

MULTIBAND CORP

Form 10-K/A

April 20, 2006

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

**Amendment No. 1 to
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, 2005
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0 - 1325

MULTIBAND CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41 -1255001

(IRS Employer Identification No.)

9449 Science Center Drive, New Hope, Minnesota 55428

(Address of principal executive offices)

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

The Company's Internet Address: 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:

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Common Stock (no par value)

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, 2005, (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 \$26,465,349.

As of March 21, 2006, there were 32,101,399 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., URON, 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.

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
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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, California, 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

Cingular-Wireless, LLC (Cingular), 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.

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Market Description

We are currently marketing Multiband services to MDU properties primarily throughout Minnesota, North Dakota, Missouri, Florida, New York, California 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, 2006, MCS had 42,167 subscriptions for its services, (1,341 voice subscriptions, 36,673 video subscriptions and 4,153 internet subscriptions). At March 25, 2006, MDU had approximately 75,331 video subscriptions managed through its network of system operators.

Employees

As of March 25, 2006, Multiband employed three full-time management employees, eight accounting personnel, and eight information technology employees. As of that same date, MCS had 76 full-time employees, consisting of nine in sales and marketing, thirty-one in technical positions, thirty in customer service and related support, and six in management. MDU had two management 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.

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Net Losses

The Company had net losses of \$7,475,000 for the year ended December 31, 2005, \$9,783,962 for the year ended December 31, 2004, and \$4,365,004 for the year ended December 31, 2003. 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 (\$971,418) and (\$8,931,414), as of December 31, 2005 and December 31, 2004, respectively; primarily due to operating losses and acquisition related debt. Although both operating losses and acquisition related debts were reduced during 2005, 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. As of December 31, 2005, the Company had remaining recorded goodwill of \$954,871 primarily related to the purchase of Rainbow Satellite Group, LLC. and the purchase of certain assets of Dinamo Entertainment, Inc.

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.

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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.

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.

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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 2:

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 22,500 square feet. The Fargo base rent ranges from \$31,190 to \$31,985 per month. The New Hope office lease expires in 2013 and covers approximately 47,000 square feet. The New Hope base rent ranges from \$19,443 to \$25,166 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. However, as of December 31, 2005, 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.

Back to Table of Contents**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, 2005 and December 31, 2004 as provided by NASDAQ.

Quarter Ended	High Bid	Low Bid
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
March 31, 2004	1.68	1.04
June 30, 2004	2.70	1.30
September 30, 2004	1.45	.96
December 31, 2004	1.78	1.01

As of March 21, 2006, Multiband had 595 shareholders of record of its common stock and 32,101,399 shares of common stock outstanding. As of that date, seven shareholders held a total of 27,651 of Class A Preferred, two shareholders held 8,300 shares of Class B Preferred, five shareholders held a total of 124,960 shares of Class C Preferred, one shareholder held a total of 150,000 shares of Class F Preferred, 14 shareholders held a total of 45,245 shares of Class G Preferred, 6 shareholders held a total of 2 shares of Class H Preferred, and four shareholders held a total of 90,000 shares of Class I Preferred.

Recent Sales of Unregistered Securities

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.

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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.

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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 for his purchase of Multiband assets.

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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.

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, as and when declared by the Board, 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, \$166,666 redeemed as of December 31, 2005). 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. 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; and \$2.00 per share for Class H. Classes G and I have no redemption "call" price. Classes D and E have been completely redeemed and extinguished as of December 31, 2005). 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.

[Back to Table of Contents](#)**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, 2005, 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, 2002 and 2001 and the Balance Sheet data at December 31, 2003, 2002 and 2001 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.

