

MULTIBAND CORP
Form 10-Q
August 13, 2009

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE PERIOD ENDING JUNE 30, 2009

OR

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

COMMISSION FILE NUMBER 0 - 1325

MULTIBAND CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41 - 1255001

(IRS Employer Identification No.)

9449 Science Center Drive, New Hope, Minnesota 55428

(Address of principal executive offices)

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

Internet: www.multibandusa.com

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

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

Yes No

On, August 5, 2009 there were 9,659,797 shares outstanding of the registrant's common stock, no par value, and 291,018 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

(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2009 (unaudited)	June 30, 2008 (unaudited)	June 30, 2009 (unaudited)	June 30, 2008 (unaudited)
REVENUES	\$ 67,396	\$ 10,806	\$ 129,554	\$ 16,520
COSTS AND EXPENSES				
Cost of products and services (exclusive of depreciation and amortization shown separately below)	56,894	6,394	104,210	10,214
Selling, general and administrative	15,509	2,561	29,249	4,416
Depreciation and amortization	2,703	879	5,988	1,617
Impairment of assets	-	7	-	65
Total costs and expenses	75,106	9,841	139,447	16,312
INCOME (LOSS) FROM OPERATIONS	(7,710)	965	(9,893)	208
OTHER EXPENSE				
Interest expense	(890)	(113)	(1,745)	(214)
Interest income	3	-	10	-
Other income	98	32	348	73
Total other expense	(789)	(81)	(1,387)	(141)
NET INCOME (LOSS) BEFORE INCOME TAXES AND NONCONTROLLING INTEREST IN SUBSIDIARIES	(8,499)	884	(11,280)	67
PROVISION FOR INCOME TAXES	102	434	202	463
NET INCOME (LOSS)	(8,601)	450	(11,482)	(396)
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO THE NONCONTROLLING INTEREST IN SUBSIDIARIES	(1,482)	394	(1,778)	412
NET INCOME (LOSS) ATTRIBUTABLE TO MULTIBAND CORPORATION AND SUBSIDIARIES	(7,119)	56	(9,704)	(808)
Preferred stock dividends	71	103	144	3,985
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (7,190)	\$ (47)	\$ (9,848)	\$ (4,793)
LOSS PER COMMON SHARE – BASIC AND DILUTED:				

LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (0.75)	\$ (0.00)	\$ (1.02)	\$ (0.53)
Weighted average common shares outstanding – basic and diluted	9,651	9,499	9,650	8,999

See accompanying notes to the unaudited condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (in thousands)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
NET INCOME (LOSS)	\$ (7,119)	\$ 56	\$ (9,704)	\$ (808)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	(38)	(57)	(8)	152
COMPREHENSIVE LOSS	\$ (7,157)	\$ (1)	\$ (9,712)	\$ (656)

See accompanying notes to the unaudited condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(in thousands)

	June 30, 2009 (unaudited)	December 31, 2008 (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,584	\$ 4,346
Securities available for sale	38	46
Accounts receivable, net	16,990	3,437
Other receivable – related party	518	7,666
Inventories	14,873	1,903
Prepaid expenses and other	2,585	1,273
Current portion of notes receivable	61	61
Total Current Assets	40,649	18,732
PROPERTY AND EQUIPMENT, NET	8,569	2,033
OTHER ASSETS		
Goodwill	34,744	1,095
Intangible assets, net	26,694	3,668
Other receivable – related party – long term	2,230	-
Notes receivable – long-term, net of current portion	34	39
Other assets	2,245	476
Total Other Assets	65,947	5,278
TOTAL ASSETS	\$ 115,165	\$ 26,043

See accompanying notes to the unaudited condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY
(in thousands, except share and liquidation preference amounts)

