MULTIBAND CORP
Form 10-Q
August 14, 2006

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

FORM 10-Q

(Mark One)	
x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE PERIOD ENDING JUNE 30, 2006

OR

o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______TO ______

COMMISSION FILE NUMBER 0 - 1325

MULTIBAND CORPORATION
(Exact name of registrant as specified in its charter)

MINNESOTA
(State or other jurisdiction of incorporation or organization)

41 - 1255001
(IRS Employer Identification No.)

9449 Science Center Drive, New Hope, Minnesota 55428
(Address of principal executive offices)

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

Internet: www.multibandusa.com

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant 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 August 7, 2006 there were 34,397,873 shares outstanding of the registrant's common stock, no par value, and 420,198 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		Six Months Ended	
	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)
REVENUES	$ 4,501,737	$ 4,183,606	$ 8,905,781	$ 7,890,482
COSTS AND EXPENSES				
Cost of products and services (exclusive of depreciation and amortization shown separately below)	1,937,898	1,703,517	3,994,425	3,583,025
Selling, general and administrative	2,909,038	2,377,575	5,881,261	4,524,487
Depreciation and amortization	1,308,614	1,218,867	2,611,070	2,367,734
Total Costs and Expenses	6,155,550	5,299,959	12,486,756	10,475,246
LOSS FROM OPERATIONS	(1,653,813)	(1,116,353)	(3,580,975)	(2,584,764)
OTHER EXPENSE				
Interest expense	(325,523)	(373,013)	(630,204)	(1,058,714)
Other income	35,949	70,120	77,386	82,292
Total Other Expense	(289,574)	(302,893)	(552,818)	(976,422)
LOSS FROM CONTINUING OPERATIONS	(1,943,387)	(1,419,246)	(4,133,793)	(3,561,186)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	122,892	2,200	(318,376)
NET LOSS	(1,943,387)	(1,296,354)	(4,131,593)	(3,879,562)
Preferred Stock Dividends	2,522,342	669,634	2,785,448	1,600,718
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (4,465,729)	$ (1,965,988)	$ (6,917,041)	$ (5,480,280)
BASIC AND DILUTED - LOSS PER COMMON SHARE				
Loss from continuing operations	(.06)	(.05)	(.13)	(.13)
Income (loss) from discontinued operations	.00	.00	.00	(.01)
Net Loss	(.06)	(.05)	(.13)	(.14)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(.13)	(.07)	(.21)	(.20)

WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	33,515,351	28,634,502	32,839,367	27,929,454

See notes to condensed consolidated financial statements

3

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2006 (unaudited)	December 31, 2005 (audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 1,443,584	$ 3,100,427
Accounts receivable, net	2,047,929	2,367,864
Inventories	222,279	241,015
Prepaid expenses and other	175,092	216,885
Current portion of notes receivable	6,000	11,316
Total Current Assets	3,894,884	5,937,507
PROPERTY AND EQUIPMENT, NET	5,159,762	5,247,240
OTHER ASSETS		
Goodwill	954,871	954,871
Intangible assets, net	12,247,710	13,923,542
Notes receivable - long-term, net	65,324	61,341
Other assets	110,916	146,904
Total Other Assets	13,378,821	15,086,658
TOTAL ASSETS	$ 22,433,467	$ 26,271,405

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2006 (unaudited)	December 31, 2005 (audited)
CURRENT LIABILITIES		
Checks issued in excess of cash in bank	$ 281,854	$ 93,005
Current portion of long-term debt	463,530	616,260
Current portion of note payable - stockholder	30,000	32,837
Current portion of capital lease obligations	224,755	179,932
Accounts payable	1,973,881	1,761,249
Accrued liabilities	2,399,437	2,741,054
Customer deposits	62,011	64,161
Current liabilities of discontinued operations	375,000	500,000
Deferred service obligations and revenue	635,346	587,093
Mandatory redeemable preferred stock, 28,000 and 33,334 Class F preferred shares	280,000	333,334
Total Current Liabilities	6,725,814	6,908,925
LONG-TERM LIABILITIES		
Long-term debt, net	3,556,047	3,816,536
Capital lease obligations, net of current portion	591,204	452,649
Long-term liabilities of discontinued operations	—	125,000
Total Liabilities	10,873,065	11,303,110
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A (27,151 and 27,931 shares issued and outstanding, $285,086 and $293,276 liquidation preference)	411,952	419,752
10% Class B (8,070 and 8,390 shares issued and outstanding, $84,735 and $88,095 liquidation preference)	55,700	58,900
	1,604,405	1,607,605