Statement of Operations Data	2005	2004	2003	2002	2001
Revenues	\$16,515,426	\$11,067,834	\$1,441,118	\$577,221	\$265,996
Cost of products and services (exclusive of depreciation and amortization listed separately below)	\$7,849,597	\$5,943,395	\$884,536	\$418,093	\$226,432
Selling, general and administrative expenses	\$9,723,132	\$5,986,267	\$2,647,870	\$1,971,584	\$2,555,144
% of revenues	58.9%	54.1%	183.7%	341.6%	960.6%
Depreciation and amortization	\$4,780,436	\$3,432,779	\$1,065,650	\$1,193,306	\$1,165,610
Loss from Operations	\$(5,837,739)	\$(4,294,607)	\$(3,156,938)	\$(3,005,762)	\$(3,681,190)
Other expense net	\$(1,655,088)	\$(1,032,035)	\$(548,476)	\$(1,439,069)	\$(1,070,802)
Minority interest in subsidiary	\$0	\$0	\$33,366	\$0	\$0
Loss before income tax	\$(7,492,827)	\$(5,326,642)	\$(3,672,048)	\$(4,444,831)	\$(4,751,992)
Income tax provision	\$0	\$0	\$0	\$0	\$0
Loss from continuing operations	\$(7,492,827)	\$(5,326,642)	\$(3,672,048)	\$(4,444,831)	\$(4,751,992)
Discontinued operations	\$17,827	\$(4,457,320)	\$(692,956)	\$6,772	\$(573,560)
Net loss	\$(7,475,000)	\$(9,783,962)	\$(4,365,004)	\$(4,438,059)	\$(5,325,552)
Loss attributable to common stockholders	\$(10,827,229)	\$(10,374,417)	\$(4,613,693)	\$(4,591,637)	\$(5,758,221)
Loss from continuing operations	\$(.26)	\$(.23)	\$(.23)	\$(.38)	\$(.54)
Loss from discontinued operations	\$ -	\$(.19)	\$(.04)	\$ -	\$(.07)

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Loss attributable to commons stockholders	\$(.37)	\$(.45)	\$(.29)	\$(.39)	\$(.66)
Weighted average shares outstanding	29,097,923	23,307,594	16,112,231	11,735,095	8,762,814

Balance Sheet Data	2005	2004	2003	2002	2001
Working Capital (deficiency)	(\$971,418)	(\$8,931,414)	\$1,118,792	(\$252,870)	\$426,549
Total Assets	\$26,271,405	\$26,633,712	\$13,902,885	\$10,347,316	\$12,209,681
Long-Term Debt, net	\$3,816,536	\$3,498,657	\$2,262,891	\$3,273,350	\$3,311,870
Stockholders' Equity	\$14,968,295	\$8,549,431	\$5,807,711	\$2,642,285	\$4,184,001

Back to Table of Contents*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, 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.

Revenues	2005	2004
Multiband	0.00%	0.00%
MCS	48.10%	47.23%
MDU	51.90%	52.77%
Total Revenues	100.00%	100.00%
Cost of Products and Services (exclusive of depreciation and amortization)		
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%
Selling, General and Administrative Expenses	58.87%	54.09%
Loss from Continuing Operations	(45.37%)	(48.12%)
Income (Loss) from Discontinued Operations	.11%	(40.27%)
Net Loss	(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.

Costs of Products and Services:

Total costs of products and services were \$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 Expense:

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, marketing 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 hopes these expenses will decline as a percentage of revenues throughout 2006 as the aforementioned integration expenses should be mitigated.

Back to Table of Contents*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 for 2004 totaled \$9,783,962, inclusive of the loss from discontinued operations which was \$4,457,320.

Years Ended December 31, 2004 and December 31, 2003

This discussion does not include the results of discontinued operations.

Results of Operations

The following table sets forth certain items.

Revenues	2004	2003
Multiband	0.00%	0.00%
MCS	47.23%	100.00%
MDU	52.77%	-%
Total Revenues	100.00%	100.00%
Cost of Products and Services (exclusive of depreciation and amortization)		
Multiband	0.00%	0.00%
MCS	24.68%	61.38%
MDU	29.02%	-%
Total Cost of Products and Services (exclusive of depreciation and amortization)	53.70%	61.38%
Selling, General and Administrative Expenses	54.09%	183.73%
Loss from Continuing Operations	(48.12%)	(254.81%)
Loss from Discontinued Operations	(40.27%)	(48.08%)
Net Loss	(88.40%)	(302.89%)

Revenues

Total revenues from continuing operations increased 668.0% from \$1,441,118 in 2003 to \$11,067,834 in 2004. Revenue from the MCS segment increased to \$5,227,696 in 2004 from \$1,441,118 in 2003. The MDU segment had revenues of \$5,840,138 in 2004 and \$0 in 2003. This significant increase in revenues is primarily due to the Company's acquisition of subscriber related assets in 2004 which produced a material increase in consumer recurring revenues. These acquisitions led primarily to the Company in 2004 growing from approximately 6,800 subscribers to approximately 30,000 subscribers. The Company's revenues are expected to increase in 2005, even without further acquisitions, as the Company will experience a full year's worth of revenues from these acquisitions made in 2004.