	June 30, 2009 (unaudited)	December 31, 2008 (audited)
CURRENT LIABILITIES		
Mandatory redeemable preferred stock, 0 and 15,000 Class F preferred shares	\$ -	\$ 150
Line of credit	49	-
Short term debt	731	-
Current portion of long-term debt	236	1,609
Current portion of capital lease obligations	580	311
Accounts payable	43,994	8,274
Accrued liabilities	22,692	4,435
Deferred service obligations and revenue	3,557	1,488
Total Current Liabilities	71,839	16,267
LONG-TERM LIABILITIES		
Long-term debt – related party	1,500	-
Long-term debt, net of current portion and original issue discount	38,465	346
Capital lease obligations, net of current portion	610	317
Total Liabilities	112,414	16,930
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A (14,171 shares issued and outstanding, \$148,796 liquidation preference)	213	213
10% Class B (1,970 and 2,570 shares issued and outstanding, \$20,685 and \$26,985 liquidation preference)	20	26
10% Class C (113,480 and 114,080 shares issued and outstanding, \$1,134,800 and \$1,140,800 liquidation preference)	1,474	1,482
10% Class F (150,000 shares issued and outstanding, \$1,500,000 liquidation preference)	1,500	1,500
8% Class G (11,595 shares issued and outstanding, \$115,950 liquidation preference)	48	48
6% Class H (2.0 shares issued and outstanding, \$200,000 liquidation preference)	-	-
Common stock, no par value (9,652,297 and 9,642,374 shares issued and outstanding)	37,781	37,687
Stock subscriptions receivable	(55)	(84)
Options and warrants	46,555	46,038
Accumulated other comprehensive income – unrealized gain on securities available for sale	38	46
Accumulated deficit	(90,768)	(81,314)
Total Stockholders' Equity	(3,194)	5,642
Noncontrolling interest in subsidiaries	5,945	3,471
Total Equity	2,751	9,113

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	115,165	\$	26,043
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See accompanying notes to the unaudited condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	SIX MONTHS ENDED JUNE 30,	
	2009	2008
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net loss	\$ (11,482)	\$ (396)
Adjustments to reconcile net loss attributable to Multiband Corporation and subsidiaries to net cash provided from operating activities:		
Depreciation and amortization	5,988	1,617
Amortization of imputed interest discount	35	24
Amortization of original issue discount related to warrants issued with long term debt	9	-
Amortization of deferred financing costs	5	-
Loss on sale of property and equipment and intangible assets	-	59
Gain on debt extinguishment	-	(30)
Impairment of goodwill, intangibles and property and equipment	-	65
Change in allowance for doubtful accounts on accounts receivable	(127)	(15)
Change in reserve for stock subscriptions and interest receivable	29	(6)
Expense related to repricing of warrants	30	-
Stock based compensation expense	114	362
Compensation expense of restricted stock award	-	24
Changes in operating assets and liabilities:		
Accounts receivable	(8,727)	(66)
Inventories	1,160	917
Prepaid expenses and other	344	(592)
Other assets	(31)	(4)
Accounts payable and accrued liabilities	9,333	(1,766)
Deferred service obligations and revenue	1,981	736
Net cash flows from (used by) operating activities	(1,339)	929
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,426)	(66)
Checks issued in excess of bank balance with the purchase of 80% of outstanding stock of DirecTECH operating entities	(369)	-
Cash acquired via purchase of NC (formerly Michigan Microtech, Inc. (MMT))	-	4,044
Cash collected on other receivables – related party acquired with the purchase of NC (formerly Michigan Microtech, Inc. (MMT))	-	2,815
Purchase of US Install	-	(101)
Purchases of intangible assets	(102)	-
Proceeds from sale of property and equipment and intangible assets	-	6
Collections on notes receivable	35	1
Net cash flows from (used in) investing activities	(1,862)	6,699
FINANCING ACTIVITIES		
Payments on short-term debt	(25)	-
Payments on long-term debt	(2,580)	(34)
Payments on capital lease obligations	(210)	(112)
Payments on note payable – related party	(1,400)	-
Payments for debt issuance costs	(144)	-

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Net advances on line of credit	4	-
Payment on mandatory redeemable preferred stock	(150)	(38)
Payments for stock issuance costs	-	(25)
Payments received on stock subscriptions receivable	-	1
Proceeds from note payable – related party	2,900	-
Proceeds from issuance of long-term debt	6,100	100
Redemption of preferred stock	(12)	(51)
Preferred stock dividends	(44)	(62)
Net cash flows from (used in) financing activities	4,439	(221)