MULTIBAND CORP
Form 10-K
April 01, 2013


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

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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.)

5605 Green Circle Drive Minnetonka, MN 55343
(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:

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 ý

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 ý

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 ý 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, 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 Smaller reporting company ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨
Yes ý No

As of June 30, 2012, (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 was $47,238,587, based on the average bid and asked price of such common equity of $2.32, on such date.

As of March 11, 2013, there were 21,788,834 outstanding shares of the registrant's common stock, no par value, and 281,696 outstanding shares of the registrant’s convertible preferred stock.

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PART I

Item 1

Business

Multiband Corporation (the Company), is a Minnesota corporation formed in September 1975.

The Company has three operating segments as follows: (1) Field Services (FS), where the Company provides installation services to pay television (satellite and broadband cable) providers, internet providers and commercial customers, (2) Multi-Dwelling Unit (MDU), where the Company bills voice, internet and video services to subscribers as owner/operator and also acts as a master service operator for DIRECTV, receiving net cash payments for managing video subscribers through its network of system operators; and (3) Engineering, Energy & Construction (EE&C) where the Company provides engineering and construction services for the wired and wireless telecommunications industry, including public safety networks. This segment also provides renewable energy services including wind and solar applications and other design and construction services, usually done on a project basis. All segments encompass a variety of different corporate entities.

The Company completed an initial public offering in June 1984. In November 1992, the Company became a non-reporting company under the Securities Exchange Act of 1934. In July 2000, the Company regained its reporting company status. In December 2000, the Company's 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.

The Company's website is located at: www.multibandusa.com. The information on the Company's website is not part of this or any other report the Company files with, or furnishes to, the SEC.

From its inception until December 31, 1998, the Company operated as a telephone interconnect company only. Effective December 31, 1998, the Company 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, the Company, 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. The Company's MDU segment (formally known as MCS) began in February 2000. MDU provides voice, data and video services to multi-dwelling units, 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. (MNMDU), which made the Company the largest master system operator in MDU's for DIRECTV satellite television in the United States. During 2006 and 2007, the Company strategically sold certain assets at multi-dwelling properties where only video services were primarily deployed. The Company continues to operate properties where multiple services are deployed. To remain competitive, the Company intends to continue to own and operate properties at locations where multiple services can be deployed and manage properties where one or more services are deployed. Consistent with that strategy, from 2006 to the present, the Company expanded its servicing of third party clients (other system operators) through its call center. On March 1, 2013, the Company had approximately 159,000 owned and managed subscribers, with an additional 36,000 independent subscribers supported by its call center.

During 2008, the Company became involved in the business of installing video services in single family homes by acquiring 51% of the outstanding stock of Multiband NC Incorporated (NC) (formerly Michigan Microtech, Incorporated) , from DirecTECH Holding Company Inc. (DTHC), a fulfillment agent for a DIRECTV, a national satellite television company. In 2009, this acquisition was followed up by the acquisition of an 80% interest in another group of companies from DTHC, (Multiband NE Incorporated (NE), Multiband SC Incorporated (SC), Multiband EC Incorporated (EC), Multiband DV Incorporated (DV), Multiband MDU (MBMDU), and Multiband Security Incorporated (Security)). The Company also purchased an additional 29% ownership interest in NC . The remaining 20% of these operating entities were purchased in December 2009. As of December 31, 2011, the NC, SC, EC and NE entities were merged together with NE being the surviving entity. Effective February 20, 2012, NE has been renamed Multiband Field Services, Incorporated (MBFS). As of December 31, 2012, Security was merged into MBMDU and DV was merged into MBFS. The Company is currently the second largest independent DIRECTV field services provider in the United States.

Effective September 1, 2011, the Company purchased from WPCS International, Inc. (WPCS), two of their subsidiary corporations named WPCS International- Sarasota, Inc. and WPCS International-St. Louis, Inc. Effective November 1, 2011, these entities have been renamed Multiband Engineering and Wireless, Southeast, Inc. (SE) and Multiband Engineering and Wireless, Midwest, Inc. (MW). These entities provide engineering and construction services for the wired and wireless telecommunications industry,

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including public safety networks, renewable energy services including wind and solar applications and other design and construction services. Later in 2011, and in early 2012, the Company also purchased certain assets from Groupware International, Inc. and entered the cable television fulfillment business.

At March 1, 2013, the Company currently has operations in 19 states with 37 offices.

