes have the effect of counting as votes against the proposal. Under the articles of amendment, our convertible preferred stock is not entitled to vote on this proposal.

Board Recommendation

Our Board of Directors has determined that completion of the financing is in the best interests of Metro One and our shareholders. ***Our Board of Directors therefore recommends a vote FOR this proposal.***

Ratification of Selection of Independent Registered Public Accounting Firm
(Proposal III)

The Audit Committee of the Board of Directors has selected BDO Seidman, LLP as Metro One s independent registered public accounting firm for the year ending December 31, 2007. BDO Seidman, LLP has served as our independent registered public accounting firm since October 2006. It is expected that representatives of BDO Seidman, LLP will be present at the meeting, will have the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

Board Recommendation; Vote Required

The Board has decided to ask the shareholders to ratify the selection of BDO Seidman, LLP as our independent registered public accounting firm and recommends that the shareholders vote FOR approval, although the selection of our independent registered public accounting firm is not required to be submitted to a vote of the shareholders. The affirmative vote of the holders of not less than a majority of the voting power of outstanding convertible preferred stock and common stock, voting together as a single class, present or represented and voting at the annual meeting is required for approval of the proposal. Abstentions and broker non-votes will have no effect on the results of the vote.

Principal Auditor Fees and Services

On October 23, 2006 the Audit Committee of the Board of Directors approved the decision to discharge Deloitte & Touche LLP as its independent auditors. The reports of Deloitte & Touche LLP on our consolidated financial statements for the years ended December 31, 2005 and 2004, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that the report for the year ended December 31, 2005 expressed substantial doubt regarding our ability to continue as a going concern. During the two most recent fiscal years ended December 31, 2005 and 2004 and the subsequent interim period from January 1, 2006 through October 23, 2006, there were no disagreements with Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused it to make reference to the subject matter of the disagreements in connection with its report on our consolidated financial statements. No reportable events, as such term is defined in Item 304(a)(1)(v) of Regulation S-K, occurred within the two most recent fiscal years ended December 31, 2005 and 2004 and the subsequent interim period from January 1, 2006 through October 23, 2006, with Deloitte & Touche LLP.

On October 23, 2006, the Audit Committee of the Board of Directors engaged BDO Seidman, LLP as its registered public accounting firm for the year ended December 31, 2006. During the two most recent fiscal years ended December 31, 2005 and 2004 and the subsequent interim period preceding the new appointment, neither we (nor anyone acting on our behalf) had consulted BDO Seidman, LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that BDO Seidman, LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

The following table shows the fees paid or accrued by us for the audit and other services provided by BDO Seidman, LLP and Deloitte & Touche LLP for fiscal year 2006 and Deloitte & Touche LLP for fiscal year 2005.

Type of Fees	2006	2005
Audit Fees(1)	$ 202,910	$ 414,307
Audit Related Fees(2)	7,979	0
Tax Fees	0	0
All Other Fees	0	0
Total:	$ 210,889	$ 414,307

(1) Represents approximately $162,000 in fees billed by our principal accounting firm, BDO Seidman, LLP, for the year ended December 31, 2006, and fees billed by our former principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, Deloitte & Touche), all for professional services rendered for the audits of our annual financial statements and for the reviews of the financial statements included in our quarterly reports for the years ended December 31, 2006 and 2005. For the year ended December 31, 2005, this total includes approximately $138,300 of professional fees and expenses incurred by Deloitte & Touche in assessing our internal control over financial reporting prior to the change in the definition of an accelerated filer by the SEC in December 2005. As a result of the change in the definition of an accelerated filer, we were not required to report on our internal control over financial reporting for the year ended December 31, 2005, and, as a result, Deloitte & Touche was not required to issue a related attestation report.

(2) Represents the aggregate fees billed by Deloitte & Touche for audit and advisory services primarily relating to our filings with the SEC and other regulatory requirements.

