

UCN INC
Form 424B3
August 14, 2007
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Filed Pursuant to Rule 424(b)(3)

SEC File No. 333-141953

Prospectus Supplement No. 3 dated August 14, 2007

To Prospectus dated April 18, 2007

UCN, INC.

COMMON STOCK

The prospectus dated April 18, 2007, relates to the offer and sale, from time to time, of up to 6,367,092 shares of the common stock of UCN, Inc. by the selling security holders listed on page 3 of the prospectus or their transferees.

We originally registered shares of our common stock for sale by selling security holders under a registration statement on Form S-1 filed with the Securities and Exchange Commission, File No. 333-135255, which was first declared effective in July 2006 and we refer to in this prospectus as the July 2006 Registration. The July 2006 Registration included 3,430,092 shares consisting of

1,956,527 shares issued in private placements that closed in May 2006,

up to 1,143,565 shares issuable at a conversion rate of \$3.00 per share upon conversion of principal and interest of a convertible term note in the principal amount of \$3,379,994.31 issued to our primary secured lender in May 2006, as part of a term note and revolving credit financing; and

330,000 shares issuable at a price of \$2.75 per share upon exercise of a warrant issued to our primary secured lender in May 2006. UCN will benefit from a conversion of the convertible term note to equity. UCN will receive the proceeds from exercise of the warrant, if exercised. UCN will not receive any proceeds or benefit from resale of the shares by the selling security holders. On April 18, 2007, the holder of the term note exercised its right to convert the term note to common stock. UCN issued 1,126,664 shares of common stock on conversion of approximately \$3.38 million in principal amount of the convertible term note. UCN is advised that the common shares issued upon conversion of the note were sold.

On February 9, 2007, UCN issued to its primary secured lender a warrant to purchase 55,000 shares of common stock at an exercise price of \$2.90 per share that expires May 23, 2011, which we refer to as the 2007 CV Warrant. The common shares underlying the warrant are being registered for resale through the registration statement of which this prospectus forms a part. UCN will receive the proceeds from exercise of the warrant, if exercised. UCN will not receive any proceeds or benefit from resale of the shares by the selling security holder.

We originally registered shares of our common stock for sale by selling security holders under a registration statement on Form S-1 filed with the Securities and Exchange Commission, File No. 333-130748, that was first declared effective in January 2006, and last amended through a post-effective amendment and related prospectus on April 10, 2006, which we refer to in this prospectus as the January 2006 Registration. The January 2006 Registration included 2,882,000 shares consisting of 2,332,000 shares issued in private placements that closed in November and

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December 2005, and 550,000 shares issuable at a price of \$2.00 per share upon exercise of warrants issued in the same private placements. None of the warrants have been exercised. UCN will receive the proceeds from exercise of the warrants, if any are exercised. UCN will not receive any proceeds or benefit from resale of the shares by the selling security holders.

Quotations for our common stock are reported on the OTC Bulletin Board under the symbol UCNN. On August 8, 2007, the closing bid price for our common stock was \$4.00 per share.

Our prospectus dated April 18, 2007, incorporates by reference information presented in our: annual report on Form 10-K for the year ended December 31, 2006; and, current reports on Form 8-K filed with the Securities and Exchange Commission March 13, 2007, March 12, 2007, February 15, 2007, February 13, 2007 (as amended by Form 8-K/A filed April 6, 2007), January 31, 2007, and January 19, 2007. Please see **Where You Can Find Information About UCN** beginning on page 3 of the prospectus.

See Item 1A. Risk Factors beginning on page 14 of our annual report on Form 10-K for the year ended December 31, 2006, for information you should consider before you purchase shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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Notice About Information Presented In This Supplement

This supplement may be used by the Selling Security Holders to offer their shares only if accompanied by the prospectus dated April 18, 2007, prospectus supplement No. 1 dated April 19, 2007, and prospectus supplement No. 2 dated May 15, 2007.

A copy of our quarterly report on Form 10-Q (without exhibits) for the interim period ended June 30, 2007, filed with the Securities and Exchange Commission on August 14, 2007 is included in this supplement. A copy of our quarterly report on Form 10-Q (without exhibits) for the interim period ended March 31, 2007, filed with the Securities and Exchange Commission on May 15, 2007 is included in prospectus supplement No. 2. Our prospectus dated April 18, 2007, incorporates by reference information presented in our: annual report on Form 10-K for the year ended December 31, 2006; and, current reports on Form 8-K filed with the Securities and Exchange Commission March 13, 2007, March 12, 2007, February 15, 2007, February 13, 2007 (as amended by Form 8-K/A filed April 6, 2007), January 31, 2007, and January 19, 2007. Please see *Where You Can Find Information About UCN* beginning on page 3 of the prospectus.

This supplement provides information that supersedes, or is in addition to, information presented in the prospectus. If there is any difference between the information presented in this supplement and the information contained in the prospectus, you should rely on the information in this supplement.

You should rely only on the information provided in this supplement and the prospectus. We have not authorized anyone to provide you with different information.

We do not claim the information contained in this supplement or the accompanying prospectus is accurate as of any date other than the dates on their respective covers.

