

METRO ONE TELECOMMUNICATIONS INC  
Form PRE 14A  
April 21, 2006

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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
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Metro One Telecommunications, Inc.  
(Name of Registrant as Specified In Its Charter)

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

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-

May , 2006

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Metro One Telecommunications, Inc. The meeting will be held on June 21, 2006, at 3:30 p.m., local time, at Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon 97007. The directors of Metro One and I look forward to greeting as many of our shareholders as possible.

Details of the business to be conducted at the meeting are given in the attached notice of annual meeting of shareholders and proxy statement. Our annual report for the year ended December 31, 2005 is also enclosed.

**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,

James M. Usdan  
President and Chief Executive Officer

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**Metro One Telecommunications, Inc.**

11200 Murray Scholls Place

Beaverton, Oregon 97007

**Notice of Annual Meeting of Shareholders**

**To be held June 21, 2006**

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 June 21, 2006, at 3:30 p.m., local time, at Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon 97007, for the following purposes:

1. To elect two Class I directors and two Class II directors;
2. To approve an amendment to our Third Restated Articles of Incorporation to effect a reverse stock split of our common stock at a ratio of one-for-three, one-for-four, one-for-five, one-for-six, or one-for-seven, if and as determined by the Board of Directors, at any time before December 31, 2006; and

3. To approve the 2006 Stock Incentive Plan, which would have the same effect as continuing our 2004 Stock Incentive Plan for an additional one-year period without extending the terms of any existing options and without increasing the number of shares authorized for issuance;

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 April 25, 2006 as the record date for the meeting. Only holders of record of shares of Metro One 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  
Secretary

Beaverton, Oregon

May , 2006

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**Metro One Telecommunications, Inc.**

11200 Murray Scholls Place

Beaverton, Oregon 97007

**Proxy Statement  
For the Annual Meeting of Shareholders  
To be Held June 21, 2006**

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 June 21, 2006, at 3:30 p.m., local time, at Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, Oregon 97007, 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 first being mailed to shareholders on or about May 5, 2006.

**Record Date and Quorum**

The Board of Directors has fixed April 25, 2006 as the record date for the meeting. Only holders of record of shares of Metro One 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 \_\_\_\_\_ shares of common stock outstanding. The presence, in person or by proxy, of a majority of the total number of outstanding shares of common stock entitled to vote at the meeting is necessary to constitute a quorum for the transaction of business at the meeting.

**Voting and Proxy Instructions**

Each shareholder of record 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. 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 Tuesday, June 20, 2006. 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 proposal to effect a**



reverse stock split of our common stock at one of five ratios (Proposal II) and FOR the approval of our 2006 Stock Incentive Plan (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**

Under our articles of incorporation, 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 the annual meeting for a three-year term. This year our Class II directors are up for election. The two Class II directors are to be elected at this annual meeting to hold office until the 2009 annual meeting and until their successors are elected and qualified.

The Board of Directors is expected to elect two directors to fill the Class I vacancies in April 2006 and, in any event, before the filing of our definitive proxy for this Annual Meeting. In accordance with our bylaws, these directors will be up for election by the shareholders at this Annual Meeting and, if elected by the shareholders, will hold office until the 2008 annual meeting of shareholders and until their successors are elected and qualified.

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 current members of the Board of Directors. 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.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Class</b>	<b>Current Term Expires</b>	<b>Position With Metro One</b>
		2006	I	2006	Director
		2006	I	2006	Director
Gary E. Henry	49	2004	II	2006	Executive Vice President-Chief Operating Officer, Secretary and Director
David A. Williams	64	2000	II	2006	Director
William D. Rutherford	67	1995	III	2007	Chairman of the Board
James M. Usdan	56	1997	III	2007	President, Chief Executive Officer and Director

Certain information as to the nominees who are up for election at the meeting follows:

**Nominees for Class I Directors (Term to Expire in 2008)**

[Director and background]

[Director and background]

**Nominees for Class II Directors (Term to Expire in 2009)**

**Gary E. Henry** joined Metro One in 1992 and has served as Executive Vice President Chief Operating Officer and Corporate Secretary since 1999. From 1992 to 1999, he served Metro One in a variety of operational positions. 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.

**David A. Williams** has served as President of his investment company, Roxborough Holdings Limited, Toronto, Ontario, Canada since 1995. From 1969 to 1994, he also held senior management positions with Beutel Goodman Company, one of Canada's largest institutional money managers. He also has extensive board experience, currently serving as Chairman of the Boards of FRI Company and Bennett Environmental, Inc., and as a director of Western Silver Corporation, Atlantis Systems Inc., Calvalley Petroleum Inc., Resin Systems Inc. and Roador Industries Ltd. He is a director of the Bishop's University Foundation. Mr. Williams holds a Bachelors degree in Business from Bishops University, Lennoxville, Quebec and a Masters degree in Business Administration from Queen's University, Kingston, Ontario.