Our Audit Committee has adopted a policy and procedure requiring approval before our independent registered public accounting firm can be engaged to perform audit or non-audit services. The services can be pre-approved by our Audit Committee or by any member of our Audit Committee to whom authority for pre-approval has been delegated, provided that no member has authority to approve any non-audit services that are expected to result in fees for the engagement or during any calendar year of over $50,000, or that are expected to be completed after 12 months from the date of the engagement. Any approvals by a member are reported to our Audit Committee, for informational purposes, at its next regular meeting. All audit-related services, tax services and other services rendered by our independent registered public accounting firms were pre-approved by our Audit Committee to the extent required, which Committee concluded that the provision of those services was compatible with the maintenance of that firm s independence in the conduct of its auditing functions.

Audit Committee Report

As part of its ongoing activities, the Audit Committee has:

- Reviewed and discussed with Metro One s management and its independent registered public accounting firm, BDO Seidman, LLP, Metro One s audited financial statements for the year ended December 31, 2006;

- Discussed with BDO Seidman, LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended;

- Received and reviewed the written disclosures and the letter from BDO Seidman, LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with BDO Seidman, LLP its independence; and

- Discussed with Metro One s management and BDO Seidman, LLP other matters and received such assurances from them as we deemed appropriate.

Management is responsible for Metro One s system of internal controls and the financial reporting process. BDO Seidman, LLP is responsible for performing an independent audit of the financial statements in accordance with generally accepted auditing standards and issuing a report thereon. Our Committee s responsibility is to monitor and oversee these procedures.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited annual financial statements be included in Metro One s Annual Report on Form 10-K for the year ended December 31, 2006.

The Audit Committee:
Mary H. Oldshue (Chair)
Elchanan (Nani) Maoz
Murray L. Swanson

Corporate Governance

Composition of the Board of Directors

The Board of Directors has determined that a majority of the directors are independent under current Nasdaq Marketplace Rules. Our independent directors are Messrs. Ater, Maoz and Peterson, and Ms. Oldshue. Mr. Peterson has been elected Chairman of the Board.

Director Nominations

The following discussion of director nominations is qualified by the right of the holders of our convertible preferred stock to elect directors.

Qualifications and Criteria for Candidates. Our Corporate Governance Guidelines include criteria that apply to the screening and recommendation by our Corporate Governance and Nominating Committee of candidates to fill vacancies and to be nominated by the Board for election by our shareholders. Under these criteria, candidates are considered on the basis of their integrity, experience, achievements, judgment, intelligence, understanding of our business, and willingness to devote adequate time to fulfilling the responsibilities as a director. In recommending a candidate, the Committee considers the Board s overall balance of diversity of perspectives, backgrounds and experience all in the context of an assessment of the perceived needs of the Board.

The Committee also seeks to insure that at least a majority of the directors are independent under any applicable legal or regulatory standards, as well as the applicable listing standards of any market on which our stock is listed for trading. In addition, the composition of our Board of Directors must be such that the members of the Audit Committee meet the financial literacy requirements under the applicable listing standards and at least one of the members of the Audit Committee qualifies as an audit committee financial expert under the rules of the Securities and Exchange Commission (the SEC).

Process for Identifying and Evaluating Candidates. Candidates may come to the attention of our Corporate Governance and Nominating Committee through current members of our Board of Directors or professional search firms. In addition, the Committee will consider director candidates properly submitted by our shareholders or others. Initially, the Committee will determine whether the candidates meet the requisite qualifications and criteria and have the specific qualities or skills being sought at that time. The Committee evaluates the candidates by reviewing their biographical information and qualifications and checking their references. Qualified candidates are then interviewed by one or more

members of the Committee. Depending on the outcome of these interviews, candidates may meet with the Chief Executive Officer and members of the Board and, using the input from such interviews and the information obtained, the Committee evaluates whether the prospective candidate is qualified to serve as a director and determines if he or she should be recommended to the Board. Candidates recommended by the Committee are then presented to the Board for selection as nominees for election by shareholders or for election by the Board to fill a vacancy. The Committee expects that a similar process would be used to evaluate candidates recommended by our shareholders.