10% Class C (124,730 and 125,050 shares issued and outstanding, $1,247,300 and $1,250,500 liquidation preference)				
10% Class F (150,000 shares issued and outstanding, $1,500,000 liquidation preference)		1,500,000		1,500,000
8% Class G (45,245 shares issued and outstanding, $452,450 liquidation preference)		179,897		179,897
6% Class H (2.0 shares issued and outstanding, $200,000 liquidation preference)		—		—
Variable rate % Class I (65,000 and 90,000 shares issued and outstanding, $6,500,000 and $9,000,000 liquidation preference)		—		—
Common stock, no par value (34,306,865 and 32,134,558 shares issued and outstanding)		25,782,328		22,801,405
Stock subscriptions receivable		(270,288)		(297,105)
Options and warrants		44,745,287		44,259,540
Unamortized compensation		—		(29,861)
Accumulated deficit		(62,448,879)		(55,531,838)
Total Stockholders' Equity		11,560,402		14,968,295
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	22,433,467	$	26,271,405

See notes to condensed consolidated financial statements

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

	SIX MONTHS ENDED JUNE 30,	
	2006 (unaudited)	**2005** (unaudited)
OPERATING ACTIVITIES		
Net loss	$ (4,131,593)	$ (3,879,562)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation and amortization	2,709,244	2,521,933
Amortization of deferred compensation	29,480	50,930
Amortization of original issue discount	246,818	667,350
Gain on sale of business segment	—	(103,491)
Warrants issued for services	607	—
Common stock issued for services	1,156	20,580
Loss on sale of property and equipment	2,859	—
Change in allowance for doubtful accounts receivable	(173,200)	—
Change in reserve for stock subscriptions and interest receivable	21,434	—
Stock based compensation expense	485,521	—
Changes in operating assets and liabilities:		
Accounts receivable	493,135	908,785
Inventories	18,736	(371,461)
Prepaid expenses and other	40,929	13,735
Other assets	35,988	—
Wholesale line of credit	—	(1,000,987)
Accounts payable and accrued liabilities	(143,701)	(1,612,842)
Deferred service obligations and revenue	48,253	65,092
Liabilities of discontinued operations	(250,000)	(125,000)
Customer deposits	(2,150)	2,439
Net cash flows from operating activities	(566,484)	(2,842,499)
INVESTING ACTIVITIES		
Purchases of property and equipment	(580,049)	(415,065)
Purchases of intangible assets	(10,750)	(209,225)
Purchase of Ultravision	—	(287,050)
Proceeds from sale of business segment	—	1,682,184
Collections on notes receivable	1,859	—
Net cash flows from investing activities	(588,940)	770,844
FINANCING ACTIVITIES		
Checks issued in excess of cash in bank	188,849	(37,773)
Payments on short-term debt	-	(3,971,099)
Payments on long-term debt	(460,037)	(2,248,204)
Payments on capital lease obligations	(75,742)	(44,836)
Payments on note payable to stockholder	(2,837)	(51,964)
Payments on mandatory redeemable preferred stock	(53,334)	—
Payments for debt issuance costs	—	(25,000)
Proceeds from issuance of stock and warrants	—	11,090,843

Proceeds from issuance of long-term debt		—		2,000,000
Exercise of warrants		—		6,960
Payments received on stock subscriptions receivable		5,721		66,399
Redemption of preferred stock		(14,200)		(2,000)
Preferred stock dividends		(107,839)		(31,224)
Exercise of stock options		18,000		—
Net cash flows from financing activities		(501,419)		6,752,102
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,656,843)		4,680,447
CASH AND CASH EQUIVALENTS				
Beginning of period		3,100,427		726,553
End of period	$	1,443,584	$	5,407,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest, net of amortization of original issue discount	$	258,754	$	417,870
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FIN ANCING ACTIVITIES				
Note receivable recorded on sale of discontinued operations		—		339,051
Conversion of preferred stock into common stock		2,370,000		850,001
Current liabilities converted to stock		28,653		46,603
Conversion of notes payable into common stock		200,000		648,001
Conversion of accrued dividends into common stock		363,114		176,935
Common stock issued in lieu of cash for other current assets		—		218,000
Issuance of common stock for deferred financing costs		—		36,000
Capital lease obligations related to property and equipment		259,120		—

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 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 six months ended June 30, 2006 and 2005, the Company incurred net losses of $4,131,593 and $3,879,562, respectively. At June 30, 2006, the Company had an accumulated deficit of $62,448,879. 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. 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 9.)

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 (CTU) 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 9).

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.

Customer's 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 and six months ended June 30, 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 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.

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.

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.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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

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

The Company periodically evaluates 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 June 30, 2006 and December 31, 2005.