Cost of Products and Services

The cost of products and services was \$5,943,395 in 2004 compared to \$884,536 in 2003. MCS segment cost of products and services were \$2,731,585 in 2004 and \$884,536 in 2003. MDU segment costs of products and services were \$3,211,810 in 2004 and \$0 in 2003. The significant increase in costs of products and services resulted from the revenue generated from acquisition of subscriber related assets. 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.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses from continuing operations increased 126.1% to \$5,986,267 in 2004, compared to \$2,647,870 in 2003. 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, 54.09 % for 2004 and 183.73% for 2003. The Company expects these expenses to decline as a percentage of revenues throughout 2005 as the aforementioned integration expenses should be mitigated.

Interest Expense

Interest expense was \$1,055,488 for 2004 versus \$488,156 for 2003, reflecting an increase in debt related to acquisitions.

Net Loss

The Company, in 2004, showed a net loss of \$9,783,962, inclusive of the loss from discontinued operations, which totaled \$4,457,320. The Company's net loss in 2003 totaled \$4,365,004 which included a discontinued operations loss of \$692,956. 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).

Back to Table of Contents***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, 2005. 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,	Sept. 30,	Jun. 30,	Mar. 31,	Dec. 31,	Sept. 30,	Jun. 30,	Mar. 31,
	2005	2005	2005	2005	2004	2004	2004	2004
Revenues:								
Multiband								
MCS	1,817,584	2,166,218	2,081,147	1,878,317	1,631,643	1,795,967	1,037,431	762,655
MDU	2,549,700	2,091,442	2,102,459	1,828,559	1,843,933	2,122,375	1,873,830	
Total Revenues	4,367,284	4,257,660	4,183,606	3,706,876	3,475,576	3,918,342	2,911,261	762,655
Costs of products & services (exclusive of depreciation and amortization shown separately below)	1,963,215	2,303,357	1,703,517	1,879,508	1,889,980	1,952,631	1,712,280	410,962
SG&A expense	2,745,235	2,453,410	2,377,575	2,146,912	2,148,570	1,845,547	1,137,780	828,153
Depreciation & amortization	1,157,514	1,255,188	1,218,867	1,148,867	881,826	1,048,031	1,150,677	352,245
Operating loss	(1,498,680)	(1,754,295)	(1,116,353)	(1,468,411)	(1,444,800)	(927,867)	(1,089,476)	(828,705)
Interest expense	(288,196)	(536,000)	(373,013)	(685,701)	(382,854)	(254,314)	(188,986)	(229,334)
Other income (expenses)	67,793	77,737	70,120	12,172	13,403	(15,423)	6,851	14,863
Minority expense								

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Net loss before tax	(1,719,083)	(2,212,558)	(1,419,246)	(2,141,940)	(1,814,251)	(1,197,604)	(1,271,611)	(1,043,176)
Income tax (benefit) provision								
Loss from continuing operations	(1,719,083)	(2,212,558)	(1,419,246)	(2,141,940)	(1,814,251)	(1,197,604)	(1,271,611)	(1,043,176)
Discontinued operations	87,954	248,249	122,892	(441,268)	(3,149,780)	(653,989)	(179,863)	(473,688)
Net loss	(1,631,129)	(1,964,309)	(1,296,354)	(2,583,208)	(4,964,031)	(1,851,593)	(1,451,474)	(1,516,864)
Loss attributable to commons stockholders	(2,018,460)	(3,328,489)	(1,965,988)	(3,514,292)	(5,012,847)	(1,935,306)	(1,846,747)	(1,579,517)
Loss from continuing operations	\$(.05)	\$(.08)	\$(.05)	\$(.08)	\$(.07)	\$(.05)	\$(.06)	\$(.05)
Loss from discontinued operations	\$(.00)	\$.01	\$(.00)	\$(.01)	\$(.12)	\$(.02)	\$(.00)	\$(.03)
Net loss	\$(.05)	\$(.07)	\$(.05)	\$(.09)	\$(.19)	\$(.07)	\$(.06)	\$(.08)
Loss attributable to commons stockholders	\$(.06)	\$(.11)	\$(.07)	\$(.13)	\$(.20)	\$(.08)	\$(.08)	\$(.08)
Weighted average shares outstanding	31,142,424	29,352,257	29,634,502	27,216,574	25,683,336	25,480,077	22,689,301	19,280,632

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Liquidity and Capital Resources

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.

