

MULTIBAND CORP
Form 10-Q
November 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934
FOR THE PERIOD ENDING SEPTEMBER 30, 2006
OR
 o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM
_____ TO _____
COMMISSION FILE NUMBER 0 - 1325
-

MULTIBAND CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41 - 1255001

(IRS Employer Identification No.)

9449 Science Center Drive, New Hope, Minnesota 55428

(Address of principal executive offices)

Telephone (763) 504-3000 Fax (763) 504-3060

Internet: www.multibandusa.com

(Registrant's telephone number, facsimile number, and Internet address)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant

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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

On November 7, 2006 there were 35,049,887 shares outstanding of the registrant's common stock, no par value, and 404,355 outstanding shares of the registrant's convertible preferred stock.

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)
REVENUES	\$ 4,524,885	\$ 4,257,660	\$ 13,430,666	\$ 12,148,142
COSTS AND EXPENSES				
Cost of products and services (exclusive of depreciation and amortization shown separately below)	2,087,643	2,303,357	6,082,068	5,886,382
Selling, general and administrative	2,915,463	2,453,410	8,796,724	6,977,897
Depreciation and amortization	1,404,855	1,255,188	4,015,925	3,622,922
Total Costs and Expenses	6,412,961	6,011,955	18,894,717	16,487,201
LOSS FROM OPERATIONS	(1,883,076)	(1,754,295)	(5,464,051)	(4,339,059)
OTHER EXPENSE				
Interest expense	(306,672)	(536,000)	(936,876)	(1,594,714)
Other income	27,220	77,737	104,606	160,029
Total Other Expense	(279,452)	(458,263)	(832,270)	(1,434,685)
LOSS FROM CONTINUING OPERATIONS	(2,162,528)	(2,212,558)	(6,296,321)	(5,773,744)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	248,249	2,200	(70,127)
NET LOSS	(2,162,528)	(1,964,309)	(6,294,121)	(5,843,871)
Preferred Stock Dividends	(302,990)	(1,364,180)	(3,088,438)	(2,964,898)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (2,465,518)	\$ (3,328,489)	\$ (9,382,559)	\$ (8,808,769)
BASIC AND DILUTED - LOSS PER COMMON SHARE				
Loss from continuing operations	(.06)	(.08)	(.19)	(.21)
Income (loss) from discontinued operations	.00	.01	.00	(.00)
Net Loss	(.06)	(.07)	(.19)	(.21)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(.07)	(.11)	(.28)	(.31)

WEIGHTED AVERAGE SHARES
OUTSTANDING - BASIC AND
DILUTED

34,468,510

29,352,257

33,388,382

28,408,934

See notes to condensed consolidated financial statements

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2006 (unaudited)	December 31, 2005 (audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 822,962	\$ 3,100,427
Accounts receivable, net	1,997,999	2,367,864
Inventories	223,019	241,015
Prepaid expenses and other	512,949	216,885
Current portion of notes receivable	6,092	11,316
Total Current Assets	3,563,021	5,937,507
PROPERTY AND EQUIPMENT, NET	5,081,420	5,247,240
OTHER ASSETS		
Goodwill	926,551	954,871
Intangible assets, net	11,608,922	13,923,542
Notes receivable - long-term, net	65,175	61,341
Other assets	112,416	146,904
Total Other Assets	12,713,064	15,086,658
TOTAL ASSETS	\$ 21,357,505	\$ 26,271,405
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Checks issued in excess of cash in bank	\$ 212,736	\$ 93,005
Current portion of long-term debt	522,975	616,260
Current portion of note payable - stockholder	29,000	32,837
Current portion of capital lease obligations	434,262	179,932
Accounts payable	2,228,727	1,761,249
Accrued liabilities	2,618,692	2,741,054
Customer deposits	61,707	64,161
Current liabilities of discontinued operations	250,000	500,000
Deferred service obligations and revenue	901,349	587,093
Mandatory redeemable preferred stock, and 33,334 Class F preferred shares	280,000	333,334
Total Current Liabilities	7,539,448	6,908,925
LONG-TERM LIABILITIES		
Long-term debt, net	3,846,779	3,816,536
Capital lease obligations, net of current portion	495,740	452,649
Long-term liabilities of discontinued operations	-	125,000
Total Liabilities	11,881,967	11,303,110
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A (26,658 and 27,931 shares issued and outstanding, \$279,909 and \$293,276 liquidation preference)	407,017	419,752
10% Class B (7,770 and 8,390 shares issued and outstanding, \$81,585 and \$88,095 liquidation preference)	52,700	58,900
10% Class C (124,430 and 125,050 shares issued and outstanding, \$1,244,300 and \$1,250,500 liquidation preference)	1,601,405	1,607,605

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10% Class F (150,000 shares issued and outstanding, \$1,500,000 liquidation preference)	1,500,000	1,500,000
8% Class G (45,245 shares issued and outstanding, \$452,450 liquidation preference)	179,897	179,897
6% Class H (2.0 shares issued and outstanding, \$200,000 liquidation preference)	-	-
Variable rate % Class I (65,000 and 90,000 shares issued and outstanding, \$6,500,000 and \$9,000,000 liquidation preference)	-	-
Common stock, no par value (34,497,316 and 32,134,558 shares issued and outstanding)	25,977,112	22,801,405
Stock subscriptions receivable	(254,807)	(297,105)
Options and warrants	44,926,611	44,259,540
Unamortized compensation	-	(29,861)
Accumulated deficit	(64,914,397)	(55,531,838)
Total Stockholders' Equity	9,475,538	14,968,295
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,357,505	\$ 26,271,405

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2006	2005
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net loss	\$ (6,294,121)	\$ (5,843,871)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation and amortization	4,158,716	3,896,131
Amortization of deferred compensation	29,480	128,354
Amortization of original issue discount	358,725	913,339
Gain on sale of business segment	-	(253,356)
Warrants issued for services	12,085	6,256
Common stock issued for services	1,156	20,580
Gain on sale of property and equipment and intangible assets	(105,782)	(94,277)
Gain on sale of URON Inc. subsidiary	(26,669)	-
Change in allowance for doubtful accounts receivable	(165,130)	-
Change in reserve for stock subscriptions and interest receivable	36,434	-
Stock based compensation expense	655,367	-
Changes in operating assets and liabilities:		
Accounts receivable	533,336	574,006
Inventories	17,996	(189,220)
Prepaid expenses and other	63,868	113,991
Other assets	34,488	5,000
Wholesale line of credit	-	(1,000,987)
Accounts payable and accrued liabilities	187,560	(1,336,387)
Deferred service obligations and revenue	201,037	184,995
Liabilities of discontinued operations	(375,000)	(250,000)
Customer deposits	(2,454)	295
Net cash flows from operating activities	(678,908)	(3,125,151)
INVESTING ACTIVITIES		
Purchases of property and equipment	(756,706)	(698,269)
Purchases of intangible assets	(31,159)	(209,225)
Purchase of Dinamo Entertainment, LLC	-	(726,525)
Proceeds from sale of URON Inc. subsidiary	75,000	-
Purchase of Ultravision	-	(287,050)
Purchase of Satellite Broadcasting Corporation		