

MULTIBAND CORP  
Form 10-K  
April 02, 2007

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

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FORM 10-K

**(Mark One)**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934  
FOR THE PERIOD ENDED DECEMBER 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

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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**

The Company's Internet Address: [www.multibandusa.com](http://www.multibandusa.com)

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

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock (no par value)

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Indicated by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K § 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by references in Part III of this Form 10-K or any amendment to this Form 10-K

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. (Check one):  
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

As of June 30, 2006, (the most recently completed fiscal second quarter), the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrants' most recently completed second fiscal quarter was approximately \$22,939,900.

As of March 27, 2007, there were 35,551,973 outstanding shares of the registrant's common stock, no par value stock.

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## Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement to be filed within 120 days after the end of the fiscal year covered by this report are incorporated by reference into Part III hereof.

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**Item 1:**

**Business**

Multiband Corporation (Multiband), (f/k/a Vicom, Incorporated), is a Minnesota corporation formed in September 1975. Multiband has two operating segments: 1) Multiband Consumer Services (MCS, legally known as Multiband Subscriber Services, Inc.), which encompasses the subsidiary corporations, Multiband USA, Inc., and Rainbow Satellite Group, LLC; and 2) Minnesota Digital Universe, Inc. (MDU).

Multiband completed an initial public offering in June 1984. In November 1992, Multiband became a non-reporting company under the Securities Exchange Act of 1934. In July 2000, Multiband regained its reporting company status. In December 2000, Multiband stock began trading on the NASDAQ stock exchange under the symbol VICM. In July 2004, the symbol was changed to MBND concurrent with the Company's name change from Vicom, Incorporated to Multiband Corporation.

Multiband's website is located at: [www.multibandusa.com](http://www.multibandusa.com).

From its inception until December 31, 1998, Multiband operated as a telephone interconnect company only. Effective December 31, 1998, Multiband acquired the assets of the Midwest region of Enstar Networking Corporation (ENC), a data cabling and networking company. In late 1999, in the context of a forward triangular merger, Multiband to expand its range of computer products and related services, purchased the stock of Ekman, Inc. d/b/a Corporate Technologies, and merged Ekman, Inc. into the newly formed surviving corporation, Corporate Technologies, USA, Inc. (MBS). MBS provided voice, data and video systems and services to business and government. The MBS business segment was sold effective March 31, 2005. All references to financial information and descriptions of business in this Form 10-K have been revised to reflect only our continuing operations and all references to our now discontinued Multiband Business Services have been eliminated. MCS segment began in February 2000. MCS provides voice, data and video services to multiple dwelling units (MDUs), including apartment buildings, condominiums and time share resorts. During 2004 the Company purchased video subscribers in a number of separate transactions, the largest one being Rainbow Satellite Group, LLC. During 2004 the Company also purchased the stock of Minnesota Digital Universe, Inc. (MDU segment), which made the Company the largest master service operator in MDU's for DirecTV satellite television in the United States.

**Minnesota Digital Universe, Inc. (MDU Segment)**

The Company, through its MDU segment, also serves as a master service operator for DirecTV, a provider of satellite television service. DirecTV is the largest provider of satellite television services in the United States with approximately 16 million subscribers. DirecTV competes with the leading cable companies and with Echostar, America's second largest provider of satellite television. The Company, through its direct operations, markets DirecTV services. The MDU segment allows the Company to offer satellite television services to residents of multi-dwelling-units through a network of affiliated operators.

**Multiband Consumer Services (MCS Segment)**

Since 2000, Multiband has offered voice, data and video services to residents of the multi dwelling unit (MDU) market. Our experience in this market suggests that property owners and managers are currently looking for a solution that will satisfy two market demands from customers. The first market demand from customers that they are dealing with is how to satisfy the residents who desire to bring satellite television service to the unit without being visually unattractive or a structural/maintenance problem. The second is how to provide competitive access for local and long distance telephone cable television and internet services. Our MCS offering addresses these demands and provides the consumer several benefits, including:

- o Lower Cost Per Service
- o Blended Satellite and Cable Television Package
- o Multiple Feature Local Phone Services (features such as call waiting, call forwarding and three-way calling)
- o Better than Industry Average Response Times
- o One Number for Billing and Service Needs
- o One Bill for Local, Long Distance Cable Television and Internet
- o "Instant On" Service Availability

In late 2006, DirecTV provided the Company with the right to bill DirecTV services directly to end users. At that time the Company began providing such billing services to a certain number of customers.

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As we develop and market this package, we keep a marketing focus on two levels of customer for this product. The primary decision-makers are the property owners/managers. Their concerns are focused on delivering their residents reliability, quality of service, short response times, minimized disruptions on the property, minimized alterations to the property and value added services. Each of these concerns is addressed in our contracts with the property owner, which includes annual reviews and 10 year terms as service providers on the property. The secondary customer is the end-user. We provide the property with on-going marketing support for their leasing agents to deliver clear, concise and timely information on our services. This will include simple sign up options that should maximize our penetration of the property.

When taken as a whole, and based on Multiband's interpretations of U.S. Census Bureau statistics, cable television, telephone and internet services currently generate over \$170 billion of revenues annually in the U.S, with an estimated 26 million households living in MDUs. We believe these statistics indicate stable growing markets with demand that is likely to deliver significant values to businesses that can obtain a subscriber base of any meaningful size.

### ***Multiband Consumer Industry Analysis Strategy***

For the near future, the services described below will be offered primarily in New York, Minnesota, Florida, Illinois, Missouri and North Dakota. Our primary competition will come from the local incumbent providers of telephone and cable television services.

#### ***Local Telephone Service***

We compete with the former Bell System companies such as Verizon Communications (Verizon) and Qwest Communications International, Inc. (Qwest) for local telephone services. Although those companies have become the standard for local telephone service, we believe we have the ability to under price their service while maintaining high levels of customer satisfaction.

#### ***Cable Television Service***

We compete with Comcast Corporation (Comcast), Time Warner and others for pay-TV customers. Comcast and Time-Warner are national cable television service providers. We believe we have a significant consumer benefit in that we are establishing private rather than public television systems, which allows us to deliver a package that is not laden with local "public access" stations that clog the basic service package. In essence, we will be able to deliver a customized service offering to each property based upon pre-installation market research that we perform. The pricing of our service is also untariffed which allows for flexible and competitive "bundling" of services.

#### ***Long Distance Telephone Service***

AT&T Inc. (AT&T), MCI, Inc. (MCI), and Sprint Corporation (Sprint) are our principal competitors in providing long distance telephone service. They offer new products almost weekly. Our primary concern in this marketplace is to assure that we are competitive with the most recent advertised offerings in the "long distance wars." We will meet this challenge by staying within a penny of the most current offering, while still maintaining a high gross margin on our product. We accomplish this through various carrier agency associations. We expect to generate a high penetration in our long distance services amongst our local service subscribers because private property owners in the shared tenant environment (similar to a hotel environment) are not required to offer multiple long distance carriers to their tenants.