Field Services Segment (FS)
The Company, through its FS segment, generates revenue from the installation and service of DIRECTV video programming for residents of single family homes under a contract with DIRECTV. DIRECTV is the largest provider of satellite television services in the United States with approximately 20 million subscribers. These video subscribers are owned and billed by DIRECTV. The FS segment functions as a fulfillment arm for DIRECTV. As a result, the Company does not directly compete with other providers for DIRECTV's business. Although DIRECTV competes with DISH, the other leading satellite television provider and incumbent providers of phone and telephone services for pay television customers, DIRECTV has its own marketing and competitive programs of which the Company is merely an indirect and passive recipient. The FS segment also provides similar installation services for certain broadband cable and internet providers and commercial customers.

The United States markets for satellite television subscribers and cable television viewers are significant. According to the Satellite Broadcasting and Communications Association, there were approximately 34.1 million paying satellite television subscribers in December 2012. According to the National Cable and Telecommunications Association, as of September 2012, the cable industry had approximately 56.8 million basic video customers and approximately 49.7 million high speed internet customers. The Company believes that the demand for its outsourced installation and maintenance services will remain steady as leading national providers continue to upgrade technology and invest in competitive marketing efforts.

Multi-Dwelling Unit Segment (MDU)
The Company, through its MDU segment, bills customers for the voice, internet and video services it provides to residents of MDU facilities as an owner/operator of those subscribers. In addition, since 2004, the Company serves as a master system operator for DIRECTV, which allows it to offer satellite television services to residents of multi-dwelling-units through a network of affiliated operators.

As discussed above, the Company offers voice, data and video services directly to residents of the MDU market. Our experience in this market suggests that property owners and managers are always looking for a solution that will satisfy two market demands from customers. The first market demand from customers 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, television and internet services. Our service offering addresses these demands and provides the consumer several benefits, including:

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

In late 2005, the Company began to use its internal support center and billing platform to service third party clients.

In late 2006, DIRECTV provided the Company with the right to bill DIRECTV services directly to end users.

As we develop and market this package, we keep a marketing focus on two levels of customers for this product. The primary decision-makers are the property owners/managers. Their concerns are focused on delivering their residents reliability, quality 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 about 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 the Company'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

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living in MDUs. We believe these statistics indicate stable markets with demand that is likely to deliver significant value to businesses that can obtain a subscriber base of any meaningful size.

MDU Consumer Industry Analysis and Strategy

The Company offers video and, in some cases, data and voice to residents of multi-dwelling units primarily throughout the Midwest and the Southeast. Our primary competition in this market comes from the local incumbent providers of telephone and cable television services. The leading competitors in these services are the former Bell System Companies such as Verizon Communications (Verizon) and CenturyLink Telecommunications, Inc. (Century) and national cable companies such as Comcast Corporation (Comcast) and Time Warner (TW). These regional and national rivals have significant resources and are strong competitors. Nonetheless, we believe as a largely unregulated entity, we can be competitive on both price and service.

Regarding video services, 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 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.

Regarding data services, 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 currently available. The approach we 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.

Number of MDU Units/Customers

At March 11, 2013, the Company had approximately 159,000 owned and managed subscribers, with an additional 36,000 independent subscribers supported by its call center.

Energy, Engineering & Construction Segment (EE&C)

Under this segment of the business, the Company provides engineering and construction services for the wired and wireless telecommunications industry, including public safety networks, renewable energy services including wind and solar applications and other design and construction services which are usually done on a project basis. We believe growth in public safety networks will continue as security and safety concerns, driven by, among other things, terrorism threats and weather emergencies, require further infrastructure buildouts. We also believe that research, development and investment in alternative and renewable energy sources will provide work for the Company as the United States looks to reduce its dependence on foreign oil imports.

EE&C Backlog (in thousands)

As of December 31, 2012, we had a backlog of unfilled orders of approximately $1,680 compared to approximately $1,817 at December 31, 2011. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is an executed written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances from time to time in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments which may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Employees

As of March 1, 2013, FS employed 2,956 full-time employees consisting of 57 management employees, 32 operational support personnel, 208 customer service employees, 2,551 technicians and 108 warehouse employees. As of that same date, MDU had 137 full-time employees, consisting of 3 in sales and marketing, 7 technicians, and 127 in customer service and related support. EE&C employed 71 full-time employees consisting of 47 technicians and 24 employees in operational support positions. In addition, the Company employed 148 full-time employees, including 8 management employees, 42 finance personnel, 43 information technology employees, 19 employees in human resources, 10 in marketing and 26 employees in operational support positions.