Shareholder Recommendations of Candidates. The Corporate Governance and Nominating Committee will consider candidates recommended by shareholders. Any such recommendations should be submitted in writing to the Committee c/o Secretary, Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon 97007, within the time frame described in our bylaws and should (a) include the candidate s name and qualifications for membership on our Board of Directors, and (b) all information relating to such candidate that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act (including the candidate s written consent to being named in the proxy statement as a nominee and to serving as a director if elected). In addition, our bylaws permit shareholders to nominate candidates for election as directors at shareholder meetings. To nominate a candidate for election, shareholders must give notice in accordance with our bylaws, which require that the notice be received by our Secretary within the time periods described below under *Shareholder Proposals for 2008 Annual Meeting of Shareholders*.

Committees of Our Board of Directors

Our Board of Directors has an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee.

Audit Committee. Until Mr. Swanson s resignation from the Board on June 5, 2007, the Audit Committee consisted of Messrs. Maoz and Swanson and Ms. Oldshue. Ms. Oldshue serves as Chair of the Committee. All the foregoing Committee members were independent within the meaning of the Nasdaq Marketplace Rules and the rules adopted by the SEC. Our Board of Directors determined that Ms. Oldshue satisfies the requirements for an audit committee financial expert pursuant to the rules adopted by the SEC. The Board has not yet replaced Mr. Swanson on the Audit Committee.

The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of Metro One and audits of its financial statements. This committee operates under a written charter, which can be viewed in the Investor Relations section of our website at *www.metro1.com.*

Compensation Committee. Until Mr. Swanson s resignation from the Board on June 5, 2007, the Compensation Committee consisted of Messrs. Maoz and Swanson, and Ms. Oldshue. Mr. Maoz serves as Chair of the Committee. All the foregoing Committee members were independent within the meaning of the Nasdaq Marketplace Rules. The Board has not yet replaced Mr. Swanson on the Compensation Committee.

The purpose of the Compensation Committee is to assist the Board in the discharge of its responsibilities relating to executive officer and director compensation and to oversee incentive, equity-based and other compensatory plans in which officers and key employees of Metro One participate. This committee operates under a written charter, which can be viewed in the Investor Relations section of our website at *www.metro1.com.*

Corporate Governance and Nominating Committee. Until Mr. William Rutherford s resignation from the Board on June 5, 2007, the Corporate Governance and Nominating Committee consisted of Mr. Rutherford and Ms. Oldshue, each of whom were independent within the meaning of the Nasdaq Marketplace Rules. Mr. Rutherford served as Chair. Mr. Ater has been appointed to the Committee, and has replaced Mr. Rutherford as Chair.

The purpose of the Corporate Governance and Nominating Committee is to identify individuals qualified to serve as directors, recommend to the Board of Directors nominees for election as directors, evaluate the Board s performance, develop and recommend to the Board corporate governance guidelines and codes of ethics and conduct, and generally to provide oversight with respect to corporate governance and ethical conduct. This Committee operates under a written charter, which can be viewed in the Investor Relations section of our website at *www.metro1.com*.

Attendance at Board, Committee and Shareholder Meetings

During 2006, the Board of Directors held 15 meetings. Also, during 2006, the Audit Committee met five times, the Compensation Committee met two times, and the Corporate Governance and Nominating Committee met one time. Each incumbent director attended at least 75% of the aggregate of the total number of Board meetings held (except for Mr. David Williams, who attended 66⅔% of the Board meetings held) and the total number of meetings held by all committees of the Board on which the director served during the period of service in that capacity.

Under our Corporate Governance Guidelines, directors are expected to attend our annual meetings of shareholders. All of our directors at the time of our 2006 annual meeting of shareholders attended the meeting, except for Mr. Williams who was not standing for reelection at the meeting.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exits, or in the past fiscal year has existed, between any member of our Compensation Committee and any member of any other company s board of directors or compensation committee.