Year Ended December 31, 2004

Available working capital for 2004 decreased to \$8,931,414 primarily due to acquisition related debt load. Accounts receivable increased by \$1,160,198 in 2004 due to a significant increase in consumer revenues. Current liabilities increased in 2004 \$8,298,728 due primarily to higher accounts payable and accrued liabilities directly related to the

increase in consumer revenues. In addition, current maturities of long-term debt increased \$525,714 and short-term debt increased \$4,481,099 as of December 31, 2004 versus December 31, 2003, due to the short-term debt issued related to the 2004 acquisitions. Inventories decreased by \$135,024 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 increased by \$2,422,157 during the year ended December 31, 2004. Multiband paid out \$74,902 related to capital lease obligations and \$345,578 related to long term debt during the year ended December 31, 2004 versus \$276,069 paid out in 2003.

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The Company used \$748,704 for capital expenditures during 2004, as compared to \$526,936 in 2003. This increase was related to additional purchases required as a result of the business acquisitions made during 2004. Capital expenditures in 2005 are expected to be consistent with those in 2004.

In November 2004, the Company borrowed \$2,166,667 from a group of accredited institutional investors. The notes are convertible into shares of common stock at \$1.00 per share. The notes accrue interest at the rate of 6% per annum, which interest is payable semi-annual in cash or common stock at the Company's election.

Net cash used by operations in 2004 was \$2,289,645 as compared to cash used by operations in 2003 of \$2,580,248. This reduction reflects improved performance from operations, exclusive of non cash expenses. During the years ended December 31, 2004 and December 31, 2003, the Company incurred significant net losses. Although the majority of those losses were due to non-cash expenses, the Company in 2004 still continued to incur cash losses as well due to general corporate expense. However, those cash losses decreased significantly in 2004 versus 2003 by the on-going additions of MCS properties in the Company's portfolio which provided improved cash flows.

Critical Accounting Policies

Impairment of Long-Lived Assets

The Company's long-lived assets include property, equipment and leasehold improvement. At December 31, 2005, the Company had net property and equipment of \$5,247,240, which represents approximately 20% 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, 2004 and 2003, the Company did not record any impairment.

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 \$954,871, as of December 31, 2005, may be impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. 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. During the years ended December 31, 2005 and 2003, the Company did not record any impairment losses related to goodwill.

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.

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 36 to 120 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, 2005, the Company had net intangibles of \$13,923,542 which represented approximately 53% of the Company's total assets. In 2005, 2004 and 2003, the Company did not record an impairment related to the intangible assets.

Back to Table of Contents***Recent Accounting Pronouncements***

In December 2004, Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment", that focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." Beginning with the quarterly period that begins January 1, 2006, the Company will be required to expense the fair value of employee stock options and similar awards. As a public company, the Company is allowed to select from two alternative transition methods, each having different reporting implications. The impact of SFAS No. 123R for the year ending December 31, 2006 is estimated to be approximately \$675,000 based on the value of the options outstanding as of December 31, 2005 that will vest during the year ending December 31, 2006. This estimate does not include any expenses for options that may be granted and vested during 2006.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections", a replacement of APB Opinion No. 20 and FASB Statement No. 3. The statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application to prior period's financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of this statement. The Company does not expect the adoption of SFAS No. 154 to have a material effect on its consolidated financial statements.

Disclosures about Contractual Obligations and Commercial Commitments

The following summarizes our contractual obligations at December 31, 2005, and the effect these contractual obligations including interest payments are expected to have on our liquidity and cash flows in future periods (in thousands):

	Total	1 Year or Less	2-3 Years	Over 3 Years
Operating Lease	\$6,805,000	\$614,000	\$1,446,000	\$4,745,000
Capital Leases	705,139	220,487	462,386	22,266
Long-Term Debt	6,542,228	1,484,459	2,071,280	2,986,489
Note Payable Stockholder	32,837	32,837		
Totals	\$14,085,204	\$2,351,783	\$3,979,666	\$7,753,755

Forward Looking Statements

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, and similar matters. The

Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements including those made in this document. In order to comply with the terms of the Private Securities Litigation Reform Act, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, developments and results of the Company's business include the following: national and regional economic conditions; pending and future legislation affecting the IT and telecommunications industry; stability of foreign governments; market acceptance of the Company's products and services; the Company's continued ability to provide integrated communication solutions for customers in a dynamic industry; the Company's ability to raise additional financing and other competitive factors. Because these and other factors could affect the Company's operating results, past financial performance should not necessarily be considered as a reliable indicator of future performance, and investors should not use historical trends to anticipate future period results.