#### ***Internet Access Service***

The clear frontrunners in this highly unregulated market are America Online, Inc., Comcast and Netzero. They compete with local exchange carriers, long distance carriers, Internet backbone companies and many local ISPs (Internet Service Providers). The general concern among consumers is the quality of the connection and the speed of the download. We believe our design provides the highest broadband connection speeds that are currently available. The approach that we will market is "blocks of service." Essentially, we deliver the same high bit rate service in small, medium and large packages, with an appropriate per unit cost reduction for those customers that will commit to a higher monthly expenditure.

### ***Market Description***

We are currently marketing Multiband services to MDU properties primarily throughout Minnesota, North Dakota, Missouri, Florida, New York and Illinois. We will target properties that range from 50 to 150 units on a contiguous MDU property for television and Internet access only. We will survey properties that exceed 150 units for the feasibility of local and long distance telephone services.

We are initially concentrating on middle to high-end rental complexes. We are also pursuing resort area condominiums. A recent U.S. Census Bureau table indicates that there are more than 65,000 properties in the United States that fit this profile. Assuming an average of 100 units per complex, our focus is on a potential subscriber base of 6,500,000.

A recent Property Owners and Manager Survey, published by the U.S. Census Bureau, shows that the rental properties are focusing on improving services and amenities that are available to their tenants. These improvements are being undertaken to reduce tenant turnover, relieve pricing pressures on rents and attract tenants from competing properties. We believe that most of these owners or managers are not interested in being "in the technology business" and will use the services that we are offering. Various iterations of this package will allow the owners to share in the residual income stream from the subscriber base.

### ***Number of Units/Customers***

At March 25, 2007, the Company had approximately 106,500 owned and managed subscriptions.

### ***Employees***

As of March 27, 2007, Multiband employed three full-time management employees, eight accounting personnel, six information technology employees and four in administrative positions. As of that same date, MCS had 59 full-time employees, consisting of five in sales and marketing, eighteen in technical positions, thirty-two in customer service and related support, and four in management. MDU had two management employees, two sales and marketing personnel and four customer service employees.

### ***Item 1A:***

#### ***Risk Factors***

Our operations and our securities are subject to a number of risks, including but not limited to those described below. If any of the following risks actually occur, the business, financial condition or operating results of Multiband and the trading price or value of our common stock could be materially adversely affected.

#### ***General***

Multiband, since 1998, has taken several significant steps to reinvent and reposition itself to take advantage of opportunities presented by a shifting economy and industry environment.

Recognizing that voice, data and video technologies in the late twentieth century were beginning to systematically integrate as industry manufacturers were evolving technological standards from "closed" proprietary networking architectures to a more "open" flexible and integrated approach, Multiband, between 1998 and 2001, purchased three competitors which, in the aggregate, possessed expertise in data networking, voice and data cabling and video distribution technologies.

In early 2000, Multiband created its MCS division, employing the aforementioned expertise, to provide communications and entertainment services (local dial tone, long distance, high-speed internet and expanded satellite television services) to residents in MDUs on one billing platform, which the Company developed internally.

The specific risk factors, as detailed below, should be analyzed in the context of the Company's anticipated MCS related growth.

### ***Net Losses***

The Company had net losses of \$10,183,723 for the year ended December 31, 2006, \$7,475,000 for the year ended December 31, 2005, and \$9,783,962 for the year ended December 31, 2004. Multiband may never be profitable.

The prolonged effects of generating losses without additional funding may restrict our ability to pursue our business strategy. Unless our business plan is successful, an investment in our common stock may result in a complete loss of an investor's capital.

If we cannot achieve profitability from operating activities, we may not be able to meet:

- o our capital expenditure objectives;
- o our debt service obligations; or
- o our working capital needs.

### ***Working Capital Deficit***

The Company had a working capital deficiency of (\$5,294,245) and (\$971,418), as of December 31, 2006 and December 31, 2005, respectively; primarily due to operating losses and acquisition related debt. There is no assurance the Company will have positive working capital or be able to meet its working capital needs in future periods.

### ***Goodwill***

In June 2001, the Financial Accounting Standards Board (FASB) adopted Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets" which changed the amortization rules on recorded goodwill from a monthly amortization to a periodic "impairment" analysis for fiscal years beginning after December 15, 2001. In 2004, the Company recorded an impairment charge of \$2,748,879 related to Multiband Business Services which is included in discontinued operations at December 31, 2004. In 2006, the Company recorded an impairment charge to goodwill of \$417,465 related to the sale of video assets to Consolidated Smart Broadband Systems, LLC., (CSBS) (see Note 17). As of December 31, 2006, the Company had remaining recorded goodwill of \$509,086 primarily related to the purchase of Rainbow Satellite Group, LLC.

### ***Deregulation***

Several regulatory and judicial proceedings have recently concluded, are underway or may soon be commenced that address issues affecting operations and those of our competitors, which may cause significant changes to our industry. We cannot predict the outcome of these developments, nor can we assure you that these changes will not have a material adverse effect on us. Historically, we have been a reseller of products and services, not a manufacturer or carrier requiring regulation of its activities. Pursuant to Minnesota statutes, our Multiband activity is specifically exempt from the need to tariff our services in MDU's. However, the Telecommunications Act of 1996 provides for significant deregulation of the telecommunications industry, including the local telecommunications and long-distance industries. This federal statute and the related regulations remain subject to judicial review and additional rule-makings of the Federal Communications Commission, making it difficult to predict what effect the legislation will have on us, our operations, and our competitors.

### ***Dependence on Strategic Alliances***

Several suppliers or potential suppliers of Multiband, such as McLeod, WorldCom, WS Net, XO Communications and others have filed for bankruptcy in recent years. While the financial distress of its suppliers or potential suppliers could have a material adverse effect on Multiband's business, Multiband believes that enough alternate suppliers exist to allow the Company to execute its business plans. The Company is also highly dependent on its Master System

Operator agreement with DirecTV. The initial term of the agreement, which expires in August 2008, is for three years and provides for two additional two-year renewals if the Company has a minimum number of paying video subscribers in its system operator network. Although an alternate provider of satellite television services, Echostar, exists, the termination of its agreements with DirecTV could have a material adverse effect on Multiband's business.

### ***Changes in Technology***

A portion of our projected future revenue is dependent on public acceptance of broadband and expanded satellite television services. Acceptance of these services is partially dependent on the infrastructure of the internet and satellite television which is beyond Multiband's control. In addition, newer technologies, such as video-on-demand, are being developed which could have a material adverse effect on the Company's competitiveness in the marketplace if Multiband is unable to adopt or deploy such technologies.

