MULTIBAND CORP
Form 10-Q
May 15, 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 MARCH 31, 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 was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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 o Accelerated filer o Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

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

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

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31, 2006 (unaudited)	THREE MONTHS ENDED MARCH 31, 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)

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		-		10,603
Conversion of notes payable into common stock		-		548,001
Conversion of accrued dividends into common stock		16,667		94,748

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

Note 1 - Unaudited Consolidated Financial Statements

The information furnished in this report is unaudited and reflects all adjustments which are normal recurring adjustments and, which in the opinion of management, are necessary to fairly present the operating results for the interim periods. The operating results for the interim periods presented are not necessarily indicative of the operating results to be expected for the full fiscal year. The consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, previously filed with the Securities and Exchange Commission.

NOTE 2 - Summary of Significant Accounting Policies

Nature of Business

Multiband Corporation and subsidiaries (the Company) was incorporated in Minnesota in September 1975. The Company provides voice, data and video services to multi-dwelling unit customers. The Company's products and services are sold to customers located throughout the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the three months ended March 31, 2006 and 2005, the Company incurred net losses of $2,188,206 and $2,583,208, respectively. At March 31, 2006, the Company had an accumulated deficit of $57,983,150. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability and/or raising additional capital. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and fund commitments on planned Multiband projects; however, there can be no assurance that the sources will be available or available on terms favorable to the Company. Management anticipates that the impact of the actions listed below will generate sufficient cash flows to pay current liabilities, long-term debt and capital lease obligations and fund the Company's future operations:

1. Continued reduction of operating expenses by controlling payroll, professional fees and other general and administrative expenses.
2. Continue to market Multiband services and obtain additional multi-dwelling unit customers.
3. Control capital expenditures by contracting Multiband services and equipment through a landlord-owned equipment program or by financing equipment build-outs through a leasing program.
4. Establish market for wireless internet services.
5. Solicit additional equity investment in the Company by either issuing preferred or common stock.

Principles of Consolidation

The consolidated financial statements include the accounts of Multiband Corporation (MB) and its wholly owned subsidiaries, Corporate Technologies, USA, Inc. (CTU), URON Inc.(URON), Multiband USA, Inc. (MB USA), Minnesota Digital, Inc. (MDU), Rainbow Satellite Group, LLC (Rainbow) and Multiband Subscriber Services, Inc.

(Multiband) which provides voice, data and video services to residential multi-dwelling units. All significant intercompany transactions and balances have been eliminated in consolidation.

On January 1, 2004, the Company merged Multiband into CTU. On April 1, 2005, the continuing operations of CTU terminated (see Note 8.)

Discontinued Operations

During the first quarter of 2005, the Company sold certain assets and transferred certain liabilities related to its Multiband Business Services (a/k/a CTU). In accordance with appropriate accounting rules, the Company reclassified the previously reported financial results to exclude the results of the Multiband Business Services and these results are presented on a historical basis as a separate line in the consolidated statements of operations and the consolidated balance sheets entitled “Discontinued Operations”. All of the financial information in the consolidated financial statements and notes to the consolidated financial statements has been revised to reflect only the results of continuing operations (see Note 8).

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

Revenues and Cost Recognition

The Company recognizes revenue in accordance with the Securities Exchange Commission's Staff Accounting Bulletin No. 104 (SAB 104) "Revenue Recognition", which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of a customer arrangement exists; (ii) the price is fixed or determinable; (iii) collectibility is reasonable assured; and (iv) product delivery has occurred or services have been rendered. The Company recognizes revenue (included in discontinued operations) as products are shipped based on FOB shipping point terms when title passes to customers.

The Company earns revenues from six sources: 1) Video and computer technology products which are sold but not installed, 2) Voice, video and data communication products which are sold and installed, 3) Service revenues related to communication products which are sold and both installed and not installed 4) Multiband user charges to multiple dwelling units 5) MB USA user charges to timeshares, and 6) MDU earns revenue primarily through the activation of and residual fees on video programming services.

Revenues from video and computer technology products, which are sold but not installed, are recognized when delivered and the customer has accepted the terms and has the ability to fulfill the terms. Product returns and customer discounts are netted against revenues. This revenue has been included with discontinued operations.

Customers contract for both the purchase and installation of voice and data networking technology products and certain video technologies products on one sales agreement, as installation of the product is essential to the functionality of the product. Revenue is recognized when the products are delivered and installed and the customer has accepted the terms and has the ability to fulfill the terms. This revenue has been included with discontinued operations. Service revenues related to technology products including consulting, training and support are recognized when the services are provided. Service revenues accounted for less than 10% of total revenues for the three months ended March 31, 2006 and 2005. The Company, if the customer elects, enters into equipment maintenance agreements for products sold once the original manufacturer's warranty has expired. Revenues from all equipment maintenance agreements are recognized on a straight-line basis over the terms of each contract. Costs for services are expensed as incurred. This revenue has been included with discontinued operations.