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Quantitative and Qualitative Disclosure About Market Risk

Multiband is not subject to any material interest rate risk as any current lending agreements are at a fixed rate of interest except for the notes payable to Laurus Master Fund, Ltd., which is three percent over the prime interest rate and the Convergent Capital note of \$2,500,000, which varies from 11% to 14%, dependent on the Company's common stock price. Multiband also has variable rate % of Class I Convertible Preferred Stock which bears dividends based on a basis of prime.

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Item 8.

Consolidated Financial Statements and Supplementary Data

MULTIBAND CORPORATION AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Stockholders, Board of Directors, and Audit Committee
Multiband Corporation and subsidiaries

We have audited the accompanying consolidated balance sheets of Multiband Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Multiband Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ VIRCHOW, KRAUSE & COMPANY, LLP

Minneapolis, Minnesota
March 8, 2006

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

ASSETS

	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,100,427	\$ 726,553
Certificate of deposit	—	650,000
Accounts receivable, net	2,367,864	2,783,774
Inventories	241,015	231,993
Current assets of discontinued operations	—	634,307
Prepaid expenses and other	216,885	146,334
Current portion of notes receivable	11,316	—
Total Current Assets	5,937,507	5,172,961
PROPERTY AND EQUIPMENT, NET	5,247,240	4,372,474
OTHER ASSETS		
Goodwill	954,871	812,366
Intangible assets, net	13,923,542	16,081,635
Other assets of discontinued operations	—	47,975
Notes receivable - long-term, net	61,341	—
Other assets	146,904	146,301
Total Other Assets	15,086,658	17,088,277
TOTAL ASSETS	\$ 26,271,405	\$ 26,633,712

See accompanying notes to the consolidated financial statements

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

	2005	2004
CURRENT LIABILITIES		
Checks issued in excess of cash in bank	\$ 93,005	\$ 234,348
Mandatory redeemable preferred stock, 33,334 and 50,000 Class F preferred shares	333,334	500,000
Short-term debt	—	3,981,099
Wholesale line of credit	—	926,201
Current portion of long-term debt	616,260	1,524,527
Current portion of note payable - stockholder	32,837	84,801
Current portion of capital lease obligations	179,932	201,530
Accounts payable	1,761,249	2,561,611
Accrued liabilities	2,741,054	3,030,024
Contingent liability	—	222,700
Customer deposits	64,161	59,875
Current liabilities of discontinued operations	500,000	370,921
Deferred service obligations and revenue	587,093	406,738
Total Current Liabilities	6,908,925	14,104,375
LONG-TERM LIABILITIES		
Long-term debt, net	3,816,536	3,498,657
Capital lease obligations, net of current portion	452,649	481,249
Long-term liabilities of discontinued operations	125,000	—
Total Liabilities	11,303,110	18,084,281
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A (27,931 and 27,931 shares issued and outstanding, \$293,276 and \$293,276 liquidation preference)	419,752	419,752
10% Class B (8,390 and 8,700 shares issued and outstanding, \$88,095 and \$91,350 liquidation preference)	58,900	62,000
10% Class C (125,050 and 125,400 shares issued and outstanding, \$1,250,500 and \$1,254,000 liquidation preference)	1,607,605	1,611,105
10% Class F (150,000 and 150,000 shares issued 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 11.5 shares issued and outstanding, \$200,000 and \$1,150,000 liquidation preference)	—	—
Variable rate % Class I (90,000 and 0 shares issued and outstanding, \$9,000,000 and \$0 liquidation preference)	—	—
Common stock, no par value (32,134,558 and 25,784,490 shares issued; 32,134,558 and 25,781,818 shares outstanding)	22,801,405	16,888,291
Stock subscriptions receivable	(297,105)	(391,264)
Options and warrants	44,259,540	32,985,983