Components of intangible assets are as follows:

	June 30, 2006		December 31, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization				
Domain name	$ 83,750	$ 80,958	$ 83,750	$ 72,583
Right of entry contracts	9,205,678	3,144,443	9,129,028	2,300,664
Subscriber lists	10,151,809	4,063,637	10,151,809	3,261,483
Debt issuance costs	499,837	404,326	499,837	306,152
Total	$ 19,941,074	$ 7,693,364	$ 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 $879,914 and $849,730 for the three months ended June 30, 2006 and 2005, respectively. For the six months ended June 30, 2006 and 2005, amortization of intangible assets was $1,752,482 and $1,714,854, respectively. Amortization of debt issuance costs of $98,174 and $98,011 for the six months ended June 30, 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 $3,477,331, $3,206,794, $3,029,078, $2,903,508, $1,111,691 and $59,835, respectively. The weighted average remaining life of the intangibles is 6.8 years with right of entry average life of 8.5 years and subscriber lists average life of 2.3 years.

8

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 six months ended June 30, 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 and six months ended June 30, 2006, total stock-based compensation expense of $168,758 ($.01 per share) and $485,521 ($.01 per share) was included in selling, general and administrative expenses. The Company is estimating $350,000 of additional stock-based compensation expense for the remainder of 2006 related to SFAS 123R.

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 and six months ended June 30, 2005.

	Three months ended June 30, 2005	Six months ended June 30, 2005
Loss attributable to common stockholders	$ (1,965,988)	$ (5,480,280)
Pro forma loss attributable to common stockholders	(2,050,813)	(5,865,199)
Basic and diluted loss attributable to common stockholders:		
As reported	(.07)	(.20)
Pro forma loss attributable to common shares	(.07)	(.21)
Stock-based compensation:		
As reported	0	0
Pro forma	84,825	384,919

In determining the compensation cost of the options granted during the six months ended June 30, 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 June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Risk-free interest rate	4.88%	3.75%	4.69%	3.57%
Expected life of options granted	10 years	10 years	10 years	10 years
Expected volatility range	215%	208%	215%	211%
Expected dividend yield	0%	0%	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 123R. 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.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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 and six months ended June 30, 2006 and 2005 were anti-dilutive due to the Company's net losses.

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.

Recent Accounting Pronouncement

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

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

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.

10

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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 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.

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 live of 108 months.

The unaudited pro forma results of operations for the six months ended June 30, 2006 and 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 - Lease Financing

In June 2006, the Company entered into a lease financing arrangement with B&L Financial, Inc. The Company signed a five year lease for equipment with a cost of $259,120, payable in 60 monthly payments of $5,501 including interest at 10.4%. The lease is collateralized by the income stream from the installation of communications equipment at specific property locations.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 5 - Stockholder Equity

Stock warrants activity is as follows for the six months ended June 30, 2006:

.	Number of Warrants		Weighted – Average Exercise Price
Outstanding, December 31, 2005	18,715,979	$	1.68
Granted	670		2.20
Exercised	—		—
Cancelled	(472,338)		(3.51)
Outstanding, June 30, 2006	18,244,311	$	1.63

The Company granted 670 warrants in lieu of cash for services during the three months ended June 30, 2006 valued at $607 using the Black Scholes pricing model.

NOTE 6 - Accrued Liabilities

Accrued liabilities consisted of the following:

		June 30, 2006		**December 31, 2005**
Payroll and related taxes	$	454,183	$	391,707
Accrued preferred stock dividends		451,030		506,535
Accrued liability-vendor charge backs		1,103,414		1,347,673
Other		390,810		495,139
Total	$	2,399,437	$	2,741,054

NOTE 7 - Business Segments

The Company has the following business segments. Multiband Corp. includes corporate expenses (e.g. corporate administrative costs), interest income, interest expense, depreciation and amortization. The MCS segment provides voice, data and video services to residential multi-dwelling units as the principal to subscribers. This segment encompasses the subsidiary corporations, Multiband Subscriber Services, Inc., Multiband USA, Inc., URON, Inc., and Rainbow Satellite Group, LLC. The MDU segment represents results as the master service operator for DirecTV which includes the subsidiary corporation, Minnesota Digital Universe, Inc. and certain DirecTV revenue generated

by the owned properties in the subsidiary Multiband Subscriber Services, Inc. The discontinued operations segment includes the Multiband Business Services segment which was sold effective after the close of business March 31, 2005 (see Note 9).