Revenue generated from activation on video programming services is earned in the month of activation. According to the Company's agreement with DirecTV, in the event that a customer cancels within the first 12 months of service, DirecTV has the right to chargeback the Company for a portion of the activation fees received. In accordance with Securities Exchange Commission SAB 104, the Company has estimated the potential charge back of commissions received on activation fees during the past 12 months based on historical percentages of customer cancellations and has included that amount as a reduction of revenue. Residual income is earned as services are provided by DirecTV through its system operators. As a master system operator for DirecTV, the Company earns a fixed percentage based on net cash received by DirecTV for recurring monthly services and a variable amount depending on the number of activations in a given month. The Company's master system operator contract with DirecTV also permits the Company to earn revenues through its control of other system operators who are unable to provide DirecTV video programming services without the Company's performance.

The Company has determined that the accounting policies for income recognition described above were in accordance with the Financial Accounting Standards Board Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent". EITF No. 99-19 employs multi-factor tests to determine whether amounts charged to customers in respect of certain expenses incurred should be included in revenues or netted against such expenses.

The Company reports the aforementioned voice, data, and video revenues on a gross basis based on the following factors: the Company has the primary obligation in the arrangement with its customers; the Company controls the pricing of its services; the Company performs customer service for the agreements; the Company approves customers; and the Company assumes the risk of payment for services provided. The Company reports DirecTV revenue on a net basis.

Multiband, Rainbow, MDU and MB USA user charges are recognized as revenues in the period the related services are provided in accordance with SAB 104. Any amounts billed prior to services being provided are reported as deferred service obligations and revenues.

Warranty costs incurred on new product sales are substantially reimbursed by the equipment suppliers.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

Cash and Cash Equivalents

The Company includes as cash equivalents, investments with original maturities of three months or less when purchased, which are readily convertible into known amounts of cash. The Company deposits its cash in high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

Goodwill and Other Intangible Assets

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 is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. Goodwill related to continuing operations was $954,871 at both March 31, 2006 and December 31, 2005.

Components of intangible assets are as follows:

	March 31, 2006		December 31, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization				
Domain name	$ 83,750	$ 76,771	$ 83,750	$ 72,583
Right of entry contracts	9,139,778	2,724,579	9,129,028	2,300,664
Subscriber lists	10,151,809	3,662,558	10,151,809	3,261,483
Debt issuance costs	499,837	349,542	499,837	306,152
Total	$ 19,875,174	$ 6,813,450	$ 19,864,424	$ 5,940,882
Intangible assets not subject to amortization				
Goodwill	$ 954,871	$ -	$ 954,871	$ -

The Company amortizes a domain name over its estimated useful life of five years using the straight-line method. The Company amortizes the right of entry contracts and subscriber lists, over their estimated useful lives ranging from 24 to 120 months. Debt issuance costs are amortized over the life of the loan of approximately three years using the straight-line method, which approximates the interest method.

Amortization of intangible assets was $872,568 and $865,123 for the three months ended March 31, 2006 and 2005, respectively. Amortization of debt issuance costs of $43,390 and $65,312 for the three months ended March 31, 2006 and 2005, respectively, is included in interest expense. Estimated amortization expense of intangible assets for the years ending December 31, 2006, 2007, 2008, 2009, 2010 and 2011 is $3,471,792, $3,206,869, $3,023,563, $2,897,993, $1,106,176 and $54,266, respectively. The weighted average remaining life of the intangibles is 5.4 years with right of entry average life of 6.5 years and subscriber lists average life of 2.5 years.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123R *Accounting for Stock-Based Compensation* (SFAS 123R), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS 123R is being applied on the modified prospective transition method and therefore the Company has not restated results for prior periods. The financial statements for the three months ended March 31, 2006 recognize compensation cost for the portion of outstanding awards which have vested during the period. The Company recognizes stock-based compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. For the three months ended March 31, 2006, total stock-based compensation expense of $316,763 ($.01 per share) was included in selling, general and administrative expenses.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

The following table illustrates the effect on net loss and net loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to its stock-based employee compensation for the three months ended March 31, 2005.