### ***Attraction and Retention of Employees***

Multiband's success depends on the continued employment of certain key personnel, including executive officers. If Multiband were unable to continue to attract and retain a sufficient number of qualified key personnel, its business, operating results and financial condition could be materially and adversely affected. In addition, Multiband's success depends on its ability to attract, develop, motivate and retain highly skilled and educated professionals with a wide variety of management, marketing, selling and technical capabilities. Competition for such personnel is intense and is expected to increase in the future.

### ***Intellectual Property Rights***

Multiband relies on a combination of trade secret, copyright, and trademark laws, license agreements, and contractual arrangements with certain key employees to protect its proprietary rights and the proprietary rights of third parties from which Multiband licenses intellectual property. Multiband also relies on agreements with owners of MDUs which grant the Company rights of access for a specific period to MDU premises whereby Multiband is allowed to offer its voice, data, and video services to individual residents of the MDUs. If it was determined that Multiband infringed the intellectual property rights of others, it could be required to pay substantial damages or stop selling products and services that contain the infringing intellectual property, which could have a material adverse effect on Multiband's business, financial condition and results of operations. Also, there can be no assurance that Multiband would be able to develop non-infringing technology or that it could obtain a license on commercially reasonable terms, or at all. Multiband's success depends in part on its ability to protect the proprietary and confidential aspects of its technology and the products and services it sells. There can be no assurance that the legal protections afforded to Multiband or the steps taken by Multiband will be adequate to prevent misappropriation of Multiband's intellectual property.

### ***Variability of Quarterly Operating Results***

Variations in Multiband's revenues and operating results occur from quarter to quarter as a result of a number of factors, including customer engagements commenced and completed during a quarter, the number of business days in a quarter, employee hiring and utilization rates, the ability of customers to terminate engagements without penalty, the size and scope of assignments and general economic conditions. Because a significant portion of Multiband's expenses are relatively fixed, a variation in the number of customer projects or the timing of the initiation or completion of projects could cause significant fluctuations in operating results from quarter to quarter.

### ***Certain Anti-Takeover Effects***

Multiband is subject to Minnesota statutes regulating business combinations and restricting voting rights of certain persons acquiring shares of Multiband. These anti-takeover statutes may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of Multiband's securities, or the removal of incumbent management.

### ***Volatility of Multiband's Common Stock***

The trading price of our common stock has been and is likely to be volatile. The stock market has experienced extreme volatility, and this volatility has often been unrelated to the operating performance of particular companies. We cannot be sure that an active public market for our common stock will continue after this offering. Investors may not be able to sell the common stock at or above the price they paid for their common stock, or at all. Prices for the common stock will be determined in the marketplace and may be influenced by many factors, including variations in our financial results, changes in earnings estimates by industry research analysts, investors' perceptions of us and general economic, industry and market conditions.

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***Future Sales of Our Common Stock May Lower Our Stock Price***

If our existing shareholders sell a large number of shares of our common stock, the market price of the common stock could decline significantly. The perception in the public market that our existing shareholders might sell shares of common stock could depress our market price.

***Competition***

We face competition from others who are competing for a share of the MDU market, including other satellite companies, cable companies and telephone companies. Some of these companies have significantly greater assets and resources than we do.

***Forward-Looking Statements***

This document contains forward-looking statements within the meaning of federal securities law. Terminology such as "may," "will," "expect," "anticipate," "believe," "estimate," "continue," "predict," or other similar words, identify forward-looking statements. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements appear in a number of places in this prospectus and include statements regarding our intent, belief or current expectation about, among other things, trends affecting the industries in which we operate, as well as the industries we service, and our business and growth strategies. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors."

***Item 1B:***

***Unresolved Staff Comments***

None.

***Item 2B:***

***Properties***

Multiband and its subsidiaries lease principal offices located at 2000 44th Street SW, Fargo, ND 58103 and 9449 Science Center Drive, New Hope, Minnesota 55428. We have no foreign operations. The main Fargo office lease expires in 2017 and covers approximately 11,744 square feet. The Fargo base rent ranges from \$9,846 to \$10,680 per month. The New Hope office lease expires in 2013 and covers approximately 47,000 square feet. The New Hope base rent ranges from \$19,889 to \$25,167 per month. Both the New Hope and Fargo leases have provisions that call for the tenants to pay net operating expenses, including property taxes, related to the facilities. Both offices have office, warehouse and training facilities.

Multiband considers its current facilities adequate for its current needs and believes that suitable additional space would be available as needed.

***Item 3:***

***Legal Proceedings***

The Company is involved in legal actions in the ordinary course of business, including an action maintained by Multiband USA, Inc., in the Federal District Court of Minnesota against DirecTechnologies, LLC, a New York entity, for fraud and breach of contract. The defendant, in the action, has counterclaimed against Multiband USA, Inc., for breach of contract. However, as of December 31, 2006, Multiband was not engaged in any pending legal proceedings where, in the opinion of the Company, the outcome is likely to have a material adverse effect upon the business, operating results and financial condition of the Company.

***Item 4:***

***Submission of Matters to a Vote of Security Holders***

The Company did not submit matters to a vote of security holders during the last quarter of the year covered by this report.

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**PART II****Item 5:****Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**

Through May 17, 2000, Multiband's common stock was traded and quoted on the OTC Bulletin Board(R) ("OTCBB") under the symbol "VICM." From May 18, 2000 until August 21, 2000, the common stock was quoted under the VICM symbol on the Pink Sheets(R) operated by Pink Sheets LLC. From August 21, 2000, to December 12, 2000, Multiband's common stock was traded and quoted on the OTCBB under the VICM symbol. Since then, the stock has been traded and quoted on the NASDAQ Smallcap market system. In July 2004, the symbol was changed to MBND to coincide with the Company's name change to Multiband Corporation. The table below sets forth the high and low bid prices for the common stock during each quarter in the two years ended December 31, 2006 and December 31, 2005 as provided by NASDAQ.

<b><u>Quarter Ended</u></b>	<b><u>High Bid</u></b>	<b><u>Low Bid</u></b>
March 31, 2006	1.45	1.10
June 30, 2006	1.30	0.82
September 30, 2006	1.01	0.66
December 31, 2006	0.89	0.53
March 31, 2005	1.75	1.33
June 30, 2005	1.50	1.07
September 30, 2005	1.55	1.07
December 31, 2005	1.52	1.18

As of March 27, 2007, Multiband had 1,088 shareholders of record of its common stock and 35,551,973 shares of common stock outstanding. As of that date, seven shareholders held a total of 26,658 of Class A Preferred, two shareholders held 7,270 shares of Class B Preferred, four shareholders held a total of 123,930 shares of Class C Preferred, one shareholder held a total of 150,000 shares of Class F Preferred, twelve shareholders held a total of 38,195 shares of Class G Preferred, six shareholders held a total of 2 shares of Class H Preferred, and four shareholders held a total of 57,500 shares of Class I Preferred.