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

**Continuing Class III Directors (Current Term to Expire in 2007)**

**William D. Rutherford** was elected Chairman of the Board in 2000. He is the Principal of Rutherford Investment Management LLC, an investment advisory service. During 1997, Mr. Rutherford was Chief Executive Officer of Fiberboard Asbestos Compensation Trust. From 1995 to 1996, Mr. Rutherford was a Principal with Macadam Partners, a Portland-based investment firm. He was formerly the Treasurer of the State of Oregon, during which service he was elected Chairman of the Oregon Investment Council. He also served for seven years as a Member of the Oregon House of Representatives. From 1994 to 1995, Mr. Rutherford served as Director of Special Projects for Metallgesellschaft Corp., a multi-billion dollar international trading company. From 1990 through 1993, Mr. Rutherford was President and a director of Societe Generale Touche Remnant Corporation (U.S.), an international asset management



company. From 1987 to 1990, Mr. Rutherford was President and Chief Executive Officer of ABD International Management Corporation, an international asset management company. Mr. Rutherford formerly practiced law and served as Chief Executive Officer of a regional investment firm. A U.S. Army veteran, Mr. Rutherford received a Bachelor of Science degree in History from the University of Oregon and an LL.B. from Harvard University Law School.

**James M. Usdan** has served as our President and Chief Executive Officer since October 2005. During 2005, Mr. Usdan served as a consultant to Vision Care Holdings, LLC, a national retailer of eyeglasses and refractive surgery, after previously serving that company as President, Chief Executive Officer and a Director, in a turnaround management capacity during 2003 and 2004. From 2001 to 2004, he served as the President and CEO for the successful restructuring and sale of Castle Dental Centers, Inc. (OTCBB: CASL), a group dental practice management organization, also in a turnaround capacity. From 1998 to 2001, Mr. Usdan was President and Chief Executive Officer of NextCARE Hospitals, Inc., a provider of long-term acute care hospital services. From 1990 to 1998, he was President, Chief Executive Officer and a Director of RehabCare Group Inc. (NYSE: RHB), a provider of physical therapy, rehabilitation staffing and other staffing services. Prior to joining RehabCare, Mr. Usdan was a founder and President and Chief Executive Officer of American Transitional Care, Inc. from 1987 to 1990. During 1986 and 1987, he was Executive Vice President and Chief Operating Officer of Rehab Hospital Services Corporation, the rehabilitation subsidiary of National Medical Enterprises. Mr. Usdan serves on the advisory boards of Maryville College and the Harvard School of Public Health. He holds a Bachelor of Arts degree from Harvard College.

#### **Board Recommendation; Vote Required**

*The Board of Directors recommends a vote **FOR** the election of each of its nominees for directors.* If a quorum is present, a plurality of the votes cast by the shares entitled to vote 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 an Amendment to our Articles of Incorporation to Effect One of the Reverse Stock Splits Described Below (Proposal II)**

**General**

In April 2006, our Board of Directors unanimously adopted resolutions approving amendments to our Third Restated Articles of Incorporation (our Articles of Incorporation ) to effect a reverse stock split of Metro One s authorized and issued and outstanding common stock at ratios of one-for-three, one-for-four, one-for-five, one-for-six or one-for-seven. Any such reverse stock split would be implemented if and as determined by the Board, any time before December 31, 2006. Pursuant to a reverse stock split, each holder of three shares, four shares, five shares, six shares or seven shares, as the case may be, of our common stock, immediately prior to the effectiveness of the reverse stock split, would become the holder of one share of our

common stock. The Board of Directors also adopted resolutions recommending the amendment and directing it to be submitted to the shareholders for approval.

If our shareholders approve the reverse stock split, no further action by the shareholders will be required either to implement or abandon the reverse stock split. The reverse stock split would become effective when and if the Articles of Amendment to our Articles of Incorporation in the form attached hereto as Annex A is filed with the Secretary of State of the State of Oregon. The Board may elect to file the Articles of Amendment any time before December 31, 2006. We will notify our shareholders of the effectiveness of the reverse split by issuing a press release. The Board reserves the right, even if we receive shareholder approval at the Annual Meeting, to elect not to file the Articles of Amendment, if the Board determines in its sole discretion that implementing a reserve stock split is not in the best interests of Metro One and its shareholders.

The reverse stock split, if implemented, would not change the number of authorized shares of common stock or preferred stock, 50,000,000 and 10,000,000 respectively. Our common stock and preferred stock have no par value and thus the par value would not change as a result of the reverse stock split. Except for any changes as a result of the treatment of fractional shares, each shareholder will hold the same percentage of common stock outstanding immediately after the reverse stock split as such shareholder did immediately before the split.

#### **Purpose**

As of April 19, 2006, we had 24,993,490 shares of common stock outstanding and the last reported sale price on the Nasdaq Capital Market was \$0.58.

Our common stock listing was transferred from the Nasdaq National Market to the Nasdaq Capital Market (formerly the Nasdaq SmallCap Market) on February 22, 2006. We elected to seek a transfer to the Nasdaq Capital Market because we had been unable to regain compliance with the \$1.00 minimum bid price requirement for continued listing on the Nasdaq National Market. By transferring to the Nasdaq Capital Market, we were afforded an extended grace period and now have until July 17, 2006 in which to satisfy the \$1.00 minimum bid price requirement. To regain compliance, the closing bid price of our common stock has to remain at \$1.00 per share or more for a minimum of ten consecutive trading days. If we are unable to regain compliance by July 17, 2006, our common stock would likely be delisted from the Nasdaq Capital Market.

If our common stock were to be delisted from the Nasdaq Capital Market, we may seek listing on a regional stock exchange, if available. Such listing could reduce the market liquidity for our common stock. If our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock.

We are seeking shareholder approval of a reverse stock split to increase the per share market price of our common stock. Our Board of Directors believes that a reverse stock split will assist in our efforts to comply with the \$1.00 minimum bid price requirements of, and to remain listed on, the Nasdaq



Capital Market. The Board believes that trading on the Nasdaq Capital Market provides a broader market for our common stock and facilitates the use of our common stock for strategic or financing transactions.

