

UCN INC  
Form 424B3  
November 13, 2006  
Table of Contents

Filed Pursuant to Rule 424(b)(3)

SEC file No. 333-135255

**Prospectus Supplement No. 2 dated November 13, 2006**

**To Prospectus dated July 17, 2006**

**UCN, INC.**

**COMMON STOCK**

This prospectus covers 3,430,092 shares of the common stock of UCN, Inc., that may be sold from time to time by the persons listed under the caption Selling Security Holders, beginning on page 3 of the prospectus. The 3,430,092 shares consist 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.

Quotations for our common stock are reported on the OTC Bulletin Board under the symbol UCNN. On November 10, 2006, the closing bid price for our common stock was \$2.95 per share.

A copy of our quarterly report on Form 10-Q (without exhibits) for the interim period ended September 30, 2006, filed with the Securities and Exchange Commission on November 13, 2006 is included in this supplement. A copy of our quarterly report on Form 10-Q (without exhibits) for the interim period ended June 30, 2006, is included in Supplement No. 2 dated August 11, 2006. Our prospectus dated July 17, 2006, incorporates by reference information presented in our: annual report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission on March 29, 2006; quarterly report on Form 10-Q for the period ended March 31, 2006, filed with the Commission on May 15, 2006; current reports on Form 8-K dated May 19, 2006 filed May 24, 2006, dated May 9, 2006 filed May 9, 2006, dated May 1, 2006 filed May 5, 2006, and dated March 20, 2006 filed March 20, 2006; and, definitive proxy statement for UCN's 2006 annual meeting of shareholders on June 13, 2006, filed with the SEC on May 12, 2006. Please see Where You Can Find Information About UCN beginning on page 3 of the prospectus.

**See Item 1A. Risk Factors beginning on page 12 of our annual report on Form 10-K for the year ended December 31, 2005, for information you should consider before you purchase shares. Also see Item 1A. Risk Factors under Part II of our quarterly report on Form 10-Q for the interim period ended September 30, 2006, beginning on page 27 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.**

**Table of Contents**

**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 July 17, 2006, and Supplement No. 1 to the prospectus dated August 11, 2006.

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 quarterly report on Form 10-Q, 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.

**Selling Security Holders**

We are advised that the stock position of one of the selling security holders has changed through the purchase of additional shares. CCM Master Qualified Fund, Ltd., is the beneficial owner of 1,590,650 shares of common stock, of which 1,086,957 have been registered for sale and are offered under the prospectus. Assuming all of the shares offered under the prospectus are sold, CCM Master Qualified Fund, Ltd., would hold 2.0 percent of the issued and outstanding shares of common stock based on 25,169,784 shares of common stock outstanding at November 9, 2006.

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Table of Contents

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

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**FORM 10-Q**

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x **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2006

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

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**UCN, INC.**

(Exact name of registrant as specified in its charter)

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**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: 25,169,784 shares of common stock as of November 9, 2006.

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**Table of Contents**

**TABLE OF CONTENTS**

<b>ITEM NUMBER AND CAPTION</b>	<b>Page</b>
<b>PART I FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations for the Three Months Ended September 30, 2006 and 2005 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Operations for the Nine Months Ended September 30, 2006 and 2005 (unaudited)</u>	5
<u>Condensed Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2006 (unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005 (unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26
<b>PART II OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered sales of equity securities and use of proceeds</u>	27
Item 6. <u>Exhibits</u>	28
<u>Signatures</u>	29