**Recent Sales of Unregistered Securities**

In July 2006, the Company issued 162,500 shares of common stock worth \$162,500 in connection with an acquisition of video subscribers located in Ohio.

In 2005, the Company issued ten million dollars worth of Preferred Stock to a group of institutional investors.

In 2005, the Company issued \$1,819,220 worth of common stock to various accredited investors.

In 2004, the Company, via accredited investor purchasers of common stock, exercise of warrants, or other conversion into common stock, issued 2.3 million common shares at various prices, netting proceeds of approximately \$3.2 million.

The Company in 2004 issued \$212,110 worth of its common stock to Pyramid Trading LP in connection with conversion of a note payable and accrued interest. The common stock was issued at various prices pursuant to a formula tied to the trading price of the Company's common stock.

The Company in 2004 issued \$230,909 worth of its common stock to Laurus Master Fund Ltd in connection with conversion of a note payable. The common stock was issued at a conversion rate of \$1.40.

At various other times in 2004, the Company issued \$194,575 worth of common stock in connection with conversion of interest and notes payable. The common stock was issued at various prices pursuant to a formula tied to the trading price of the Company's common stock.

In 2004 the Company repurchased 27,500 shares of common stock for \$62,975 from a former officer of the Company.

The Company, during 2004, issued \$452,450 worth of Class G Preferred Stock and \$1,083,341 worth of Class H Preferred Stock to various accredited investors.

In connection with these sales, we relied on the exemption from registration provided by Sections 4(2) and 4(6) of the Securities Act of 1933, as well as Rule 506 of Regulation D based on (i) our belief that the issuances did not involve a public offering, (ii) the transactions involved fewer than 35 purchasers, and (iii) because we had a reasonable basis to believe that each of the shareholders were either accredited or otherwise had sufficient knowledge and sophistication, either alone or with a purchaser representative, to appreciate and evaluate the risks and merits associated with their investment decision.

### ***Common Stock***

Holders of common stock are entitled to one vote per share in all matters to be voted upon by shareholders. There is no cumulative voting for the election of directors, which means that the holders of shares entitled to exercise more than 50% of the voting rights in the election of directors are able to elect all of the directors. Multiband's Articles of Incorporation provide that holders of the Company's common stock do not have preemptive rights to subscribe for and to purchase additional shares of common stock or other obligations convertible into shares of common stock which may be issued by the Company.

Holders of common stock are entitled to receive such dividends as are declared by Multiband's Board of Directors out of funds legally available for the payment of dividends. Multiband presently intends not to pay any dividends on the common stock for the foreseeable future. Any future determination as to the declaration and payment of dividends will be made at the discretion of the Board of Directors. In the event of any liquidation, dissolution or winding up of Multiband, and subject to the preferential rights of the holders of the various classes of Multiband's preferred stocks, the holders of common stock will be entitled to receive a pro rata share of the net assets of Multiband remaining after payment or provision for payment of the debts and other liabilities of Multiband.

All of the outstanding shares of common stock are fully paid and non-assessable. Holders of common stock of Multiband are not liable for further calls or assessments.

The Company's Board of Directors has not declared any dividends on our common stock since our inception, and does not intend to pay out any cash dividends on our common stock in the foreseeable future. We presently intend to retain all earnings, if any, to provide for our growth. The payment of cash dividends in the future, if any, will be at the discretion of the Board of Directors and will depend upon such factors as earnings levels, capital requirements, our financial condition and other factors deemed relevant by our Board of Directors.

### ***Preferred Stock***

In December 1998, Multiband issued 2,550 shares of Class A Preferred for \$23,638 and 37,550 shares of Class B Preferred for \$359,893. The Class B Preferred was offered to certain note holders at a conversion rate of \$10.00 per share of Class B Preferred. Each share of Class A Preferred and Class B Preferred is non-voting (except as otherwise required by law) and convertible into five shares of common stock, subject to adjustment in certain circumstances. Each holder of a share of Class A Preferred or Class B Preferred has a five-year warrant to purchase one share of common stock at \$3.00 per share, subject to adjustment. During 2001, Multiband issued 67,655 shares of Class A Preferred for \$676,556.

In June 2000, Multiband issued 80,500 shares of Class C Preferred for \$805,000. The Class C Preferred was offered to certain note holders at a conversion rate of \$10.00 a share. In September 2000, Multiband issued an additional 72,810 shares of Class C Preferred for \$728,100. Each share of Class C Preferred is non-voting (except as otherwise required by law) and convertible into two shares of Multiband common stock, subject to adjustment in certain circumstances.

In November 2000, Multiband issued 72,500 shares of Class D Preferred for \$490,332. The Class D Preferred was sold to eight accredited investors at \$10.00 per share. Each share of Class D Preferred is non-voting (except as

otherwise required by law) and convertible into two and one-half shares of Multiband Common Stock, subject to adjustment in certain circumstances.

In the second quarter of 2002, Preferred Class D stocks were redeemed; \$100,000 converted to Common Stock, and \$300,000 converted to a Note Payable.

In the fourth quarter of 2002, Multiband issued 70,000 shares of Class E Preferred for \$700,000, with \$600,000 related to conversion of a note payable from a director of the Company into Preferred Stock.

In the first quarter of 2003, \$72,000 worth of Class C Preferred Stock was issued to an officer of the Company in a conversion of accounts payable. Also in the first quarter of 2003, \$76,500 worth of Class E Preferred Stock was issued to a member of the Board, pursuant to an offering to accredited investors.

In the third quarter of 2003 \$25,000 worth of Class B Preferred Stock was purchased by an accredited investor.

In addition, during 2003 \$133,100 worth of Class C Preferred Stock was redeemed.

During the second quarter of 2004, \$776,500 worth of Class E Preferred Stock was converted into Common Stock at a price of \$1.25 per share. During the third quarter of 2004, two million dollars worth of Class F Preferred Stock was issued. During the fourth quarter of 2004, \$452,450 worth of Class G Preferred Stock was issued and \$1,083,341 worth of Class H Preferred Stock was issued.

In the first quarter of 2005, the Company issued \$10,000,000 worth of Class I Preferred Stock.

During the fourth quarter of 2006, one of the Class I Preferred Stock holders sold all of their shares to another accredited investor.