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Unamortized compensation	(29,861)	(1,724)
Accumulated deficit	(55,531,838)	(44,704,609)
Total Stockholders' Equity	14,968,295	8,549,431
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 26,271,405	\$ 26,633,712

See accompanying notes to the consolidated financial statements

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	2005	2004	2003
REVENUES	\$ 16,515,426	\$ 11,067,834	\$ 1,441,118
COSTS AND EXPENSES			
Cost of products and services (exclusive of depreciation and amortization shown separately below)	7,849,597	5,943,395	884,536
Selling, general and administrative	9,723,132	5,986,267	2,647,870
Depreciation and amortization	4,780,436	3,432,779	1,065,650
Total costs and expenses	22,353,165	15,362,441	4,598,056
LOSS FROM OPERATIONS	(5,837,739)	(4,294,607)	(3,156,938)
OTHER INCOME (EXPENSE)			
Interest expense	(1,882,910)	(1,055,488)	(488,156)
Interest income	126,158	8,805	10,406
Other income	101,664	14,648	(70,726)
Total Other Expense	(1,655,088)	(1,032,035)	(548,476)
LOSS BEFORE MINORITY INTEREST IN SUBSIDIARY	(7,492,827)	(5,326,642)	(3,705,414)
Minority interest in subsidiary	—	—	33,366
LOSS FROM CONTINUING OPERATIONS	(7,492,827)	(5,326,642)	(3,672,048)
GAIN (LOSS) FROM DISCONTINUED OPERATIONS	17,827	(4,457,320)	(692,956)
NET LOSS	(7,475,000)	(9,783,962)	(4,365,004)
Preferred stock dividends	3,352,229	590,455	248,689
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (10,827,229)	\$ (10,374,417)	\$ (4,613,693)
BASIC AND DILUTED LOSS PER COMMON SHARE:			
LOSS FROM CONTINUING OPERATIONS	\$ (.26)	\$ (.23)	\$ (.23)
GAIN (LOSS) LOSS FROM DISCONTINUED OPERATIONS	\$ —	\$ (.19)	\$ (.04)
NET LOSS	\$ (.26)	\$ (.42)	\$ (.27)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (.37)	\$ (.45)	\$ (.29)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	29,097,923	23,307,594	16,112,231

See accompanying notes to the consolidated financial statements

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	8% Class A		10% Class B		10% Class C		15% Class E	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
BALANCES,								
December 31, 2002	27,831	\$ 418,252	6,200	\$ 62,000	131,510	\$ 1,699,407	70,000	\$ 395,778
Stock issued:								
Cash	100	1,000	2,500	25,000	—	—	—	—
Exercise of warrants	—	—	—	—	—	—	—	—
Cashless exercise of warrants	—	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—	—
Reduction of stock subscriptions receivable for fees related to equity transactions	—	—	—	—	—	—	—	—
Acquisition of assets	—	—	—	—	—	—	7,650	76,500
Conversion of accounts payable	—	—	—	—	7,200	72,000	—	—
Conversion of notes payable	—	—	—	—	—	—	—	—
Conversion of accrued interest	—	—	—	—	—	—	—	—
Conversion of preferred stock	—	—	—	—	(4,000)	(40,000)	—	—
Conversion of dividends payable	—	—	—	—	—	—	—	—
Redemption of preferred stock	—	—	—	—	(9,310)	(93,100)	—	—
Intrinsic value of convertible feature	—	500	—	—	—	(27,202)	—	—
Discount on preferred stock related to warrants issued	—	—	—	(25,000)	—	—	—	(33,314)
Stock subscriptions receivable:								
Cash payments	—	—	—	—	—	—	—	—
Increase reserve	—	—	—	—	—	—	—	—
Interest collected	—	—	—	—	—	—	—	—
Warrants issued:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock	—	—	—	—	—	—	—	—
Debt	—	—	—	—	—	—	—	—
Services rendered	—	—	—	—	—	—	—	—

Deferred
 compensation expense
 related to stock options
 issued below fair
 market value

Deferred compensation expense	—	—	—	—	—	—	—	—
Restricted stock:								
Forfeited	—	—	—	—	—	—	—	—
Amortization expense	—	—	—	—	—	—	—	—
Embedded value with Laurus warrants	—	—	—	—	—	—	—	—
Preferred stock dividends	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
BALANCES, December 31, 2003	27,931	\$ 419,752	8,700	\$ 62,000	125,400	\$ 1,611,105	77,650	\$ 438,964