Our Board of Directors also believes that a higher stock price may help generate greater investor interest in Metro One and help us attract and retain employees. Our Board of Directors also believes that some institutional investors and investment funds are reluctant to invest in lower priced stocks. In addition, our Board of Directors considered that our common stock may not appeal to brokerage firms that are reluctant to recommend lower priced securities to their clients. Certain investors may also be dissuaded from purchasing lower priced stocks because the brokerage commissions, as a percentage of the total transaction, tend to be higher for such stocks. Moreover, the analysts at many brokerage firms do not monitor the trading activity or otherwise provide research coverage of lower priced stocks.

### Certain Risks Associated with the Reverse Stock Split

The following table illustrates the effects on the number of shares that would be (i) outstanding, (ii) reserved for issuance and (iii) authorized but unreserved and unissued if the reverse stock splits are effected, and possible market prices of our common stock, assuming that the market price will change precisely in accordance with the multiple of the ratio of the particular amendment to be effected (the table has been prepared for illustrative purposes and is based on a market price of \$0.58 per share the closing price on April 19, 2006).

Reverse Stock Split Ratio	Shares Outstanding as of April 19, 2006	Approximate Number of Shares Outstanding After Reverse Stock Split	Approximate Number of Shares Reserved for Issuance After Reverse Stock Split	Approximate Number of Shares Authorized but Unreserved and Unissued After Reverse Stock Split	Product of Reverse Split and Market Price as of April 19, 2006
None	24,933,490	24,933,490	3,780,846	21,285,664	\$ 0.58
One-for-three	24,933,490	8,311,163	1,260,282	40,428,555	1.74
One-for-four	24,933,490	6,233,373	945,212	42,821,416	2.32
One-for-five	24,933,490	4,986,698	756,169	44,257,133	2.90
One-for-six	24,933,490	4,155,582	630,141	45,214,277	3.48
One-for-seven	24,933,490	3,561,927	540,121	45,897,952	4.06

We cannot predict whether any proposed reverse stock split would achieve the desired results. The price per share of our common stock is also a function of our financial performance and other factors, some of which may be unrelated to the number of shares outstanding. Accordingly, there can be no assurance that the closing bid price of our common stock after any reverse stock split would increase in an amount proportionate to the decrease in the number of issued and outstanding shares, or would increase at all, or that any increase can be sustained for a prolonged period of time. Even if a reverse stock split has the desired effect, there can be no assurance that we would be able to maintain compliance with all of the continued listing requirements of the Nasdaq Capital Market.



Although our Board of Directors believes that a reverse stock split would not have a detrimental effect on the total value of our common stock, there can be no assurance that the total value of our common stock after a reverse stock split would be the same as before a split. Furthermore, in the future, the market price of our common stock following any proposed reverse stock split may not exceed or remain higher than the market price prior to the proposed reverse stock split.

#### **Effects of a Reverse Stock Split**

With the exception of the number of issued and outstanding shares, the rights and preferences of the shares of common stock prior and subsequent to a reverse split would remain the same. A reverse stock split may result in some shareholders owning odd-lots of less than one hundred shares of common stock. Brokerage commissions and other costs of transactions in odd-lots are generally higher than the costs of transactions in round-lots of even multiples of 100 shares. Outstanding options to purchase common stock would be adjusted so that the number of shares of common stock issuable upon their exercise would be divided by three, four, five, six or seven, as the case may be (and corresponding adjustments would be made to the number of shares vested under each outstanding option), and the exercise price of each option would be multiplied by three, four, five, six, or seven, as the case may be.

#### **Board Discretion to Implement the Reverse Stock Split**

If the reverse stock split is approved by the shareholders, it will be effected, if at all, only upon a determination by the Board that a reverse stock split (at a ratio determined by the Board as described above) is in the best interests of Metro One and its shareholders. The Board's determination as to whether the reverse stock split will be effected and, if so, at what ratio, will be based upon certain factors, including existing and expected marketability and liquidity of our common stock, prevailing market conditions and the likely effect on the market price of our common stock. If the Board determines to effect the reverse stock split, the Board will consider various factors in selecting the ratio including the overall market conditions at the time and the recent trading history of the common stock.

#### **Fractional Shares**

We will not issue any fractional shares in connection with a reverse stock split. Instead of any fractional shares to which a holder of common stock would otherwise be entitled as a result of the reverse stock split, we will pay cash equal to such fractional share multiplied by the closing price of the common stock on the Nasdaq Capital Market (as adjusted to reflect the reverse stock split), on the trading date that is immediately prior to the date the Articles of Amendment is filed with the Oregon Secretary of State.

As a result, holders of as many as six shares of common stock would be eliminated in the event the outer range of the reverse stock split ratio (i.e., one-for-seven) is adopted. The shareholders who will be eliminated will vary depending on the reverse split ratio. For example, if the reverse split ratio is set at the upper-end of the range (i.e., one-for-seven), more shareholders will be eliminated than if the reverse split ratio is set at the lower end (i.e., one-for-three). Based on information available to us as of April 20, 2006, Metro One will have

approximately 144 record holders if the maximum split ratio is selected, and approximately seven record holders will be eliminated as a result of the selection of this ratio. However, these numbers do not reflect shares held by brokers in street name.