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Segment disclosures are as follows:

	Multiband Corp.	MDU	MCS	Discontinued Operations	Total
Three months ended June 30, 2006:					
Revenues	$ —	$ 2,643,217	$ 1,858,520	$ —	$ 4,501,737
Income (loss) from operations	(1,060,690)	1,148,971	(1,742,094)	—	(1,653,813)
Identifiable assets	3,734,559	7,259,784	11,439,124	—	22,433,467
Depreciation and amortization	59,208	401,079	848,327	—	1,308,614
Capital expenditures	1,110	—	216,933	—	218,043

	Multiband Corp.	MDU	MCS	Discontinued Operations	Total
Three months ended June 30, 2005:					
Revenues	$ —	$ 2,102,459	$ 2,081,147	$ —	$ 4,183,606
Income (loss) from operations	(772,620)	1,037,354	(1,381,087)	—	(1,116,353)
Identifiable assets	8,072,968	8,807,922	12,072,166	—	28,953,056
Depreciation and amortization	63,927	401,079	753,861	—	1,218,867
Capital expenditures	5,429	—	268,486	—	273,915

Six months ended June 30, 2006:	Multiband Corp.	MDU	MCS	Discontinued Operations	Total
Revenues	$ —	$ 5,155,389	$ 3,750,392	$ —	$ 8,905,781
Income (loss) from operations	(2,204,871)	2,053,914	(3,430,018)	—	(3,580,975)
Identifiable assets	3,734,559	7,259,784	11,439,124	—	22,433,467
Depreciation and amortization	119,005	802,155	1,689,910	—	2,611,070
Capital expenditures	24,919	—	555,130	—	580,049

Six months ended June 30, 2005:	Multiband Corp.	MDU	MCS	Discontinued Operations	Total
Revenues	$ —	$ 4,013,963	$ 3,876,519	$ —	$ 7,890,482
Income (loss) from operations	(1,332,921)	1,374,371	(2,626,214)	—	(2,584,764)
Identifiable assets	8,072,968	8,807,922	12,072,166	—	28,953,056
Depreciation and amortization	71,771	802,158	1,493,805	—	2,367,734
Capital expenditures	5,429	—	371,278	38,358	415,065

Segment disclosures are provided by entity to the extent practicable under the Company's accounting system. Depreciation and amortization above does not include depreciation and amortization related to discontinued operations. The cash flow statements presentation of depreciation and amortization includes the depreciation and amortization from discontinued operations.

NOTE 8 - Commitments and Contingencies

Legal Proceedings

The Company is involved in legal actions in the ordinary course of its business. As of June 30, 2006, management believes that there are no pending legal proceedings against or involving the Company for which the outcome is likely to have a material adverse effect upon the Company’s consolidated financial position, results of operations, or cash flows.

Significant Relationship

The Company is a master agent for DirecTV pursuant to a system operator agreement with DirecTV dated August, 2005. The initial term of the agreement 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. Termination of the Company's DirecTV agreement would have a material adverse impact on the Company's on-going operations. Revenues generated from DirecTV were 58.7% and 57.9% of total revenues for the three and six months ended June 30, 2006, respectively. Revenues generated from DirecTV for the three and six months ended June 30, 2005 were 50.3% and 50.9% of total revenue, respectively.

Guaranty

On March 1, 2006, Corporate Technologies, LLC (CTLLC), a subsidiary of North Central Equity, LLC, the purchaser of the MBS business segment, signed a lease with Lexstar Tower I Limited Partnership whereby CTLLC assumed the lease obligation for substantially all of the first floor space the Company is renting in Fargo, North Dakota for the period beginning March 1, 2006 to February 28, 2011. Pursuant to the aforementioned lease, the Company entered into a guaranty whereby the Company, in the event of a default or early termination of the lease by CTLLC, is obligated to perform CTLLC’s lease obligation during months 43-60 of the lease. The Company remains obligated to provide free rent to CTLLC through March 31, 2007 as defined in the purchase agreement of MBS (see Note 9). This guaranty has no effect on the Company’s consolidated financial statements for the periods ended June 30, 2006. However, should Multiband eventually have to perform on the guaranty in the future, it could be liable for up to $348,881 in rent payments plus any associated charges such as property taxes and common area maintenance.

NOTE 9 -Sale of Multiband Business Services Segment

After the close of business on March 31, 2005, the Company completed the sale of certain assets and liabilities relating to its Multiband Business Services (MBS, a/k/a Corporate Technologies USA) division. The buyer was North Central Equity LLC (“Buyer”).

The original purchase price paid by the Buyer was $2,550,000 which consisted of $1,682,184 in cash at closing, $349,817 in assumed vacation pay and warranty liabilities, and the balance of $517,999 in the original note receivable at 7% interest due on December 31, 2005. The amount of the note receivable was subject to adjustment based on certain representations and warranties and estimated presale customer service obligations the Buyer assumed liability for in the purchase agreement. Due to the aforementioned representations and warranties and estimated liabilities, the Company, at the notes inception established a reserve of $178,948 against the collectibility of the note receivable. In

November 2005, the note was paid by the buyer in the amount of $400,000 which included the net adjustment for the actual amount of presale customer service obligations. The Company's gain on sale was increased $149,865 accordingly as of September 30, 2005 to reflect this prepayment and the resolution of estimated assumed liabilities.