Forward-looking Statements

You should carefully consider the risk factors set forth in the prospectus, as well as the other information contained in this supplement and the prospectus. This supplement and the prospectus contain forward-looking statements regarding events, conditions, and financial trends that may affect our plan of operation, business strategy, operating results, and financial position. You are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially from those included within the forward-looking statements as a result of various factors. Cautionary statements in the *Risk Factors* and *Management's Discussion and Analysis of Operating Results and Financial Condition* sections of our annual report on Form 10-K and the prospectus identify important risks and uncertainties affecting our future, which could cause actual results to differ materially from the forward-looking statements made in this supplement and the prospectus.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2007

or

.. **Transition report pursuant to section 13 or 15(d) of the Securities Exchange act of 1934**
For the transition period from _____ to _____

Commission File No. 0-26917

UCN, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

14870 Pony Express Road, Bluffdale, Utah 84065

(Address of principal executive offices and Zip Code)

(801) 320-3300

(Registrant's telephone number, including area code)

87-0528557
(IRS Employer
Identification No.)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 28,431,589 shares of common stock as of August 14, 2007.

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	<i>(unaudited)</i> June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,394	\$ 4,559
Restricted cash		10
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,654 and \$1,746, respectively	9,441	8,996
Other current assets	477	594
Total current assets	12,312	14,159
Property and equipment, net	5,386	4,810
Intangible assets, net	10,335	6,373
Other assets	530	617
Total assets	\$ 28,563	\$ 25,959
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 603	\$ 720
Trade accounts payable	7,137	8,350
Accrued liabilities	2,156	2,024
Accrued commissions	1,277	1,448
Deferred revenue	117	
Total current liabilities	11,290	12,542
Long-term debt and revolving credit note	3,972	6,523
Other long-term liabilities and deferred revenue	55	46
Total liabilities	15,317	19,111
Commitments and contingencies (Notes 3, 7, 9 and 10)		
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 28,428,589 and 25,385,031 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively	3	3
Additional paid-in capital	59,643	50,071
Warrants and options outstanding	1,330	1,268
Accumulated deficit	(47,730)	(44,494)
Total stockholders' equity	13,246	6,848
Total liabilities and stockholders' equity	\$ 28,563	\$ 25,959

See notes to condensed consolidated financial statements

Table of Contents**UCN, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Unaudited)***(in thousands except per share data)*

	Three months		Six months	
	ended June 30,		ended June 30,	
	2007	2006	2007	2006
Revenue	\$ 19,975	\$ 20,968	\$ 39,795	\$ 43,590
Operating expenses:				
Costs of revenue (excluding depreciation and amortization shown separately below)	11,128	13,580	22,665	29,063
Selling and promotion	4,102	3,432	7,952	7,050
General and administrative	4,164	3,223	7,862	6,478
Depreciation and amortization	1,495	1,865	3,288	3,744
Research and development	447	352	875	664
Total operating expenses	21,336	22,452	42,642	46,999
Loss from operations	(1,361)	(1,484)	(2,847)	(3,409)
Other income (expense):				
Interest income	3	42	18	82
Interest expense	(202)	(326)	(402)	(584)
Loss on early extinguishment of debt		(364)		(364)
Total other expense	(199)	(648)	(384)	(866)
Loss before income taxes	(1,560)	(2,132)	(3,231)	(4,275)
Income tax expense	2	8	5	
Net loss	\$ (1,562)	\$ (2,140)	\$ (3,236)	\$ (4,283)
Net loss per common share:				
Basic and diluted	\$ (0.06)	\$ (0.09)	\$ (0.12)	\$ (0.18)
Weighted average common shares outstanding:				
Basic and diluted	28,166	24,053	27,243	23,588

See notes to condensed consolidated financial statements

Table of Contents**UCN, INC.****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY - (Unaudited)***(in thousands)*

	Common Stock		Additional	Warrants/	Accumulated	Total
	Shares	Amount	Paid-in	Options	Deficit	
			Capital	Outstanding		
Balance at January 1, 2007	25,385	\$ 3	\$ 50,071	\$ 1,268	\$ (44,494)	\$ 6,848
Exercise of stock options to purchase common shares	235		574			574
Stock-based compensation			599			599
Warrant issued in conjunction with consulting agreement				68		68
Warrants issued to lender for approval of BenchmarkPortal acquisition (Note 3)				83		83
Shares issued due to cashless warrant exercise	37		189	(189)		
Issuance of common shares in conjunction with BenchmarkPortal acquisition (Note 3)	1,536		4,500			4,500
Issuance of common shares in conjunction with ScheduleQ acquisition (Note 3)	109		330			330
Conversion of ComVest convertible term note	1,127		3,380			3,380
Warrants issued in conjunction with investor relations agreement				100		100
Net loss					(3,236)	(3,236)
Balance at June 30, 2007	28,429	\$ 3	\$ 59,643	\$ 1,330	\$ (47,730)	\$ 13,246

See notes to condensed consolidated financial statements

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	Six months ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (3,236)	\$ (4,283)
Adjustments to reconcile net loss to net cash used in operating activities (net of effects of acquisitions):		
Depreciation and amortization	3,288	3,744
Amortization of note financing costs	379	83
Stock-based compensation	599	297
Warrants issued for consulting services	143	
Loss on early extinguishment of debt		364
Changes in operating assets and liabilities (net effects of acquisitions):		
Accounts and other receivables, net	142	944
Other current assets	179	69
Other non-current assets	(259)	33
Trade accounts payable	(1,471)	(2,774)
Accrued liabilities	141	(289)