#### **Authorized Shares**

As illustrated in the table above under the paragraph heading *Certain Risks Associated With the Reverse Stock Split*, the reverse split will not reduce the number of authorized shares of our common stock. The reverse stock split, if implemented, would have the effect of increasing the number of unissued shares available for issuance, and we may issue such shares in connection with the exercise of employee stock options, acquisitions, strategic transactions, financings or otherwise. If Metro One issues additional shares, the ownership interest of holders of our common stock may be diluted.

#### **Effect on Beneficial Holders of Common Stock (i.e. shareholders who hold in street name )**

Upon the reverse stock split, we intend to treat shares held by shareholders in street name, through a bank, broker or other nominee, in the same manner as shareholders whose shares are registered in their names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their beneficial holders holding our common stock in street name. However, these banks, brokers or other nominees may have different procedures for processing the reverse stock split and making payment for fractional shares. Shareholders holding shares of our common stock with a bank, broker or other nominee are encouraged to contact their bank, broker or other nominee with any questions in this regard.

#### **Effect on Holders of Certificated Shares**

Shareholders holding shares of our common stock in certificate form will be sent a transmittal letter by our transfer agent as soon as practicable after the effective date of the reverse stock split. The letter of transmittal will contain instructions on how a shareholder should surrender his or her certificate(s) representing shares of our common stock ( Old Certificates ) to the transfer agent in exchange for certificates representing the appropriate number of whole shares of post-reverse stock split Common stock ( New Certificates ). No New Certificates will be issued to a shareholder until such shareholder has surrendered all Old Certificates, together with a properly completed and executed letter of transmittal, to the transfer agent. No shareholder will be required to pay a transfer or other fee to exchange Old Certificates.

Shareholders will then receive a New Certificate(s) representing the number of whole shares of Common stock to which they are entitled as a result of the reverse stock split. Until surrendered, we will deem outstanding Old Certificates held by shareholders to be canceled and to represent only the number of whole shares of post-reverse stock split common stock to which these shareholders are entitled. Any Old Certificates submitted for exchange, whether because of a sale, transfer or other disposition of stock, will automatically be exchanged for New Certificates. If an Old Certificate has a restrictive legend on the back of the Old Certificate(s), the New Certificate will be issued with the same restrictive legends.

If a shareholder is entitled to a payment in lieu of any fractional share interest, such payment will be made as described above under the heading *Fractional Shares* .

**SHAREHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY STOCK CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

### **Accounting Matters**

The common stock has no par value and this would remain the same after a reverse stock split becomes effective. Shareholders' equity would also remain unchanged. The per share results of operations will be retroactively restated to reflect any reverse stock split.

### **Potential Anti-Takeover Effect**

Although the increased proportion of unissued authorized shares to issued shares could, under certain circumstances, have an anti-takeover effect (for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of our Board of Directors or contemplating a tender offer or other transaction for the combination of Metro One with another company), the reverse stock split proposal is not being proposed in response to any effort to accumulate our common stock or obtain control of Metro One.

### **Dissenters' Rights**

Under the Oregon Business Corporation Act, shareholders are not entitled to dissenters' rights with respect to the proposed reverse stock split unless a shareholder as a result of the reverse stock split would hold less than one whole share (for which fractional share we will pay cash, as described above under the heading *Fractional Shares* ), and we will not independently provide shareholders with any such rights. Based on information available to us as of April 20, 2006, seven record holders of our common stock will be entitled to dissenters' rights if the maximum ratio is selected. The text of the relevant dissenters' rights provisions of the Oregon Business Corporation Act are attached to this proxy statement as [Annex B](#).

### **United States Federal Income Tax Consequences of the Reverse Stock Split**

The following is a summary of certain material United States federal income tax consequences of the reverse stock split and does not purport to be a complete discussion of all of the possible federal income tax consequences. This summary does not address any state, local or foreign income or other tax consequences. Also, it does not address the tax consequences to holders that are subject to special tax rules such as banks and other financial institutions, broker-dealers and traders in securities, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, personal holding companies, partnerships and other pass-through entities, foreign entities, nonresident alien individuals, holders subject to the United States federal alternative minimum tax, holders who mark to market their investment in our shares, persons holding our shares as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment, holders whose functional currency is not the United States dollar, and holders who acquired our shares pursuant to the exercise of options or warrants or

otherwise as compensation for services.

The discussion is based on the provisions of the United States federal income tax law as of the date hereof, which are subject to change retroactively as well as prospectively. This summary also assumes that the pre-reverse stock split shares were, and the post-reverse stock split shares will be, held as a capital asset, as defined in the Internal Revenue Code of 1986, as amended (*i.e.*, generally, property held for investment). The tax treatment of a shareholder may vary depending upon the particular facts and circumstances of such shareholder.

Other than the cash payments for fractional shares discussed below, no gain or loss should be recognized by a shareholder upon such shareholder's exchange of pre-reverse stock split shares for post-reverse stock split shares pursuant to the reverse stock split.