The holders of the Class A Preferred, Class B Preferred, Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred, Class G Preferred Class H Preferred and Class I Preferred (collectively, "Preferred Stock") are entitled to receive out of the assets of the Company legally available for payment thereof, cumulative cash dividends calculated based on the per share stated value of the Preferred Stock. The per annum dividend rate is eight percent (8%) for the Class A Preferred and ten percent (10%) for the Class B Preferred, Class C Preferred and Class F Preferred, fourteen percent (14%) for the Class D Preferred, fifteen percent (15%) for the Class E Preferred, to be paid in kind, eight percent (8%) for the Class G Preferred, six percent (6%) for the Class H Preferred and variable rate tied to prime for the Class I Preferred dividends on the Class A Preferred, Class C Preferred, Class D Preferred, Class F Preferred and Class G Preferred are payable quarterly on March 31, June 30, September 30, and December 31 of each year. Dividends on the Class B and Class I Preferred are payable monthly on the first day of each calendar month. Dividends on the Class H Preferred are payable semiannually on June 30 and December 31 of each year. Dividends on the Preferred Stock accrue cumulatively on a daily basis until the Preferred Stock is redeemed or converted.

In the event of any liquidation, dissolution or winding up of Multiband, the holders of the Class A Preferred and Class B Preferred will be entitled to receive a liquidation preference of \$10.50 per share, and the holders of the Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred and Class G Preferred will be entitled to receive a liquidation preference of \$10.00 per share, each subject to adjustment. Holders of the Class H Preferred will be entitled to receive a liquidation preference of \$100,000 per share. Holders of the Class I Preferred will be entitled to receive a liquidation preference of \$100. per share. Any liquidation preference shall be payable out of any net assets of Multiband remaining after payment or provision for payment of the debts and other liabilities of Multiband.

No holder of Preferred Stock can require Multiband to redeem his or her shares, except for a single Class F and Class H shareholders. The single Class F shareholder who, at its sole discretion pursuant to a put option, can force the Company to redeem up to 50,000 Class F Preferred Shares (the equivalent of \$500,000 worth, \$220,000 redeemed as of December 31, 2006). Class H shareholders have the right to convert all or a portion of preferred shares upon the occurrence of a major transaction or triggering event as defined in the agreement and Multiband has the sole option to pay the redemption price in cash or shares of the Company's common stock. Multiband, upon notice, may voluntarily redeem the Preferred Stock, in whole or in part, at a redemption price per class equal to the liquidation prices stated above provided the closing bid price of the common stock exceeds a certain share price, (\$4.00 per share for Classes A, B and C; \$2.75 per share for Class F; \$2.00 per share for Class H; Classes G and I have no redemption "call" price; and Classes D and E have been completely redeemed and extinguished as of December 31, 2004). Upon Multiband's call for redemption, the holders of the Preferred Stock called for redemption will have the option to convert each share of Preferred Stock into shares of common stock until the close of business on the date fixed for redemption, unless extended by Multiband in its sole discretion. Preferred Stock not converted would be redeemed.



**Item 6:****Selected Consolidated Financial Data**

The following selected financial data should be read in conjunction with our consolidated financial statements including the accompanying notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations". The data for each of the fiscal years in the three year period ended December 31, 2006, have been derived from our consolidated financial statements and accompanying notes contained in this prospectus. The Statement of Operations Data for the years ended December 31, 2003 and 2002 and the Balance Sheet data at December 31, 2004, 2003 and 2002 have been derived from our audited consolidated financial statements which are not contained in this filing. In the financial data below, the Company reclassified the operations related to the MBS segment to discontinued operations. The Company sold this segment in the first quarter of 2005.

<b>Statement of Operations Data 2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Revenues	\$18,051,601	\$16,515,426	\$11,067,834	\$1,441,118	\$577,221
Cost of products and services (exclusive of depreciation and amortization listed separately below)	\$8,280,666	\$7,849,597	\$5,943,395	\$884,536	\$418,093
Cost of products and services as % of revenue	45.9%	47.5%	53.7%	61.4%	72.4%
Selling, general and administrative expenses	\$11,480,677	\$9,723,132	\$5,986,267	\$2,647,870	\$1,971,584
Selling, general and administrative as % of revenues	63.6%	58.9%	54.1%	183.7%	341.6%
Depreciation and amortization	\$5,168,209	\$4,780,436	\$3,432,779	\$1,065,650	\$1,193,306
Impairment of assets	\$2,261,500	\$0	\$0	\$0	\$0
Loss from Operations	\$ (9,139,451)	\$(5,837,739)	\$(4,294,607)	\$(3,156,938)	\$(3,005,762)
Other expense, net	\$ (1,046,472)	\$(1,655,088)	\$(1,032,035)	\$(548,476)	\$(1,439,069)
Minority interest in subsidiary	\$0	\$0	\$0	\$33,366	\$0
Loss before income tax	\$ (10,185,923)	\$(7,492,827)	\$(5,326,642)	\$(3,672,048)	\$(4,444,831)
Income tax provision	\$0	\$0	\$0	\$0	\$0
Loss from continuing operations	\$ (10,185,923)	\$(7,492,827)	\$(5,326,642)	\$(3,672,048)	\$(4,444,831)
Discontinued operations	\$2,200	\$17,827	\$(4,457,320)	\$(692,956)	\$6,772
Net loss	\$ (10,183,723)	\$(7,475,000)	\$(9,783,962)	\$(4,365,004)	\$(4,438,059)
Loss attributable to common stockholders	\$ (14,250,446)	\$(10,827,229)	\$(10,374,417)	\$(4,613,693)	\$(4,591,637)
Loss from continuing operations	\$(.42)	\$(.32)	\$(.26)	\$(.25)	\$(.39)
Loss from discontinued operations	\$(.00)	\$(.00)	\$(.19)	\$(.04)	\$(.00)

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Loss attributable to commons stockholders	\$(.42)	\$(.37)	\$(.45)	\$(.29)	\$(.39)
Weighted average shares outstanding	33,788,217	29,097,923	23,307,594	16,112,231	11,735,095

<b><u>Balance Sheet Data</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Working Capital (deficiency)	(\$5,294,245)	(\$971,418)	(\$8,931,414)	\$1,118,792	(\$252,870)
Total Assets	\$17,986,056	\$26,271,405	\$26,633,712	\$13,902,885	\$10,347,316
Long-Term Debt, net	\$2,969,764	\$3,816,536	\$3,498,657	\$2,262,891	\$3,273,350
Stockholders' Equity	\$5,659,309	\$14,968,295	\$8,549,431	\$5,807,711	\$2,642,285

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**Item 7:****Management's Discussion and Analysis of Financial Condition and Results of Operation**

The following discussion of the financial condition and results of operations of Multiband should be read in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto included elsewhere in this report.

**Years Ended December 31, 2006 and December 31, 2005**

This discussion does not include the results of discontinued operations.

**Results of Operations**

The following table sets forth certain items.