In connection with the purchase agreement, the Company entered into an interim services agreement whereby the Buyer is able to sublease space at no charge at the Company's Minneapolis and Fargo locations and obtain access to certain aspects of the Company's information technology resources for one year. Services provided will be charged by either party at fair value and is estimated by management to be insignificant. In addition the services agreement is explicit that the Company has no control over the buyer's operations. The buyer also receives additional free rent for a second year due to the results of a post closing inventory appraisal (see Note 8).

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

The gain on sale of MBS business services segment is as follows as adjusted at December 31, 2005:

Sale Price		
Cash proceeds	$	1,682,184
Note receivable		400,000
Assumed liabilities		438,868
Total sale price		2,521,052
Assets sold		
Inventory, net of reserve		1,045,110
Property and equipment		52,351
Net assets sold		1,097,461
Less costs and expenses		
Broker's fee		122,500
Other selling expense		10,135
Sublease for one year at no charge		500,000
Additional free rent related to inventory adjustment		500,000
Legal and accounting costs		37,600
Total costs		1,170,235
Net gain on sale	$	253,356

The following are condensed statements of operations of the discontinued operations for the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
Statement of Operations	2006	2005	2006	2005
Revenues	$ —	$ 14,052	$ —	$ 3,698,927
Cost of sales	—	(11,117)	—	2,701,664
Selling, general and administrative	—	(106,903)	(2,200)	1,307,502
Depreciation and amortization	—	—	—	56,188
Income (loss) from operations		132,072	2,200	(366,427)
Other income (expense)	—	(9,180)	—	(55,440)
Net income (loss)	—	122,892	2,200	(421,867)
Gain on sale	—	—	—	103,491
Income (loss) from discontinued operations	$ —	$ 122,892	$ 2,200	$ (318,376)

15

The Company has recorded $1 million in deferred rent liability in relation to the sale of the MBS business segment. This liability is amortized over the 24 month term of the sublease. Amortization has been netted with rent expense and the resulting income of $16,100 and $32,200 is included in other income (expense) for the three and six months ended June 30, 2006, respectively.

NOTE 10 - Stock Dividend

As of May 1, 2006, certain Multiband shareholders of record and certain contingent rights holders became eligible for a distribution of URON common stock based on the holder’s ownership of Multiband shares or rights as of that date. The holders will receive .05 shares of URON common stock for each share or right to a share of Multiband common stock held on the record date. As of June 30, 2006, the stock distribution had not yet occurred. In July 2006, URON’s Form 10-SB was declared effective by the SEC. On August 10, 2006, the stock distribution occurred. Multiband is committed to funding URON operations, as necessary, through December 2007.

NOTE 11 - Subsequent Events

Effective July 1, 2006, Multiband Corporation (the Company) acquired the video assets and rights of entry of Extreme Video Enterprise, LLC of Cincinnati, Ohio for a total purchase price of $578,125. The assets included 5,567 homes under rights of entry and 928 subscribers. 162,500 shares of restricted common stock valued at $1.00 per share (fair value at the date of the agreement) were issued to the Seller as part of the consideration for the purchase. The balance of the purchase of $415,625 is to be paid in 48 equal payments and is collateralized by the assets purchased. This note does not bear interest. The agreement allows for a reduction of the purchase price if the annual cash flow generated is less than $94,000 in the first 3 years and less than $7,844 per month in the final year of the repayment of the note payable. Any shortfall will be deducted from the payment dollar for dollar. The purchase price was allocated to the acquired assets based on the estimated fair values as of the acquisition date.

FORWARD-LOOKING STATEMENTS

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, product pricing, management for growth, integration of acquisitions, 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 statement. 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 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 IT and telecommunications industries; market acceptance of the Company's products and services; the Company's products and services; the Company's continued ability to provide integrated communication solutions for customers in a dynamic industry; 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 anticipated future period results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OUR COMPANY

Multiband Corporation (Multiband), 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.

As of May 1, 2006, certain Multiband shareholders of record and certain contingent rights holders became eligible for a distribution of URON common stock based on the holder’s ownership of Multiband shares or rights as of that date. The holders will receive .05 shares of URON common stock for each share or right to a share of Multiband common stock held on the record date. As of June 30, 2006, the stock distribution had not yet occurred.

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 April 1, 2005. All references to financial information and descriptions of business in this registration 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, the Company’s continuing operating division, provides voice, data and video services to multiple dwelling units (MDU), 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.