In the reverse stock split (including any fraction of a post-reverse stock split share deemed to have been received), the tax basis will be the same as the shareholder's aggregate tax basis in the pre-reverse stock split shares exchanged. The shareholder's holding period for the post-reverse stock split shares will include the period during which the shareholder held the pre-reverse stock split shares surrendered in the reverse stock split. The receipt of cash instead of a fractional share of our common stock by a United States holder will result in a taxable gain or loss to such holder for federal income tax purposes based upon the difference between the amount of cash received by such holder and the adjusted tax basis in the fractional share interests as set forth above. The gain or loss will constitute a capital gain or loss and will constitute long-term capital gain or loss if the holder's holding period is greater than one year as of the effective date of the reverse stock split. The deductibility of capital losses is subject to limitation. For this purpose, a United States holder means a shareholder that is, for federal income tax purposes, a citizen or resident of the United States; a corporation or other entity taxed as a corporation created or organized in or under the laws of the United States, any state of

the United States or the District of Columbia; an estate, the income of which is subject to federal income tax regardless of its source; or a trust, if a United States court is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

We will be required to withhold, and will withhold, 28% of any cash payment to a shareholder instead of a fractional share of our common stock unless (i) an exemption applies under applicable law and regulations, or (ii) the shareholder timely returns to us a properly completed and signed Substitute Form W-9 including the shareholder's taxpayer identification number and certification necessary to avoid backup withholding and the Internal Revenue Service has not instructed us to commence backup withholding with respect to the shareholder.

No gain or loss will be recognized by us as a result of the reverse stock split.

Our views regarding the tax consequences of the reverse stock split are not binding on the Internal Revenue Service or the courts. No ruling from the Internal Revenue Service or opinion of counsel will be requested concerning such tax consequences. Accordingly, each shareholder should consult with his or her own tax advisor with respect to all of the potential tax consequences to him or her of the reverse stock split.

**Vote Required; Recommendation of Board of Directors**

*The Board of Directors recommends a vote FOR the Amendment to the Articles of Incorporation to effect a reverse stock split at one of five ratios, if and as determined by the Board of Directors, at any time before December 31, 2006.* The affirmative vote of the holders of a majority of the outstanding shares of common stock is required to approve the amendment. As a result, abstentions and broker non-votes will have the same effect as negative votes.

**Approval of 2006 Stock Incentive Plan  
(Proposal III)**

At the meeting, you are being asked to approve our 2006 Stock Incentive Plan (the 2006 plan ), which is expected to be adopted, subject to shareholder approval, by the Board of Directors on April 24, 2006.

Our Board of Directors approved the 2006 plan because our existing 2004 Stock Incentive Plan (the 2004 plan ) will expire on November 30, 2006. If adopted, the 2006 plan will have the same terms and conditions as the 2004 plan, except that the term of the 2006 plan will expire two years from the expiration of the 2004 plan. The number of shares available for issuance under the 2006 plan will coincide exactly with the number of shares available under the 2004 plan. Consequently, approval of the 2006 plan by the shareholders will have the same effect as continuing the 2004 plan for an additional two years. The 2004 plan took the same approach by continuing our original stock incentive plan, the 1994 Stock Incentive Plan (the 1994 plan ), for an additional two-year period from the expiration of the 1994 plan. The 1994 plan and 2004 plan are collectively referred as the prior plans.

If the 2006 plan is adopted, Metro One will cease granting options and awarding and selling shares under the 2004 plan. Accordingly, the shares of our common stock that are currently available for grants, awards or sales under the 2004 plan will expire without having been used if shareholders approve the 2006 plan. However, we will continue to have the authority to grant options and award and sell shares under the 2004 plan if shareholders do not approve the 2006 plan. The termination of our grant, award and sale authority under the 2004 plan will not, however, affect awards then outstanding under that plan.

The number of shares available for grants of options or awards or sales of shares under the 2006 plan will be the same as the number of shares that would have been available under the 2004 plan had it continued in existence. As of April 19, 2006, a total of 2,578,186 (pre-split) shares of our common stock were then subject to issuance upon exercise of outstanding options granted under the prior plans, and an additional 1,188,598 (pre-split) shares of our common stock were then available for new grants of options or awards under the 2004 plan.

Our Board of Directors believes that adoption of the 2006 plan will help us attract new personnel and retain and motivate existing personnel by providing additional incentive tied to growth in value of the equity of Metro One.

The principal terms and provisions of the 2006 plan are summarized below. The summary, however, is not intended to be a complete description of all the terms of the 2006 plan. A copy of the 2006 plan is attached to this proxy statement as Annex C.

**Description of the 2006 Plan**

The purposes of the 2006 plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to our employees and consultants and to promote the success of our business. The 2006 plan may be administered by the Board of Directors or by a committee appointed by the Board. If adopted, the 2006 plan will be administered by the Compensation Committee of the Board. In accordance with the terms of



the 2006 plan, the Board or the committee may grant options: (i) intended to qualify as Incentive Stock Options ( ISOs ) under Section 422 of the Internal Revenue Code of 1986, as amended (the Code ), to employees; or (ii) not intended to qualify as ISOs under Section 422 of the Code ( NSOs ) to employees or consultants. Direct stock awards or sales may also be made under the 2006 plan.

**Securities Offered.** The stock options that may be granted under the 2006 plan may be exercised to purchase shares of our common stock. Direct stock awards or sales of our common stock may also be made under the 2006 plan. The number of shares of our common stock available for grant of options or award or sale of shares under the 2006 plan will equal:

(a) 5,520,000 (pre-split) shares, being the maximum number of shares available under the 2004 plan,

minus:

(b) the number of shares issued or issuable upon exercise of options granted under the prior plans prior to the date of approval of the 2006 plan plus the number of shares awarded or sold under the prior plans,

plus:

(c) the number of any shares subject to stock options granted under the prior plans which have expired or will expire, or for any reason have been or will be cancelled or terminated, without being exercised, and

(d) the number of any shares of restricted stock granted under the prior plans that have been or will be forfeited, terminated, cancelled or otherwise reacquired by Metro One without having become vested.

