

MULTIBAND CORP
Form 10-Q
May 15, 2006

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

FORM 10-Q

- (Mark One)
- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE PERIOD ENDING MARCH 31, 2006
- OR
- 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 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 May 1, 2006 there were 32,539,170 shares outstanding of the registrant's common stock, no par value, and 446,098 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	
	March 31, 2006 (unaudited)	March 31, 2005 (unaudited)
REVENUES	\$ 4,404,044	\$ 3,706,876
COSTS AND EXPENSES		
Cost of products and services (exclusive of depreciation and amortization shown separately below)	2,056,527	1,872,268
Selling, general and administrative	2,972,223	2,146,912
Depreciation and amortization	1,302,456	1,148,867
Total costs and expenses	6,331,206	5,168,047
LOSS FROM OPERATIONS	(1,927,162)	(1,461,171)
OTHER EXPENSE		
Interest expense	(304,681)	(685,701)
Other income (expense)	41,437	4,932
Total other expense	(263,244)	(680,769)
LOSS FROM CONTINUING OPERATIONS	(2,190,406)	(2,141,940)
GAIN (LOSS) FROM DISCONTINUED OPERATIONS	2,200	(441,268)
NET LOSS	(2,188,206)	(2,583,208)
Preferred stock dividends	263,106	931,084
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (2,451,312)	\$ (3,514,292)
BASIC AND DILUTED LOSS PER COMMON SHARE:		
LOSS FROM CONTINUING OPERATIONS	\$ (.07)	\$ (.08)
LOSS FROM DISCONTINUED OPERATIONS	\$ -	\$ (.01)
NET LOSS	\$ (.07)	\$ (.09)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (.08)	\$ (.13)
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	32,155,873	27,216,574

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,100,540	\$ 3,100,427
Accounts receivable, net	2,102,391	2,367,864
Inventories	222,698	241,015
Prepaid expenses and other	211,525	216,885
Current portion of notes receivable	6,000	11,316
Total Current Assets	4,643,154	5,937,507
PROPERTY AND EQUIPMENT, NET	5,235,877	5,247,240
OTHER ASSETS		
Goodwill	954,871	954,871
Intangible assets, net	13,061,724	13,923,542
Notes receivable - long-term, net	65,451	61,341
Other assets	163,744	146,904
Total Other Assets	14,245,790	15,086,658
TOTAL ASSETS	\$ 24,124,821	\$ 26,271,405

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Checks issued in excess of cash in bank	\$ -	\$ 93,005
Mandatory redeemable preferred stock, 28,000 and 33,334 Class F preferred shares	280,000	333,334
Current portion of long-term debt	523,314	616,260
Current portion of note payable - stockholder	30,000	32,837
Current portion of capital lease obligations	179,434	179,932
Accounts payable	1,951,326	1,761,249
Accrued liabilities	2,860,840	2,741,054
Customer deposits	62,685	64,161
Current liabilities of discontinued operations	500,000	500,000
Deferred service obligations and revenue	637,475	587,093
Total Current Liabilities	7,025,074	6,908,925
LONG-TERM LIABILITIES		
Long-term debt, net	3,778,088	3,816,536
Capital lease obligations, net of current portion	416,434	452,649
Long-term liabilities of discontinued operations	-	125,000
Total Liabilities	11,219,596	11,303,110
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A (27,651 and 27,931 shares issued and outstanding, \$290,336 and \$293,276 liquidation preference)	416,952	419,752
10% Class B (8,300 and 8,390 shares issued and outstanding, \$87,150 and \$88,095 liquidation preference)	58,000	58,900
	1,606,705	1,607,605

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10% Class C (124,960 and 125,050 shares issued and outstanding, \$1,249,600 and \$1,250,500 liquidation preference)		
10% Class F (150,000 and 150,000 shares issues and outstanding, \$1,500,000 and \$1,500,000 liquidation preference)	1,500,000	1,500,000
8% Class G (45,245 and 45,245 shares issued and outstanding, \$452,450 and \$452,450 liquidation preference)	179,897	179,897
6% Class H (2.0 and 2.0 shares issued and outstanding, \$200,000 and \$200,000 liquidation preference)	-	-
Variable rate % Class I (90,000 and 90,000 shares issued and outstanding, \$9,000,000 and \$9,000,000 liquidation preference)	-	-
Common stock, no par value (32,172,891 and 32,134,558 shares issued and outstanding)	22,836,072	22,801,405
Stock subscriptions receivable	(285,173)	(297,105)
Options and warrants	44,575,922	44,259,540
Unamortized compensation	-	(29,861)
Accumulated deficit	(57,983,150)	(55,531,838)
Total Stockholders' Equity	12,905,225	14,968,295
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 24,124,821	\$ 26,271,405

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31,	
	2006 (unaudited)	2005 (unaudited)
OPERATING ACTIVITIES		
Net loss	\$ (2,188,206)	\$ (2,583,208)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	1,345,846	1,273,112
Amortization of deferred compensation	29,480	17,761
Amortization of original issue discount	114,908	500,098
Gain on sale of segment	-	(103,491)
Common stock issued for services	-	19,200
Increase in notes receivable allowance	-	89,051
Reserve for stock subscriptions and interest receivable	5,932	-
Stock based compensation expense	316,763	-
Change in allowance for doubtful accounts on accounts receivable	(191,450)	-
Changes in operating assets and liabilities:		
Accounts receivable	456,923	(515,012)
Inventories	18,317	(323,069)
Prepaid expenses and other	5,360	(62,252)
Other assets	(16,840)	-
Wholesale line of credit	-	(926,201)
Accounts payable and accrued liabilities	(13,656)	(377,715)
Deferred service obligations and revenue	50,382	73,564
Liabilities of discontinued operations	(125,000)	-
Customer deposits	(1,476)	265,249
Net cash flows from operating activities	(192,717)	(2,652,913)
INVESTING ACTIVITIES		
Purchases of property and equipment	(362,006)	(141,150)
Purchase of intangible assets	(10,750)	(120,000)
Purchase of Ultravision	-	(287,050)
Proceeds from sale of business segment	-	1,682,184
Collections on notes receivable	1,206	-
Net cash flows from investing activities	(371,550)	1,133,984
FINANCING ACTIVITIES		
Checks issued in excess of cash in bank	(93,005)	1,003
Payments on short-term debt	-	(2,295,000)
Payments on long-term debt	(246,302)	(2,064,077)
Payments on capital lease obligations	(36,713)	(27,079)
Payments on note payable to stockholder	(2,837)	(51,964)
Payments on mandatory redeemable preferred stock	(53,334)	-
Proceeds from issuance of stock and warrants	-	11,116,458
Payments received on stock subscriptions receivable	6,000	66,399
Redemption of preferred stock	(4,600)	(800)

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Preferred stock dividends	(22,829)	(24,455)
Exercise of stock options	18,000	-
Net cash flows from financing activities	(435,620)	6,720,485
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(999,887)	5,201,556
CASH AND CASH EQUIVALENTS		
Beginning of period	3,100,427	726,553
End of period	\$ 2,100,540	\$ 5,928,109
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of amortization of original issue discount	\$ 132,433	\$ 255,060
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Note receivable recorded on sale of discontinued operations	\$ -	\$ 339,051
Conversion of preferred stock and accrued dividends into common stock	-	673,335
Current liabilities converted to common stock	-	-