Codes of Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics applicable to our employees, officers and directors and a Code of Ethics applicable to our Chief Executive Officer and our senior financial officers. A copy of our Code of Business Conduct and Ethics and our Code of Ethics can be found in the Investor Relations section of our website at *www.metro1.com* or can be obtained by writing to Investor Relations, Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon 97007.

Shareholder Communications with the Board of Directors

Shareholders and other parties interested in communicating directly with our Board of Directors, individual directors, nonmanagement directors or the chairs of our committees may do so by mailing the communications to them in care of: Secretary, Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, OR 97007. These communications may be submitted anonymously or confidentially. Our Secretary will forward communications directed to specific directors or committee chairs to those individuals. The Secretary will review all other communications and forward to the Board of Directors a summary and copies of those items that, in the opinion of our Secretary, deal with the functions of the Board or its committees or that he otherwise determines should be brought to the attention of the Board. Concerns relating to accounting, internal controls or auditing matters will be brought to the attention of the Chair of the Audit Committee. Our Code of Business Conduct and Ethics also contains a procedure for anonymously bringing such matters to the attention of the Chair of our Audit Committee.

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee of the Board of Directors has responsibility for establishing, implementing and continually monitoring adherence with our executive compensation philosophy. The Compensation Committee ensures that the total compensation paid to our executive officers is fair, reasonable and, to the extent possible given our financial situation, competitive. The role of the Compensation Committee is to oversee, on behalf of the Board and for the benefit of Metro One and its shareholders, our compensation and benefit plans and policies, administer our stock plans and review and approve annually all compensation decisions relating to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and our other executive officers. The Compensation Committee meets at least annually to review executive compensation programs, approve compensation levels and performance targets, review management performance, and approve final executive bonus distributions, if any.

Compensation Philosophy and Objectives

We and the Compensation Committee believe that compensation paid to executive officers should be closely aligned with the performance of Metro One on both a short-term and long-term basis, and that such compensation should assist us in attracting and retaining key executives critical to our long-term success. The Compensation Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals and which aligns executives interests with those of the stockholders by rewarding performance above established goals, with the ultimate objective of improving stockholder value. The Compensation Committee evaluates compensation to ensure that we maintains our ability to retain superior employees in key positions and that compensation provided to key employees remains relatively competitive. To that end, the Compensation Committee believes executive compensation packages provided by Metro One to our executives should include both cash and stock-based compensation that reward performance as measured against established goals, and cash retention payments.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes or approves all compensation decisions for the CEO, CFO and all other executive officers. Typically, the CEO annually reviews the performance of each executive officer. The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and option awards, are then presented to the Compensation Committee. The Compensation Committee considers the CEO s recommendation when making its final compensation decision for all executives other than the CEO. The Compensation Committee can exercise its discretion in modifying any recommended adjustments or awards to executives. As a result of the our performance in 2006, our CEO did not propose salary adjustments or option awards in 2006 and to date, none have been proposed for 2007.

Components of Executive Compensation

The compensation program for our executive officers consists of the following components:

- Base salary;
- Performance incentive program;
- Annual cash incentives, including bonuses;
- Long-term equity incentives;
- Health and welfare benefits; and

- Retention arrangements.

Base Salary. Executive salaries are established upon hire based on a number of factors, including the individual s current pay levels, relevant experience, expected contribution and the competitive marketplace. Typically, base salaries are reviewed annually and adjustments made to recognize and reward individual contributions and performance, and recognize the impact of the position within our organizational structure. Upon being appointed as President and CEO from Chief Operating Officer, Mr. Henry s base salary was adjusted to $200,000 per year. As a result of our performance in 2006, our named executive officers did not receive salary increases. The Compensation Committee believes that, given our current situation, our named executive officers base salaries are appropriately set according to our philosophy. Thus far, no changes to executive salaries have been made in 2007.