In the event any change is made to the outstanding shares of our common stock without the company's receipt of consideration (whether through as stock split, such as the reverse stock split under Proposal II, or other specified change in the capital structure of the company), appropriate adjustments will be made to: (a) the maximum number of securities issuable under the 2006 plan and (b) the number and the price per share in effect under each outstanding stock award under the 2006 plan.

**Eligibility.** Employees, defined as any person, including officers and directors, employed by us or any parent or subsidiary of ours, are eligible to be granted options or awarded or sold shares under the 2006 plan. Consultants, defined as any person who is engaged by us or any subsidiary to render consulting services, and who is compensated for such services, and directors whether compensated for such services or not, are also eligible to be granted options or awarded or sold shares under the 2006 plan. If an employee is granted an ISO which, when aggregated with all other ISOs granted to such employee by us, or by any parent or subsidiary, would result in shares of the common stock having an aggregate fair market value in excess of \$100,000 becoming available for purchase upon the exercise of one or more ISOs during any calendar year, then such excess ISOs shall be treated as NSOs.





**Option Terms.** The term of each ISO shall be ten years from the date of grant or such shorter term as may be stated in the agreement granting the ISO; provided, however, that the term of an ISO granted to an employee who, at the time of such grant, owns shares representing more than 10% of the voting power of all classes of our or any parent's or subsidiary's stock, shall be five years from the date of grant or such shorter term as may be stated in the agreement granting the ISO. The term of each NSO shall be ten years and one day from the date of grant or such other term as may be stated in the agreement granting the NSO; provided, however, that the term of a NSO granted to an employee who, at the time of such grant, owns shares representing more than 10% of the voting power of all classes of our or any parent's or subsidiary's stock shall be five years and one day or such shorter term as may be stated in the agreement granting the NSO.

An option granted pursuant to the provisions of the 2006 plan may be exercised at such times and under such conditions as the Board determines. If an employee to whom an ISO or NSO has been granted ceases to be an employee other than by reason of death or disability, he or she may exercise an ISO or NSO only during such period as the Board specified at the time the ISO or NSO was granted, which period of time may in no event exceed 90 days from the date of termination, and only to the extent that he or she could have exercised it on the date of termination. An option may not be sold, transferred or otherwise disposed of in any manner other than by will or by the laws of descent and distribution. During the lifetime of the optionee, the option generally may be exercised only by the optionee. If an optionee ceases to be an employee or a consultant by reason of disability, then the optionee may exercise the option at any time during the two-month period following the date of termination (to the extent that he or she could have exercised it on the date of termination). In the event of death of an optionee, the option generally may be exercised (to the extent it was exercisable on the date of death) during the 12-month period following the date of death by the optionee's estate or by a person who acquired an option by bequest or inheritance.

The Board shall determine the exercise price of ISOs granted under the 2006 plan, but the price may not be less than 100% of the fair market value per share of the common stock on the date the option is granted, or not less than 110% if granted to an employee owning shares constituting more than 10% of the voting power. The Board shall determine the exercise price of NSOs granted under the 2006 plan, but the price may not be less than 85% of the fair market value per share of the common stock on the date the option is granted. The Board shall determine, in its discretion, the fair market value of the common stock; provided, however, that if there is a public market for the common stock, the fair market value shall be the closing price of a share of the common stock on the date of grant of an option. The Board shall determine the consideration to be paid upon the exercise of an option, including the method of payment, which may consist of cash, check, transfer of previously owned shares of the common stock having a fair market value equal to the option price, delivery of instructions to withhold shares of common stock that would otherwise be issued upon the exercise of the option having a fair market value equal to the option exercise price, or any combination of the foregoing methods of payment.

**Amendment of the 2006 Plan.** The 2006 plan will expire on November 30, 2007. The Board may amend or terminate the 2006 plan at any time; provided, however, that no amendment regarding amount, price or timing of the option grants may be made more frequently than once every six months other than to comply with changes in the requirements of the Code or

the Securities Exchange Act of 1934, as amended (the Securities Exchange Act). No amendment or termination shall affect any options outstanding at that time. Any amendment that would increase the number of shares that may be issued under the 2006 plan (other than with respect to changes in the capitalization of Metro One), modify the requirements as to eligibility for participation in the 2006 plan, or materially increase the benefits accruing to participants in the 2006 plan, must be approved by our shareholders.

**Resale Restrictions.** Shares of common stock purchased under the 2006 plan (whether by the exercise of an option or by direct award or sale) by our officers and directors, or a beneficial owner of 10% or more of any class of our equity securities, will be eligible for resale in accordance with Rule 144 under the Securities Act of 1933, as amended.

### **Federal Income Tax Consequences**

Under federal income tax law currently in effect, the optionee of an ISO will recognize no income upon the grant or exercise of the ISO. However, the optionee will have a preference item for alternative minimum tax purposes upon exercise of the ISO in the amount by which the fair market value of the shares subject to the ISO at the time of exercise exceeds the exercise price. If an optionee exercises an ISO and does not dispose of any of the shares acquired within two years following the date of the ISO's grant or within one year following the date of exercise, then any gain realized upon the disposition of such shares will be taxable as capital gain. If an optionee disposes of shares acquired upon exercise of an ISO before the expiration of either the one-year holding period or two years from the date of grant, any amount realized will be taxable as ordinary income in the year of the disqualifying disposition to the extent that the lesser of the fair market value of the shares on the exercise date, or the amount realized on the disposition of the shares, exceeds the exercise price.