<b>Revenues</b>	<b>2006</b>	<b>2005</b>
Multiband	0.00%	0.00%
MCS	41.96%	48.10%
MDU	58.04%	51.90%
Total Revenues	100.00%	100.00%
<b>Cost of Products and Services (exclusive of depreciation and amortization)</b>		
Multiband	0.00%	0.00%
MCS	22.56%	26.23%
MDU	23.31%	21.30%
Total Cost of Products and Services (exclusive of depreciation and amortization)	45.87%	47.53%
<b>Selling, General and Administrative Expenses</b>	<b>63.60%</b>	<b>58.87%</b>
<b>Impairment of Assets</b>	<b>12.53%</b>	<b>-</b>
<b>Loss from Continuing Operations</b>	<b>(56.42%)</b>	<b>(45.37%)</b>
<b>Gain(Loss) from Discontinued Operations</b>	<b>.01%</b>	<b>.11%</b>
<b>Net Loss</b>	<b>(56.41%)</b>	<b>(45.26%)</b>

**Revenues:**

Total revenues from continuing operations increased 9.3% from \$16,515,426 in 2005 to \$18,051,601 in 2006. Revenue from the MCS segment decreased to \$7,573,799 in 2006 from \$7,943,266 in 2005. In 2007, MCS revenues will most likely continue to decrease due to sales of subscribers in the MCS portfolio. The MDU segment had revenues of \$10,477,802 in 2006 and \$8,572,160 in 2005, in an increase of 22.2%. This overall increase in revenues is primarily due to an increase in agent fees and revenue generating subscriptions during the comparable periods.

**Costs of Products and Services (exclusive of depreciation and amortization)**

Total costs of products and services were \$8,280,666 in 2006 compared to \$7,849,597 in 2005. MCS segment cost of products and services were \$4,073,165 in 2006 and \$4,332,111 in 2005. MDU segment costs of products and services were \$4,207,501 in 2006 and \$3,517,486 in 2005. The significant increase in costs of products and services in the MDU segment resulted directly from a material increase in revenues in 2006 over 2005. The Company expects costs of products and services as a percentage of revenue to remain comparable in future periods due to the predictability of costs and the ability to pass costs through to customers.

**Selling, General and Administrative Expense:**

Selling, general and administrative expenses from continuing operations increased 18.08% to \$11,480,677 in 2006, compared to \$9,723,132 in 2005. Selling, general and administrative expenses were, as a percentage of revenues, 63.6% for 2006 and 58.9% for 2005. This increase is primarily a result of increased payroll expenses related to an increase in revenue and due to stock option expense of \$821,757 required to be recognized in the current year versus \$0 of stock option expense in the comparable period last year. The Company anticipates that total selling, general and administrative expenses, exclusive of stock option expenses, will decrease in 2007 due to reduced payroll expenses from the sale of subscribers in the MCS portfolio (see Note 17).

*Impairment of Assets:*

Pursuant to the sale of video assets to Consolidated Smart Broadband Systems, LLC.,(CSBS) (see Note 17), the Company recorded an impairment charge of \$2,261,500 for the year ended December 31, 2006. This charge was determined based upon the excess net book value of assets sold over the known proceeds from the sale as of March 1, 2007. The impairment charge was allocated in the amount of \$417,465 to goodwill, \$1,539,633 to intangible assets and \$304,402 to fixed assets.

*Loss from Operations*

The Company, in 2006, incurred a loss from operations for its combined operating business segments of \$9,139,451 compared to a loss of \$5,837,739 during 2005. The MDU segment showed a profit from operations of \$4,066,850 in 2006 compared to profits of \$2,691,921 in 2005. In 2006, the MCS segment showed a loss from operations of \$8,492,405 included an impairment charge of \$2,261,500, compared to a loss of \$5,458,620 for the prior year. The Multiband Corporation segment, which has no revenues, showed a loss from operations of \$4,713,896 in 2006 compared to a loss of \$3,071,040 for the same period last year. The Multiband Corporation loss is expected to continue in future periods as corporate overhead is expected to remain consistent with current levels. The Company expects the MDU segment profitability in future periods to remain steady or improve as that segment continues to experience growth. In addition to the sale of subscribers, the Company hopes that it can mitigate its loss in the MCS segment by reducing related payroll expenses. At the same time, the Company will look to add subscribers in its MDU division since the on-going selling, general and administrative expenses to service those subscribers can be more variable than fixed.

*Interest Expense*

Interest expense was \$1,206,196 for 2006 versus \$1,882,910 for 2005, reflecting primarily a decrease in original issue discount expense.

*Net Loss*

The Company showed a net loss of \$10,183,723 and \$7,475,000 in 2006 and 2005, respectively. The increase in net loss in 2006 over 2005 was primarily due to an impairment charge of \$2,261,500, incurred due to the sale of video assets located in California (see Note 17).

*Years Ended December 31, 2005 and December 31, 2004*

This discussion does not include the results of discontinued operations.

*Results of Operations*

The following table sets forth certain items.

<b>Revenues</b>	<b>2005</b>	<b>2004</b>
Multiband	0.00%	0.00%
MCS	48.10%	47.23%
MDU	51.90%	52.77%
Total Revenues	100.00%	100.00%
<b>Cost of Products and Services (exclusive of depreciation and amortization)</b>		
Multiband	0.00%	0.00%
MCS	26.23%	24.68%
MDU	21.30%	29.02%
Total Cost of Products and Services (exclusive of depreciation and amortization)	47.53%	53.70%

<b>Selling, General and Administrative Expenses</b>	58.87%	54.09%
<b>Loss from Continuing Operations</b>	(45.37%)	(48.12%)
<b>Loss from Discontinued Operations</b>	.11%	(40.27%)
<b>Net Loss</b>	(45.26%)	(88.40%)

*Revenues*

Total revenues from continuing operations increased 49.2% from \$11,067,834 in 2004 to \$16,515,426 in 2005. Revenue from the MCS segment increased to \$7,943,266 in 2005 from \$5,227,696 in 2004. The MDU segment had revenues of \$8,572,160 in 2005 and \$5,840,138 in 2004. This significant increase in revenues is primarily due to the Company experiencing a full twelve months of revenues in 2005 related to material acquisitions made during the middle of 2004. The Company anticipates any revenue growth in 2006 will primarily come from adding services to new and existing properties versus further acquisitions.

*Cost of Products and Services*

The cost of products and services was \$7,849,597 in 2005 compared to \$5,943,395 in 2004. MCS segment cost of products and services were \$4,332,111 in 2005 and \$2,731,585 in 2004. MDU segment costs of products and services were \$3,517,486 in 2005 and \$3,211,810 in 2004. The significant increase in costs of products and services resulted directly from a material increase in revenues in 2005 over 2004. The Company expects costs of products and services as a percentage of revenue to remain stable in future periods due to the relative predictability of the costs.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses from continuing operations increased 62.4% to \$9,723,132 in 2005, compared to \$5,986,267 in 2004. The increase in expenses was directly related to the Company's increase in revenues. Furthermore, the Company's integration of various accounting, information technology and customer service activities from its 2004 acquisitions produced material start up and additional expense. Selling, general and administrative expenses were, as a percentage of revenues, 58.9% for 2005 and 54.1% for 2004. The Company expects these expenses to decline as a percentage of revenues throughout 2006 as the aforementioned integration expenses should be mitigated.