At June 30, 2006, MCS had 117,600 (owned and managed) subscriptions for its services (112,000 video subscriptions, 1,400 voice subscriptions, and 4,200 internet subscriptions).

SELECTED CONSOLIDATED FINANCIAL DATA

	DOLLAR AMOUNTS AS A PERCENTAGE OF REVENUES THREE MONTHS ENDED		DOLLAR AMOUNTS AS A PERCENTAGE OF REVENUES SIX MONTHS ENDED	
	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)
REVENUES	100%	100%	100%	100%
COST OF PRODUCTS & SERVICES (Exclusive of depreciation and amortization shown below)	43.0%	40.7%	44.9%	45.4%
SELLING, GENERAL & ADMINISTRATIVE	64.6%	56.8%	66.0%	57.3%
DEPRECIATION & AMORTIZATION	29.1%	29.1%	29.3%	30.0%
LOSS FROM OPERATIONS	-36.7%	-26.6%	-40.2%	-32.7%
INTEREST EXPENSE & OTHER, NET	-6.5%	-7.2%	-6.2%	-12.4%
LOSS FROM CONTINUING OPERATIONS	-43.2%	-33.8%	-46.4%	-45.1%
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	0.0%	2.9%	0.0%	-4.0%
NET LOSS	-43.2%	-30.9%	-46.4%	-49.1%

RESULTS OF OPERATIONS

Revenues

Total revenues increased 7.6% to $4,501,737 for the quarter ended June 30, 2006 as compared to $4,183,606 for the quarter ended June 30, 2005. This increase is primarily due to an increase in agent fees and revenue generating subscriptions during the comparable periods. The Company expects revenues to continue to increase in 2006 over 2005 as the Company adds additional services and thus additional revenue generating subscriptions to new and existing properties.

Revenues in the second quarter of 2006, for the MCS segment, decreased 10.7% to $1,858,520 as compared to $2,081,147 in the second quarter of fiscal 2005. This decrease is entirely due to a decrease in revenue from equipment sales to property owners between comparable periods. Sales of recurring revenue services, exclusive of equipment sales, increased 5.9% between comparable periods.

Revenues in the second quarter of 2006 for the MDU segment increased 25.7% to $2,643,217 as compared to $2,102,459 in the second quarter of fiscal 2005. This increase is primarily due to the number of managed subscribers and a related increase in agent fees during the comparable period.

Revenues for the six month period ended June 30, 2006 increased 12.9% to $8,905,781 from $7,890,482 for the same period in 2005. Again, this revenue increase is primarily due to an increase in agent fees and revenue generating subscriptions during the comparable periods.

Cost of Products and Services (Exclusive of depreciation and amortization)

The Company's cost of products and services, exclusive of depreciation and amortization, increased by 13.8% to $1,937,898 for the quarter ended June 30, 2006 compared to $1,703,517 for the same quarter last year. Costs of products and services for the MCS segment for the quarter were $1,006,720 compared to $1,209,389 in the same quarter last year, a 16.8% decrease. The decrease in costs for the MCS segment is directly related to the decrease in equipment sales. Costs in the MCS segment decreased more significantly than revenues, reflecting the Company's higher margins in the sales of services versus equipment sales. Costs of products and services for the MDU segment for the quarter were $931,178 compared to $494,128 in the same quarter last year, an 88.4% increase. The increase in costs for the MDU segment reflect increased sales and a reduction in accrued liabilities for vendor chargebacks of $244,258 during the quarter ended June 30, 2006, versus a reduction of $554,299 in the same quarter last year. The Company anticipates that, on a percentage basis, revenues throughout the balance of 2006 will increase slightly ahead of costs due to the expectation that customer penetrations in certain properties will grow as additional services are added to those properties. The Company's past operating performance indicates that revenues and gross margins on a property level improve when the Company offers two or three services (e.g. voice, data and video) at a property versus a single service (video only).

For the six months ended June 30, 2006, costs of products and services, exclusive of depreciation and amortization were $3,994,425 compared to $3,583,025 in the prior year. This overall increase in costs of products and services over the prior year resulted primarily from an increase in overall revenues and the aforementioned difference in reduction in accrued liabilities between the comparable periods.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 22.4% to $2,909,038 in the quarter ended June 30, 2006, compared to $2,377,575 in the prior year quarter. Selling, general and administrative expenses were, as a percentage of revenues, 64.6% for the quarter ended June 30, 2006 and 56.8% for the similar period a year ago. This percentage increase is primarily a result of increased payroll expenses related to an increase in revenue and due to stock option expense of $168,758 required to be recognized in the current quarter verses $0 stock option in expense in the comparable period last year. The Company anticipates that selling, general and administrative expenses, exclusive of stock option expenses, will increase slightly in future periods as the Company continues to deploy additional services at its MDU properties.