	Three months ended March 31, 2005
Loss attributable to common stockholders	$ (3,514,292)
Pro forma loss attributable to common stockholders	(3,814,386)
Basic and diluted loss attributable to common stockholders:	
As reported	$ (.13)
Pro forma loss attributable to common stockholders	(.14)
Stock-based compensation:	
As reported	$ 0
Pro forma	300,094

In determining the compensation cost of the options granted during the three months ended March 31, 2006 and 2005, as specified by SFAS No. 123, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model and the weighted average assumptions used in these calculations are summarized as follows:

	Three months ended March 31, 2006	Three months ended March 31, 2005
Risk-free interest rate	4.50%	3.38%
Expected life of options granted	10 Years	10 Years
Expected volatility range	214%	203%
Expected dividend yield	0%	0%

The Company uses the Black-Scholes option-pricing model (Black-Scholes model) for the Company's pro forma information required under SFAS 123 and stock based compensation expense recognized under SFAS 123(R). The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of variables. These variables include, but are not limited to the Company's expected stock price volatility, and actual and projected stock option exercise behaviors and forfeitures.

Net Loss per Common Share

Basic net loss per common share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted net loss per common share is computed by dividing loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to common share equivalents (stock options, stock warrants, convertible preferred shares, and issued but not outstanding restricted stock) had been issued. All options, warrants, convertible preferred shares, and restricted stock outstanding during the three months ended March 31, 2006 and 2005 were excluded from the calculation as their effects were anti-dilutive.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. Management believes that the Company has two operating segments: 1) MCS, which acts as a principal in billing voice, data and cable revenues to subscribers; and 2) MDU, Inc. which collects net revenue from DirecTV.

Reclassifications

Certain accounts in the prior quarters' consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current quarter consolidated financial statements. These reclassifications had no effect on net loss or stockholders' equity.

NOTE 3 - Business Acquisitions

Effective April 1, 2005, the Company purchased certain video assets (equipment and video subscribers) from Ultravision, Inc. for $287,050 cash including a finder's fee of $12,050.

On August 26, 2005, the Company completed its acquisition of certain assets of Dinamo Entertainment, Inc. for $2,074,225, $652,500 of which was paid for in Company stock, valued at $1.50 per share (as negotiated between buyer and seller), $475,000 of which was paid for in cash, and the remaining balance of $600,000 as a note payable to the former owner payable in monthly payments of $14,091 including interest at 6% with a balloon payment of $317,933 due in November 2007. The note is collateralized by the sellers assets acquired as part of the purchase. The Company also assumed debt of $170,200 of which $75,000 in cash was paid at closing and 40,000 shares of Company stock were issued at fair market value of $50,000 to the debtor. The Company has assumed the lease payments for the remaining balance of $45,200. The Company assumed monthly payments on the remaining $45,200 balance outstanding related to ceased equipment. The Company has agreed to repurchase the 40,000 shares one year from closing if the fair market value in the 5 consecutive trading days immediately subsequent to the one year period falls below $1.25. In connection with the acquisition, the Company incurred a $176,525 finder's fee paid in cash at closing. The consideration paid was based on the Company's analysis of the value of the acquired video equipment and related video subscribers totaling about 3,000.

Allocation of Purchase Price:		**Dinamo**
Total Cash/Stock/Notes Payable Consideration	$	1,727,500
Add: Transaction Costs		176,525
Add: Liabilities assumed		170,200
Total Consideration		2,074,225
Less: Tangible assets		1,450,000
Less: Goodwill		150,000
Intangible assets	$	474,225

Effective September 30, 2005, the Company sold certain video subscriber assets located in Ohio, Oklahoma and Texas to Satellite Broadcasting Corporation (SBC). The Company sold 152 video subscribers for $167,000; $91,500 in cash and the balance in a three year note. Terms of this note include variable monthly payments at 7% with a balloon payment in October 2008. Effective the same date, the Company purchased approximately 550 video subscribers in Minnesota from SBC for a total purchase price of $420,125, paid as follows: $200,000 cash at closing; $105,000 in Company common stock valued at $1.50 per share (as negotiated by buyer and seller); and the assumption of a capital lease obligation. Terms of this capital lease obligation include monthly payments of $3,223 including interest at 7% through November 2008 and are collateralized by assets purchased. Included in the purchase price is $10,125 related to a finder's fee. The purchase price was allocated to the acquired assets based on the estimated fair values as of the acquisition date. The Company allocated the purchase price to intangibles of a right of entry contracts with a value of $315,125 and equipment of $105,000. The rights of entry contract will be amortized over its estimated useful life of 108 months.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

The unaudited pro forma results of operations for the three months ended March 31, 2005 as a result of the SBC, Ultravision, and Dinamo acquisitions of video subscribers and video equipment is not material to the historical financial statements.

NOTE 4 - Stockholder Equity

Stock warrants activity is as follows for the three months ended March 31, 2006:

	Number of Warrants		Weighted - Average Exercise Price
Outstanding, December 31, 2005	18,715,979	$	1.68
Granted	-		-
Exercised	-		-
Cancelled/Expired	(375,000)		(4.00)
Outstanding, March 31, 2006	18,340,979	$	1.63

No warrants were granted during the quarter ended March 31, 2006.