*Interest Expense*

Interest expense was \$1,882,910 for 2005 versus \$1,055,488 for 2004, reflecting primarily an increase in original issue discount expense.

*Net Loss*

The Company, in 2005, showed a net loss of \$7,475,000, inclusive of a gain from discontinued operations, which totaled \$17,827. The Company's net loss in 2004 totaled \$9,783,962 which included a discontinued operations loss of \$4,457,320. Included in the loss from discontinued operations was an impairment of goodwill of \$2,748,879 for the year ended December 31, 2004 (see Note 1 to the consolidated financial statements for further detail).

*Un-audited Quarterly Results*

The following table sets forth certain un-audited quarterly operating information for each of the eight quarters in the two-year period ending December 31, 2006. This data includes, in the opinion of management, all normal recurring adjustments necessary for the fair presentation of the information for the periods presented when read in conjunction with the Company's consolidated financial statements and related notes thereto. Results for any previous fiscal quarter are not necessarily indicative of results for the full year or for any future quarter. The Company has historically experienced a seasonal fluctuation in its operating results, with a larger proportion of its revenues in the third quarter of the fiscal year.

	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005	March 31, 2005
Revenues:								
Multiband	-	-	-	-	-	-	-	-

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MCS	\$1,928,821	\$1,894,586	\$1,858,520	\$1,891,872	\$1,817,584	\$2,166,218	\$2,081,147	\$1,878,821
MDU	\$2,692,114	\$2,630,299	\$2,643,217	\$2,512,172	\$2,549,700	\$2,091,442	\$2,102,459	\$1,828,821
Total Revenues	\$4,620,935	\$4,524,885	\$4,501,737	\$4,404,044	\$4,367,284	\$4,257,660	\$4,183,606	\$3,706,821
Cost of Products & services (exclusive of depreciation and amortization shown separately below)	\$2,198,598	\$2,087,643	\$1,937,898	\$2,056,527	\$1,963,215	\$2,303,357	\$1,703,517	\$1,879,821
SG&A Expense	\$2,683,953	\$2,915,463	\$2,909,038	\$2,972,223	\$2,745,235	\$2,453,410	\$2,377,575	\$2,146,821
Depreciation & Amortization	\$1,152,284	\$1,404,855	\$1,308,614	\$1,302,456	\$1,157,514	\$1,255,188	\$1,218,867	\$1,148,821
Impairment of assets	\$2,261,500	-	-	-	-	-	-	-
Operating Loss	\$(3,675,400)	\$(1,883,076)	\$(1,653,813)	\$(1,927,162)	\$(1,498,680)	\$(1,754,295)	\$(1,116,353)	\$(1,468,821)
Interest Expense	\$(269,320)	\$(306,672)	\$(325,523)	\$(304,681)	\$(288,196)	\$(536,000)	\$(373,013)	\$(685,821)
Other Income (Expenses)	\$55,118	\$27,220	\$35,949	\$41,437	\$67,793	\$77,737	\$70,120	\$12,821
Net Loss Before Taxes	\$(3,889,602)	\$(2,162,528)	\$(1,943,387)	\$(2,190,406)	\$(1,719,083)	\$(2,212,558)	\$(1,419,246)	\$(2,141,821)
Income Tax (Benefit) Provision	-	-	-	-	-	-	-	-
Loss from continuing operations	\$(3,889,602)	\$(2,162,528)	\$(1,943,387)	\$(2,190,406)	\$(1,719,083)	\$(2,212,558)	\$(1,419,246)	\$(2,141,821)
Discontinued Operations	-	-	-	\$2,200	\$87,954	\$248,249	\$122,892	\$(441,821)
Net Loss	\$(3,889,602)	\$(2,162,528)	\$(1,943,387)	\$(2,188,206)	\$(1,631,129)	\$(1,964,309)	\$(1,296,354)	\$(2,583,821)
Loss attributable to commons stockholders	\$(4,867,887)	\$(2,465,518)	\$(4,465,729)	\$(2,451,312)	\$(2,018,460)	\$(3,328,489)	\$(1,965,988)	\$(3,514,821)
	\$(.14)	\$(.07)	\$(.13)	\$(.08)	\$(.06)	\$(.10)	\$(.07)	\$0

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Loss from continuing operations								
Loss from discontinued operations	\$(.00)	\$(.00)	\$(.00)	\$(.00)	\$(.00)	\$(.01)	\$(.00)	\$0
Loss attributable to commons stockholders	\$(.14)	\$(.07)	\$(.13)	\$(.08)	\$(.06)	\$(.11)	\$(.07)	\$0
Weighted average shares outstanding	34,974,681	34,468,510	33,515,351	32,155,873	31,142,424	29,352,257	29,634,502	27,216

## ***Liquidity and Capital Resources***

### ***Year Ended December 31, 2006***

Working capital deficit for 2006 increased to \$5,494,245 primarily due to increase in current portion of long term debt and operating losses. Accounts receivable, net, decreased by \$347,812 in 2006 primarily due to improved collections procedures and related bad debt write-offs. Current liabilities increased in 2006 by \$1,956,386 due primarily to the increases in accounts payables and accrued liabilities. Current maturities of long-term debt increased by \$639,734 as of December 31, 2006 versus December 31, 2005 due to scheduled pay down of debt. Inventories increased slightly from year to year due to inventory on hand at year end being staged for impending installations.

Total long term debt and capital lease obligations increased by \$96,974 during the year ended December 31, 2006. Multiband paid out \$235,517 related to capital lease obligations and \$871,076 related to long term debt during the year ended December 31, 2006 versus \$2,907,349 paid out in 2005.

The Company used \$993,108 for capital expenditures during 2006, as compared to \$976,477 in 2005. This increase was related to additional purchases required and additional build out of video and internet services to MDU properties as a result of the business acquisitions made during 2005. Capital expenditures in 2007 are expected to decrease significantly as the Company is intending to build out fewer services in 2007 than in 2006.

Net cash used by operations in 2006 was \$649,986 as compared to cash used by operations in 2005 of \$3,817,058. This differential in the use of cash between years largely reflects the payoff of a wholesale line of credit in 2005, related to the sale of the Company's MBS division and related reductions in accounts payables. During the years ended December 31, 2006 and December 31, 2005, the Company incurred significant net losses. Although the majority of the 2006 loss was due to non-cash expenses, in 2006, the Company continued to incur cash losses primarily due to general corporate expense. However, those cash operating losses decreased significantly in 2006 versus 2005 due to increases in agent fees and the on-going additions of MDU properties in the Company's portfolio which provided improved cash flows.