Performance Incentive Program. We have a performance incentive plan covering most corporate administrative employees, including executive officers other than the CEO. The performance incentive program provides compensation opportunities in the form of quarterly cash incentives based on objective results that promote both short-term and long-term shareholder value. Under the program, each corporate administrative employee, including each executive officer other than the CEO, is compensated based on achievement of pre-determined goals set in conjunction with each individual s manager or supervisor prior to the beginning of each quarter. These cash incentives reflect the Compensation Committee s belief that a valuable portion of the compensation of each employee should be in the form of variable compensation linked to performance. Please see the Summary Compensation Table below for information regarding amounts paid to named executive officers under this program.

Annual Cash Incentives. We also have an informal cash bonus program that rewards group, team and/or individual performance based on the successful achievement of established financial and operating performance measures, succession planning and development and recruitment and employee retention. Operating improvement, revenue growth and profitability are typically the primary determinant of whether any, and how much, bonuses are paid to executive officers. In 2006, we did not achieve our key goals. Accordingly, none of our executive officers were considered for bonus payouts for 2006 results.

Long-Term Equity Incentives. From time to time, the Compensation Committee provides our executive officers with long-term incentive compensation through grants of options to purchase our common stock. The stock option awards usually vest quarterly over a four-year period. The goal of our long-term equity incentive program is to align the interests of executive officers with those of our stockholders and to provide each executive officer with a significant incentive to manage Metro One from the perspective of an owner with an equity stake in the business. We believe that equity awards directly motivate an executive to maximize long-term stockholder value. As a result of our performance in 2006, our named executive officers did not receive option grants or stock awards. Thus far, no option grants to named executive officers have been made in 2007.

Health and Welfare Benefits. We provide the following benefits to our executive officers generally on the same basis as they are provided to all of our employees:

- Health and dental insurance;
- Life insurance;
- Short and long-term disability insurance; and
- 401(k) plan.

We believe these benefits are consistent with those offered by other similarly-sized telecommunication services companies.

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Retention Arrangements. Executives and certain other key employees received cash payments to provide an incentive to remain in the employment of Metro One in 2006. Please refer to Retention Plan; Employment and Related Agreements below for a detailed description of retention arrangements and the Summary Compensation Table below for the amount of retention payments made to Named Executive Officers in 2006.

Perquisites and Other Personal Benefits We do not provide our executive officers with perquisites or other personal benefits such as vehicles, club memberships, financial planning assistance, tax preparation, or other benefits not described above.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on these reviews and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee:
Elchanan (Nani) Maoz (Chair)
Mary H. Oldshue
Murray L. Swanson

Summary Compensation Table

The following table set forth information concerning compensation earned for services rendered to us by the CEO, the CFO and our next three most highly compensated executive officers for fiscal year 2006 whose salary and bonus for the fiscal year 2006 exceeded $100,000. Collectively, these are the Named Executive Officers. Our Named Executive Officers did not receive bonuses, options or stock awards in 2006.

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Gary E. Henry, President, Chief Executive Officer and Director	2006	$ 183,787	$0	$ 83,284 (1)	$ 0	$ 267,071
Duane Fromhart, Senior Vice President Chief Financial Officer(2)	2006	140,472	0	59,771 (3)	0	200,243
Karen L. Johnson, Senior Vice President Corporate Development	2006	145,016	0	61,287 (4)	0	206,303
Philip A. Ljubicich, President M1 Data and Analytics	2006	121,697	0	39,466 (5)	0	161,163
L. Lynne Michaelson, Senior Vice President Human Resources	2006	125,000	0	65,892 (6)	0	190,892
Former Executive Officers						
James M. Usdan, Former Interim President and Chief Executive Officer(7)	2006	127,500	0	0	55,850	183,350

(1) Consists entirely of retention plan payments.

(2) Effective as of April 30, 2007, Mr. Fromhart resigned as Senior Vice President Chief Financial Officer.

(3) Consists of $52,677 of retention plan payments and $7,094 of Performance Incentive Program payments.

(4) Consists of $53,659 of