Although the optionee will recognize no ordinary income on the exercise of an ISO, the optionee will be required to include for alternative minimum tax purposes the difference between the fair market value of the shares at the date of exercise and the exercise price. If the difference is substantial, it is possible it could be taxed as alternative minimum taxable income at rates as high as 28%.

There are no federal income tax consequences to us by reason of the grant or exercise of an ISO. In the event of a disqualifying disposition by an optionee, we will be generally entitled to a deduction in the tax year in which the disposition occurred to the extent the optionee recognized ordinary income.

Under federal income tax law currently in effect, the optionee of an NSO will recognize no income upon the grant of the NSO. At the time the NSO is exercised, the optionee will recognize ordinary income in the amount by which the fair market value of the shares subject to the NSO at the time of exercise exceeds the exercise price, and we will be generally entitled to a deduction for the same amount (conditioned upon proper withholding). Upon the optionee's disposition of shares acquired pursuant to exercise of an NSO, the difference between the amount realized on the disposition and the fair market value of the shares on the exercise date will be a short- or long-term capital gain or loss, depending on how long the shares have been held.

Under federal income tax law currently in effect, nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant), and stock-based performance awards are generally subject to tax at the time of payment.

## Accounting

The Financial Accounting Standards Board has adopted Financial Accounting Standard 123R which requires the expensing of stock options and other equity awards. Thus, pursuant to a valuation model which takes into account the fair market value of the Company's stock, the length of the option, the exercise price, vesting, interest rates and other factors, the Company computes the value of an option at the time it is granted and records that amount as an expense on the Company's income statement over the option's vesting period. Restricted stock is also expensed in an amount equal to the fair market value of the stock at grant. The expense for restricted stock is recorded over the vesting period of the restricted stock.

## Board Recommendation; Vote Required

*The Board of Directors recommends a vote **FOR** approval of our 2006 Stock Incentive Plan.* This proposal will be approved if a majority of the votes cast on the proposal are voted for approval. Abstentions are counted for purposes of determining whether a quorum exists but are treated as no votes in determining whether the proposal is approved. Broker non-votes are counted for purposes of determining whether a quorum exists but are not counted and have no effect in determining whether the proposal is approved.

## Corporate Governance

### Composition of the Board of Directors

Our independent directors are Messrs. Rutherford and Williams. We do not currently have a majority of independent directors as required under Nasdaq Marketplace Rule 4350 and Nasdaq Staff has notified us that we do not comply with this requirement. In accordance with Nasdaq Marketplace Rules, Nasdaq has provided us a cure period until the earlier of our next annual shareholders' meeting or October 4, 2006. Failure to regain compliance with this requirement before the end of the cure period may result in our common stock being delisted. The Board of Directors is expected to elect two independent directors to fill vacancies prior to the filing of our final proxy for this Annual Meeting.

### Director Nominations

*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 under the caption "Shareholder Proposals for 2006 Annual Meeting of Shareholders" below 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 the 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 2006 Annual Meeting of Shareholders".

## **Director Compensation**

Generally, directors who are not employees receive \$20,000 as an annual fee, \$3,000 plus expenses for each meeting attended in person and \$1,000 plus expenses for each Board meeting attended by telephone. Committee chairpersons and committee members receive \$1,000 and

\$750, respectively, for each meeting attended. Mr. Rutherford also receives \$3,000 per month, plus an additional \$1,000 per meeting, for his service as Chairman of the Board.

Generally, directors who are not employees are granted non-qualified options to purchase 15,000 shares of common stock at the time of recruitment and 15,000 shares of common stock in October of each year. In July of each year, Mr. Rutherford, the non-employee Chairman of the Board, is also granted a non-qualified option to purchase 21,428 shares of common stock. All of these grants are vested and exercisable at the time of the grant and have exercise prices equal to the fair market value of our common stock on the date of grant.

### **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.* The Audit Committee currently consists of Messrs. Rutherford and Williams, all of whom are independent within the meaning of the Nasdaq Marketplace Rules and the rules adopted by the SEC. Mr. Williams is the Chairman of this Committee. Our Board of Directors has determined that Mr. Williams satisfies the requirements for an audit committee financial expert pursuant to the rules adopted by the SEC. As we do not currently have a three-member audit committee, we do not comply with the audit committee composition requirements set forth in Nasdaq Marketplace Rule 4350. In accordance with Nasdaq Marketplace Rules, Nasdaq has provided us a cure period until the earlier of our next annual shareholders meeting or October 4, 2006. Failure to regain compliance with this requirement before the end of the cure period may result in our common stock being delisted. The Board of Directors is expected to appoint one independent and qualified director to the Audit Committee prior to the filing of our definitive proxy for this Annual Meeting.

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](http://www.metro1.com).

*Compensation Committee.* The Compensation Committee currently consists of Messrs. Rutherford and Williams, all of whom are independent within the meaning of the Nasdaq Marketplace Rules.

The purpose of this 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](http://www.metro1.com).

*Corporate Governance and Nominating Committee.* The Corporate Governance and Nominating Committee currently consists of Messrs. Rutherford and Williams, all of whom are independent within the meaning of the Nasdaq Marketplace Rules.