The Company continues to experience overall growth, primarily due to increased agent fees and due to increased subscriber related recurring revenues acquired from the various transactions previously mentioned herein. However, the Company is growing in its MDU segment while the MCS segment is shrinking due, in part, to sales of subscribers in that division during 2006. The Company is continuing to analyze the values the equity capital marketplace is providing to its MCS directly owned subscribers in future periods, both to establish values for those subscribers and to provide additional liquidity. Between August 1, 2006 and March 1, 2007, the Company has raised approximately \$1.8 million dollars in gross proceeds related to sales of subscriber related assets.

Management of Multiband believes that the cash on hand, combined with capital resources and the potential ability to monetize intangible subscriber assets, is adequate to meet the anticipated liquidity and capital resource requirements for the next 12 months.

### ***Year Ended December 31, 2005***

Available working capital deficit for 2005 decreased to \$971,418 primarily due to payment of acquisition related debt load. Accounts receivable decreased by \$239,910 in 2005 primarily due to the Company's asset sale of its MBS division and the liquidation of MBS receivables. Current liabilities decreased in 2005 by \$7,195,450 due primarily to the aforementioned MBS sale and retirement of short-term debt. In addition, current maturities of long-term debt decreased by \$908,267 as of December 31, 2005 versus December 31, 2004 due to continued scheduled pay down of debt. Inventories decreased from year to year due to the Company's need to carry fewer inventories in its consumer services division versus its discontinued business services division.

Total long term debt and capital lease obligations decreased by \$640,586 during the year ended December 31, 2005. Multiband paid out \$216,583 related to capital lease obligations and \$2,690,766 related to long term debt during the year ended December 31, 2005 versus \$420,480 paid out in 2004.

The Company used \$976,477 for capital expenditures during 2005, as compared to \$748,704 in 2004. This increase was related to additional purchases required and additional build out of video and internet services to MDU properties as a result of the business acquisitions made during 2005. Capital expenditures in 2006 are dependent on the Company obtaining debt or equity financings in 2006.

Net cash used by operations in 2005 was \$3,817,058 as compared to cash used by operations in 2004 of \$2,289,645. This use of cash reflects significant reduction in accounts payable over the prior year and the payoff of a wholesale line of credit, both related to the sale of the Company's MBS division and related reductions in current liabilities. During the years ended December 31, 2005 and December 31, 2004, the Company incurred significant net losses. Although the majority of the 2005 loss was due to non-cash expenses, the Company in 2005 still continued to incur cash losses as well due to general corporate expense. However, those cash operating losses decreased significantly in 2005 versus 2004 due to the increase in non-cash depreciation, amortization, and amortization of original issue discount as well as by the on-going additions of MCS properties in the Company's portfolio which provided improved cash flows.

In February 2005, the Company sold ten million dollars worth of Class I convertible preferred stock. Proceeds from this financing were used to secure ownership of previous acquisitions, perform new acquisitions and build out additional services to MDU properties. All these activities improved the Company's operating performance. Continued improvement of Company operating performance and execution of our business strategy will require additional funding in 2006. The Company's operating performance indicates that performance on a MDU property level improves when the Company offers two or three services at a property versus a single service. Although the Company believes it is possible to obtain additional financing to build infrastructure and add services in 2006 by leveraging its asset base, there is no assurance this financing will be obtained. Thus, the lack of additional funding combined with continued operating losses in 2006 may restrict our ability to continue to improve our operating performance by adding services at MDU properties. However as of December 31, 2005, even without additional funding, based on current operating results, management believes existing cash and capital resources are adequate to meet anticipated liquidity requirements during 2006.

### ***Critical Accounting Policies***

#### ***Impairment of Long-Lived Assets***

The Company's long-lived assets include property, equipment and leasehold improvement. At December 31, 2006, the Company had net property and equipment of \$3,359,842, which represents approximately 18.8% of the Company's total assets. The estimated fair value of these assets is dependent on the Company's future performance. In assessing for potential impairment for these assets, the Company considers future performance. If these forecasts are not met, the Company may have to record an impairment charge not previously recognized, which may be material. In 2005 and 2004, the Company did not record any impairment. In 2006, an impairment charge of \$304,402 was recorded due to the sale of video assets located in California (see Note 17).

#### ***Impairment of Goodwill***

We periodically evaluate acquired businesses for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses, which amounts to \$509,086, as of December 31, 2006, may be impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. In 2006, the Company recorded an impairment charge to goodwill of \$417,465 (see Note 1), due to the sale of video assets located in California (see Note 17). In 2004, the Company recorded an impairment charge to goodwill of \$2,748,879 (see Note 1) related to Multiband Business Services which is included in discontinued operations at December 31, 2004. During the year ended December 31, 2005, the Company did not record any impairment losses related to goodwill.

#### ***Impairment of Intangible Assets***

The intangible assets consist of rights of entry contracts, customer cable lists, debt issuance costs, domain name and access contracts. These intangibles are being amortized over their estimated useful lives ranging from 18 to 180 months. If significant changes would occur to the estimated future cash flow associated with these intangibles, the Company would determine if there is impairment and reduce the value of the intangibles based on the reduction of such cash flows. At December 31, 2006, the Company had net intangibles of \$9,124,980 which represented approximately 51% of the Company's total assets. In 2006, the Company recorded an impairment charge to intangible assets of \$1,539,633 (see Note 1). In 2005 and 2004, the Company did not record an impairment related to the intangible assets.

### ***Inventories***

We value our inventory at the lower of the actual cost or the current estimated market value of the inventory. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory. Rapid technological change, frequent new product development, and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand characterize our industry.

### ***Stock-Based Compensation***

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on fair values. The Company's determination of fair value of share-based payment awards is based on the date of grant using an option-pricing model which incorporates a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility and estimates regarding projected employee stock option exercise behaviors and forfeitures. The Company recognizes the expense related to the fair value of the award straight-line over the vesting period.

### ***Recently Issued Accounting Pronouncements***

The Financial Accounting Standards Board has published FASB Interpretation (FIN) No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes", to address the noncomparability in reporting tax assets and liabilities resulting from a lack of specific guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109 (SFAS 109), "Accounting for Income Taxes", on the uncertainty in income taxes recognized in an enterprise's financial statements. Specifically, FIN No. 48 prescribes (a) a consistent recognition threshold and (b) a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides related guidance on derecognition, classification, interest and penalties, accounting interim periods, disclosure and transition. FIN No. 48 will apply to fiscal years beginning after December 15, 2006, with earlier adoption permitted. The Company does not expect the adoption of FIN No. 48 to have a material impact on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 (SFAS No. 157), Fair Value Measurements, to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance for applying those definitions in GAAP that are dispersed among the many accounting pronouncements that require f