For the six months ended June 30, 2006, these expenses increased 30.0% to $5,881,261 compared to $4,524,487 for the six months ended June 30, 2005. As a percentage of revenue, selling, general and administrative expenses were 66.0% for the six months ended June 30, 2006, compared to 57.3% for the same period in 2005. Again, this percentage increase is primarily due to the aforementioned stock option expenses of $485,521 for the six months ended June 30, 2006 and payroll expense increase.

Interest Expense

Interest expense was $325,523 for the quarter ended June 30, 2006, versus $373,013 for the same quarter last year primarily reflecting a decrease in the Company's debt and original issue discount expense. Amortization of original issue discount was $131,910 and $164,882 for the three months ended June 30, 2006 and 2005, respectively.

Interest expense was $630,204 for the six months ended June 30, 2006, and $1,058,714 for the same period last year. Amortization of original issue discount was $246,818 for the six months ended June 30, 2006 and $664,350 for the same period last year.

Loss from Operations

The Company, in the second quarter of 2006, incurred a loss from operations for its combined operating business segments of $1,943,387 compared to a loss of $1,419,246 during the second quarter in 2005. Loss from operations from said segments was $4,133,793 during the first six months of 2006, compared to $3,561,186 during the second quarter in 2005. The MDU segment showed a profit from operations of $1,148,971 and $2,053,914 for the three and six months ended June 30, 2006 compared to profits of $1,037,354 and $1,374,371 for the three and six months ended June 30, 2005. For the second quarter of 2006, the MCS segment showed a loss from operations of $1,742,094, compared to a loss of $1,381,087 for the same quarter last year. For the six months ended June 30, 2006, the MCS segment showed a loss from operations of $3,430,018 compared to a loss of $2,626,214 for the same period in 2005. The Multiband Corporation segment, which has no revenues, showed a loss from operations of $1,060,690 for the three months ended June 30, 2006 and $2,204,871 for the six months ended June 30, 2006 compared to losses of $772,620 and $1,332,921 for the same periods last year. The Multiband Corporation loss is expected to be constant in future periods as corporate overhead is expected to remain constant. The Company expects the MDU segment profitability in future periods to remain steady or improve as that segment continues to experience growth. The Company hopes that it can mitigate its loss in the MCS segment by adding additional services and thus gross margin to the properties in the MCS portfolio.

Net Loss

In the second quarter of fiscal 2006, the Company incurred a net loss of $1,943,387 compared to a net loss of $1,296,354 for the second fiscal quarter of 2005. For the six months ended June 30, 2006, the Company recorded a net loss of $4,131,593 compared to $3,879,562 for the six months ended June 30, 2005.

Liquidity and Capital Resources

During the six months ended June 30, 2006 and 2005, the Company recorded a net loss of $4,131,593 and $3,879,562, respectively. Net cash used by operations during the six months ended June 30, 2006 was $566,484 compared to cash used by operations during the six months ended June 30, 2005 of $2,842,499. Operating cash flows improved during the comparable periods. This improvement in cash flows between the comparable periods is primarily due to an overall decrease in the balance of accounts payable and accrued liabilities and retirement of a wholesale line of credit related to the Company's sale of the MBS segment in 2005. Management believes that over the next 12 months there will be a decrease in accrued liabilities and no significant change in accounts payable. Principal payments on current long-term debt over the next 12 months are expected to be $463,530.

Cash and cash equivalents totaled $1,443,584 at June 30, 2006 versus $3,100,427 at December 31, 2005. The working capital deficit for the six months ended June 30, 2006 increased to $2,830,930 as compared to $971,418, at December 31, 2005, primarily due to funds invested in project build-outs and the operating loss for the six months ended June 30, 2006. The Company intends to fund future build-outs near term through its leasing facility to reduce the impact on working capital. Total debt was reduced in the six months ended June 30, 2006 as the Company continued to retire financing debt and debt related to acquisitions. Net cash flows from investing activities totaled ($588,940) compared to $770,844 for the comparable period last year, reflecting the sale of the MBS segment.

The Company continues to experience growth, primarily due to increased subscriber related recurring revenues acquired from the various transactions previously mentioned herein.

Management of Multiband believes that cash on hand, combined with capital resources and anticipated leasing availability, as of June 30, 2006, is adequate to meet the anticipated liquidity and capital resource requirements of its business for the next 12 months.

Capital Expenditures

The Company used $580,049 for capital expenditures during the six months ended June 30, 2006, as compared to $415,065 in the same period last year. Capital expenditures consisted of project build-outs and equipment acquired for internal use. We estimate capitalized expenditures for the remainder of 2006 will be approximately $400,000.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Impairment of Long-Lived Assets
The Company's long-lived assets include property, equipment and leasehold improvement. At June 30, 2006, the Company had net property and equipment of $5,159,762, which represents approximately 23% 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. During the six months ended June 30, 2006 and 2005, the Company did not record any impairment losses related to long-lived 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. During the six months ended June 30, 2006 and 2005, the Company did not record any impairment losses related to goodwill.