The purpose of this 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](http://www.metro1.com).

#### **Attendance at Board, Committee and Shareholder Meetings**

During 2005, the Board of Directors held twelve meetings. Also, during 2005, the Audit Committee met five times, the Compensation Committee met three times, and the Corporate Governance and Nominating Committee met twice. Each incumbent director attended at least 75% of the aggregate of the total number of meetings held and the total number of meetings held by all committees of the Board on which the director served during the period that the director served.

Under our Corporate Governance Guidelines, directors are expected to attend our annual meetings of shareholders. All of our directors attended our 2005 annual meeting of shareholders.

#### **Compensation Committee Interlocks and Insider Participation**

No interlocking relationship exists, 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 on our website at [www.metro1.com](http://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: Corporate Secretary, Metro One Telecommunications, Inc., 11200 Murray Scholls Place, Beaverton, OR 97007. These communications may be submitted anonymously or confidentially. Our Corporate Secretary will forward communications directed to specific directors or committee chairs to those individuals. The Corporate 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 Corporate 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 Chairman 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 Chairman of our Audit Committee.

### Principal Auditor Fees and Services

Deloitte & Touche LLP ( Deloitte & Touche ), our independent registered public accounting firm, audited our financial statements for the years ended December 31, 2004 and 2005. The Audit Committee of the Board of Directors has not yet selected an independent accounting firm for the year ended December 31, 2006. The Audit Committee will make its selection after it has received and reviewed audit proposals for the year.

The following table summarizes the fees of Deloitte & Touche billed to us for each of the last two fiscal years:

Type of Fees	2005		2004	
Audit Fees (1)	\$	404,307	\$	200,050
Audit Related Fees (2)		14,000		203,800
Tax Fees (3)		0		2,444
All Other Fees (4)		0		0
<b>Total:</b>	\$	414,307	\$	406,294

(1) Represents the aggregate fees billed by our principal accounting firm, Deloitte & Touche, the member firms of Deloitte Touche Tohmatsu and their respective affiliates 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, 2004 and 2005. For the year ended December 31, 2004, this total also includes fees related to their attestation of our internal control over financial reporting as of December 31, 2004. For the year ended December 31, 2005, this total includes approximately \$138,300 of professional fees and expenses incurred in assessing the Company's 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 compliance with the Sarbanes-Oxley Act of 2002 (the Act), including compliance with Section 404 of the Act, and for services related to the our filings with the SEC.

(3) Represents the aggregate fees billed by Deloitte & Touche for services related to tax compliance, tax advice and tax planning.

- (4) Represents the aggregate fees billed by Deloitte & Touche for all other services performed.

All audit-related services, tax services and other services rendered by Deloitte & Touche 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.

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.

Representatives from Deloitte & Touche are expected to be present at the Annual Meeting and will have the opportunity to make statements if they desire to do so. Such representatives are also expected to be available to respond to appropriate questions.

**Audit Committee Report**

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

Reviewed and discussed with Metro One's management and its independent auditing firm, Deloitte & Touche LLP, Metro One's audited financial statements for the year ended December 31, 2005;

Discussed with Deloitte & Touche 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 Deloitte & Touche LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with Deloitte & Touche LLP its independence; and

Discussed with Metro One's management and Deloitte & Touche 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. Deloitte & Touche 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, 2005.

**The Audit Committee:**

David A. Williams, Chairman  
William D. Rutherford

## Management

### Executive Officers

The following table sets forth certain information with respect to our executive officers:

Name	Age	Position With Metro One
James M. Usdan	56	President, Chief Executive Officer and Director
Gary E. Henry	49	Executive Vice President Chief Operating Officer, Secretary and Director
Karen L. Johnson	56	Senior Vice President Corporate Development
Duane C. Fromhart	51	Senior Vice President Chief Financial Officer

Information concerning Mr. Usdan and Mr. Henry is set forth under *Election of Directors Nominees and Directors*. The Board of Directors appoints the executive officers, who serve at the discretion of the Board.

**Karen L. Johnson** joined Metro One in 1993 and since 1998 has served as Senior Vice President Corporate Development. From 1993 to 1998, she served as Vice President Controller. From 1989 to 1993, she was the Financial Operations Manager for Care Medical Equipment, Inc. and Care Ambulance, Inc. Ms. Johnson is a certified public accountant with a Bachelor of Arts degree from St. Olaf College and performed post-graduate work in accounting and business administration at Portland State University.

**Duane C. Fromhart** joined Metro One in 2000 and since July 2004 has served as Senior Vice President Chief Financial Officer. From April 2000 through June 2004 he served as Vice President Finance. From 1996 to 2000, he served as Vice President and Controller of Analogy, Inc., a software development company. From 1990 to 1996, he held various positions, including Manager, in the Audit and Business Advisory Services division of Arthur Andersen, LLP. Mr. Fromhart is a certified public accountant with a Bachelor's degree from Pacific Lutheran University and attended post-graduate studies in business and accounting at Portland State University.











**Executive Compensation**

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The following table sets forth, for the years indicated, certain summary information concerning compensation of our current Chief Executive Officer and our five other most highly paid executive officers whose total annual salary and bonus exceeded \$100,000 for the year ended December 31, 2005.

**Summary Compensation Table**



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Name and Principal Position	Year	Annual Compensation	Long-Term Compensation
		Salary (\$)	Awards