**Table of Contents****UCN, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS***(in thousands except share data)*

	<i>(unaudited)</i> September 30,	December 31,
	2006	2005
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,540	\$ 5,471
Restricted cash	10	651
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,637 and \$1,596, respectively	10,851	11,368
Other current assets	427	561
<b>Total current assets</b>	<b>15,828</b>	<b>18,051</b>
Property and equipment, net	5,097	5,225
Intangible assets, net	7,638	11,545
Other assets	623	822
<b>Total assets</b>	<b>\$ 29,186</b>	<b>\$ 35,643</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Line of credit	\$	\$ 3,328
Current portion of long-term debt	955	2,966
Trade accounts payable	8,671	11,380
Accrued liabilities	2,337	2,268
Accrued commissions	1,283	1,355
<b>Total current liabilities</b>	<b>13,246</b>	<b>21,297</b>
Long-term debt and revolving credit note	7,906	5,511
Other long-term liabilities	83	247
<b>Total liabilities</b>	<b>21,235</b>	<b>27,055</b>
Commitments and contingencies (Notes 5, 9, 11, 12, 13, 15 and 16)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 15,000,000 shares authorized;		
Series A 8% cumulative convertible preferred stock; 0 shares issued and outstanding for 2006 and 2005 (liquidation value of \$0)		
Series B 8% cumulative convertible preferred stock; 0 shares issued and outstanding for 2006 and 2005 (liquidation value of \$0)		
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 25,141,984 and 23,114,669 shares issued and outstanding for September 30, 2006 and December 31, 2005, respectively		
	3	2
Additional paid-in capital	49,322	44,570
Warrants and options outstanding	1,277	735
Accumulated deficit	(42,651)	(36,719)
<b>Total stockholders' equity</b>	<b>7,951</b>	<b>8,588</b>

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Total liabilities and stockholders' equity	\$ 29,186	\$ 35,643
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See notes to condensed consolidated financial statements

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

	<b>Three months ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
Revenue	\$ 20,204	\$ 22,152
Operating expenses:		
Costs of revenue	12,708	14,483
Selling and promotion	3,498	3,077
General and administrative	3,303	3,656
Depreciation and amortization	1,879	1,901
Research and development	260	338
Total operating expenses	21,648	23,455
Loss from operations	(1,444)	(1,303)
Other income (expense):		
Interest income	42	26
Interest expense	(244)	(289)
Total other expense	(202)	(263)
Net loss before income taxes	(1,646)	(1,566)
Income tax expense	3	
Net loss	(1,649)	(1,566)
Preferred dividends		
Net loss applicable to common stockholders	\$ (1,649)	\$ (1,566)
Net loss per common share:		
Basic and diluted	\$ (0.07)	\$ (0.08)
Weighted average common shares outstanding:		
Basic and diluted	25,142	20,783

See notes to condensed consolidated financial statements



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

	<b>Nine months ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
Revenue	\$ 63,794	\$ 59,614
Operating expenses:		
Costs of revenue	41,771	38,984
Selling and promotion	10,548	9,587
General and administrative	9,785	9,677
Depreciation and amortization	5,622	5,112
Research and development	921	967
Total operating expenses	68,647	64,327
Loss from operations	(4,853)	(4,713)
Other income (expense):		
Interest income	124	70
Interest expense	(828)	(698)
Loss on early extinguishment of debt	(364)	
Total other expense	(1,068)	(628)
Net loss before income taxes	(5,921)	(5,341)
Income tax expense	11	
Net loss	(5,932)	(5,341)
Preferred dividends		(38)
Net loss applicable to common stockholders	\$ (5,932)	\$ (5,379)
Net loss per common share:		
Basic and diluted	\$ (0.25)	\$ (0.26)
Weighted average common shares outstanding:		
Basic and diluted	24,111	20,361

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/		
	Shares	Amount	Paid-in	Options	Accumulated	Total
			Capital	Outstanding	Deficit	
Balance at January 1, 2006	23,115	\$ 2	\$ 44,570	\$ 735	\$ (36,719)	\$ 8,588
Exercise of employee options to purchase common shares	71		141			141
Stock-based compensation			426			426
Proceeds from private offering, net of issuance costs of \$315	1,956	1	4,185			4,186
Warrant issued in conjunction with debt financing				542		542
Net loss					(5,932)	(5,932)
Balance at September 30, 2006	25,142	\$ 3	\$ 49,322	\$ 1,277	\$ (42,651)	\$ 7,951

See notes to condensed consolidated financial statements

**Table of Contents****UCN, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Unaudited)***(in thousands)*

	<b>Nine months ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:		
Net loss	\$ (5,932)	\$ (5,341)
Adjustments to reconcile net loss to net cash used in operating activities (net of acquisitions):		
Depreciation and amortization	5,622	5,112
Amortization of note financing costs	112	69
Stock-based compensation	426	
Loss on early extinguishment of debt	364	
Changes in operating assets and liabilities:		
Accounts and other receivables, net	517	
Other current assets	31	37
Other non-current assets	42	(17)
Trade accounts payable	(2,856)	2,602
Accrued liabilities	(95)	