Amortization of Intangible Assets
The Company amortizes a domain name over its estimated useful life of five years using the straight-line method. The Company amortizes right of entry contracts and subscriber lists over their estimated useful lives ranging from 24 to 180 months. 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. During the six months ended June 30, 2006 and 2005, the Company did not record any impairment losses related to intangible assets.

ITEM 3. QUANTITIVE AND QUALITIVE 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 pays dividends on a basis of prime rate.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14(c) of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely basis to material information relating to the Company required to be disclosed in the Company's periodic SEC reports. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of June 30, 2006, Multiband was not engaged in any pending legal proceedings where, in the opinion of the Company, the outcome is likely to have a material adverse effect upon the business, operating results and financial condition of the Company.

ITEM 1A. RISK FACTORS

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

General

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

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

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

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

Net Losses

The Company had net losses of $4,131,593 for the six months ended June 30, 2006, $7,475,000 for the year ended December 31, 2005, $9,783,962 for the year ended December 31, 2004. Multiband may never be profitable.

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

If we cannot achieve profitability from operating activities, we may not be able to meet:
o our capital expenditure objectives;
o our debt service obligations; or
o our working capital needs.

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. As of December 31, 2005, the Company had goodwill of $954,871 primarily related to the purchase of Rainbow Satellite Group, LLC. and the purchase of certain assets of Dinamo Entertainment, Inc. At June 30, 2006, the Company did not note any indications of impairment related to goodwill.

Deregulation

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

Dependence on Strategic Alliances

Several suppliers or potential suppliers of Multiband, such as McLeod, WorldCom, WS Net, XO Communications and others have filed for bankruptcy in recent years. While the financial distress of its suppliers or potential suppliers could have a material adverse effect on Multiband's business, Multiband believes that enough alternate suppliers exist to allow the Company to execute its business plans. The Company is also highly dependent on its Master System Operator agreement with DirecTV. The initial term of the agreement, which expires in August 2008, is for three years and provides for two additional two-year renewals if the Company has a minimum number of paying video subscribers in its system operator network. Although an alternate provider of satellite television services, Echostar, exists, the termination of its agreements with DirecTV could have a material adverse effect on Multiband's business.

Changes in Technology

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

Attraction and Retention of Employees

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

Intellectual Property Rights

Multiband relies on a combination of trade secret, copyright, and trademark laws, license agreements, and contractual arrangements with certain key employees to protect its proprietary rights and the proprietary rights of third parties from which Multiband licenses intellectual property. Multiband also relies on agreements with owners of MDUs which grant the Company rights of access for a specific period to MDU premises whereby Multiband is allowed to offer its voice, data, and video services to individual residents of the MDUs. If it was determined that Multiband infringed the intellectual property rights of others, it could be required to pay substantial damages or stop selling products and services that contain the infringing intellectual property, which could have a material adverse effect on

Multiband's business, financial condition and results of operations. Also, there can be no assurance that Multiband would be able to develop non-infringing technology or that it could obtain a license on commercially reasonable terms, or at all. Multiband's success depends in part on its ability to protect the proprietary and confidential aspects of its technology and the products and services it sells. There can be no assurance that the legal protections afforded to Multiband or the steps taken by Multiband will be adequate to prevent misappropriation of Multiband's intellectual property.

Variability of Quarterly Operating Results

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

Certain Anti-Takeover Effects

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

Volatility of Multiband's Common Stock

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

Future Sales of Our Common Stock May Lower Our Stock Price

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

Competition

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) An annual meeting of Multiband Corporation shareholders was held on June 20, 2006. There were present or present by proxy at the meeting 11,392,490 votes, the majority necessary to hold a quorum.

(b) The meeting resulted in the following votes related to the following proxy items:

1. Election of Directors:

	For	Against	Abstain
Bennett, Mandel, Bell, Miller, Dodge, Harris	$ 11,367,490	$ 25,000	$ 0

2. Ratify the election of Virchow, Krause & Company, LLP as independent auditors of the Company for Fiscal Year 2005.

For	Against	Abstain
$11,392,490	$ 0	$ 0

24

ITEM 6. EXHIBITS

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Exchange Act.

31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Exchange Act.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MULTIBAND CORPORATION
Registrant

Date: August 14, 2006 By: /s/ James L. Mandel

Chief Executive Officer

Date: August 14, 2006 By: /s/ Steven M. Bell

Chief Financial Officer