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	8% Class A		10% Class B		10% Class C		15% Class E	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Stock issued:								
Cash	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Exercise of warrants	—	—	—	—	—	—	—	—
Cashless exercise of warrants	—	—	—	—	—	—	—	—
Reduction of stock subscriptions receivable for fees related to equity transactions	—	—	—	—	—	—	—	—
Acquisition of assets - remaining 50% ownership of MBUSA	—	—	—	—	—	—	—	—
Acquisition of assets - URON, Inc.	—	—	—	—	—	—	—	—
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	—	—	—	—	—	—	—	—
Acquisition of assets - Minnesota Digital Universe, Inc.	—	—	—	—	—	—	—	—
Acquisition of assets - Rainbow Satellite Group, LLC.	—	—	—	—	—	—	—	—
Acquisition of assets - 21 st Century Satellite Communications	—	—	—	—	—	—	—	—
Property and equipment	—	—	—	—	—	—	—	—
Conversion of notes payable	—	—	—	—	—	—	—	—
Conversion of accrued interest	—	—	—	—	—	—	—	—
Conversion of preferred stock	—	—	—	—	—	—	—	(77,650) (438,964)
Conversion of dividends payable	—	—	—	—	—	—	—	—
In lieu of cash for services	—	—	—	—	—	—	—	—
In lieu of cash for other current assets	—	—	—	—	—	—	—	—
Stock repurchase	—	—	—	—	—	—	—	—
Conversion of preferred stock into mandatory redeemable preferred stock	—	—	—	—	—	—	—	—
Intrinsic value of convertible feature	—	—	—	—	—	—	—	—

Discount on preferred stock related to warrants issued	—	—	—	—	—	—	—	—
Stock subscriptions receivable:								
Cash payments	—	—	—	—	—	—	—	—
Interest collected	—	—	—	—	—	—	—	—
Warrants issued for debt modification	—	—	—	—	—	—	—	—
Deferred compensation expense related to stock options issued below fair market value	—	—	—	—	—	—	—	—
Deferred compensation expense	—	—	—	—	—	—	—	—
Restricted stock:								
Forfeited	—	—	—	—	—	—	—	—
Amortization expense	—	—	—	—	—	—	—	—
Preferred stock dividends	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
BALANCES,								
December 31, 2004	27,931	\$ 419,752	8,700	\$ 62,000	125,400	\$ 1,611,105	—\$	—

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	8% Class A		10% Class B		10% Class C		15% Class E	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Stock issued:								
Cash	—	\$	—	\$	—	\$	—	\$
Exercise of warrants	—		—		—		—	
Cashless exercise of warrants	—		—		—		—	
Exercise of options	—		—		—		—	
Reduction of stock subscriptions receivable for fees related to equity transactions	—		—		—		—	
Acquisition of assets - Dinamo Entertainment, LLC.	—		—		—		—	
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	—		—		—		—	
Conversion of notes payable	—		—		—		—	
Conversion of accrued interest	—		—		—		—	
Conversion of preferred stock	—		—		—		—	
Conversion of dividends payable	—		—		—		—	
In lieu of cash for services	—		—		—		—	
In lieu of cash for other current assets	—		—		—		—	
In lieu of cash for deferred financing costs	—		—		—		—	
Redemption of preferred stock	—		(310)	(3,100)	(350)	(3,500)	—	—
Discount on preferred stock related to warrants issued	—		—		—		—	
Stock subscriptions receivable:								
Cash payments	—		—		—		—	
Interest collected	—		—		—		—	
Increase in reserve	—		—		—		—	
Warrants issued for services	—		—		—		—	
Warrants issued in connection with deferred compensation	—		—		—		—	
Restricted stock forfeited	—		—		—		—	
Preferred stock dividends	—		—		—		—	
Net loss	—		—		—		—	

BALANCES, December 31, 2005	27,931	\$ 419,752	8,390	\$ 58,900	125,050	\$ 1,607,605	—\$	—
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See accompanying notes to the consolidated financial statements

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MULTIBAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	10% Class F		8% Class G		6% Class H		% Class I	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
BALANCES, December 31, 2002	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Stock issued:								
Cash	—	—	—	—	—	—	—	—
Exercise of warrants	—	—	—	—	—	—	—	—
Cashless exercise of warrants	—	—	—	—	—	—	—	—