The Company has approximately 24% of its labor force covered by a collective bargaining agreement that expires in May 2013. The Company has a union contract with 757 full and regular part-time technicians employed at its Illinois, Indiana, Iowa,

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Kentucky (excluding Maysville) and Ohio (excluding Columbus) facilities which expires on May 11, 2013. The Company also has a contract with 68 union employees at its Boston South location which expires on November 14, 2014. The Company utilizes a contractor base for seasonality and work overflow but it cannot be certain that it could cover all jobs during a work outage, if one should occur. A reduction in productivity in any given period or our inability to meet guaranteed schedules may adversely affect our profitability; however, we have never experienced any employment-related work stoppages and consider our employee relations to be good.

Item 1A

Risk Factors (in thousands)

General

Our business is subject to a number of risks discussed under the heading "Risk Factors" and elsewhere in this report. The principal risks facing our business include, among others, our dependence on DIRECTV, changes in technology, and economic conditions limiting the ability of DIRECTV's customers to purchase upgrades and installations. There are also risks relating to the ownership of our common stock. You should carefully consider these factors, as well as all of the other information set forth in this Annual Report on Form 10-K. See "Risk Factors."

Net Income Attributable to Multiband Corporation and Subsidiaries

The Company had net income attributable to Multiband Corporation and subsidiaries of $2,606, $7,044 and $14,694 for the years ended December 31, 2012, 2011, and 2010 respectively.

If we cannot continue to deliver consistent levels of profitability from our operating activities, we may not be able to meet our:

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

Working Capital

On December 31, 2012, the Company had a working capital deficit of $4,886 due to the amount of debt due over the next twelve months of $17,396 and positive working capital of $7,463 as of December 31, 2011. From January 1, 2013 until March 20, 2013, the Company made principal payments totaling $8,731. On March 20, 2013, the Company entered into a new financing package with Fifth Third Bank, which consists of a $20,000 term loan and a $10,000 revolving line of credit. Proceeds from the financing package were used to pay-off its existing secured indebtedness. The Company believes the new debt facility significantly improves its liquidity however, if profitability does not continue into the future, the Company may not have adequate levels of working capital to meet its needs which may cause the need for additional financing.

Long-lived Assets

We have a significant amount of long-lived assets. If we should experience a significant decline in future profitability and/or should the market value for our long-lived assets decrease, some impairment to these assets could occur. If impairment occurs, it could materially and adversely affect our results of operations in those future periods.

Goodwill

The Company tests for impairment of its goodwill and intangible assets without a defined life. We tested for impairment of the FS and MDU segments which had goodwill as of November 30, 2012 using standard fair value measurement techniques. The Company concluded there was no goodwill impairment as of December 31, 2012. In

2011, there was an impairment charge of $246 recorded for the FS segment relating to the goodwill with the subsidiary, Security. The installation contract supporting this business was terminated in November 2011. In 2010, the Company recorded an impairment charge of $25 on the goodwill related to the US Install purchase . Should we experience a significant decline in future profitability, or our stock price declines and remains depressed, and/or should the business climate for satellite providers deteriorate, impairment to our goodwill could occur. If impairment occurs, it could be materially adverse to our results of operations in those periods.

Group Health and Workers' Compensation Insurance Coverage
The Company uses a combination of self-insurance and third-party carrier insurance with predetermined deductibles that cover certain insurable risks. The Company records liabilities for claims reported and claims that have been incurred but not reported, based on historical experience and industry data.

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Insurance and claims accruals reflect the estimated cost for group health and workers' compensation claims not covered by insurance.  The insurance and claims accruals are recorded at the estimated ultimate payment amounts.  Such insurance and claims accruals are based upon individual case estimates and estimates of incurred-but-not-reported losses using loss development factors based upon past experience and industry data.

During 2012 and 2011, the Company was self-insured for workers' compensation claims up to $100 plus administrative expenses, for each occurrence.  During 2010, the Company was self-insured for workers' compensation claims up to $250 plus administrative expenses.

From 2010 through 2012, the Company was self-insured for health insurance for claims up to $275 per claim where we expect most claims to occur.  If any claim is in excess of $275, such claims are covered under premium-based policies issued by insurance companies to coverage levels that we consider adequate.  If either we exceed our coverage amounts too often and our premiums rise, or if a high number of claims are made for which we are responsible (because they are below the deductible), our profitability and cash flow may be adversely affected.

Debt

As of December 31, 2012, the Company had a significant amount of debt due within the next twelve months. On March 20, 2013, the Company entered into a new financing arrangement with Fifth Third Bank (see Note 9), which provided the capital necessary to pay off the Company's existing indebtedness and to fund working capital needs. The new financing arrangement, which significantly reduced the amount of debt due within the next twelve months, contains certain financial covenants which are based on the Company's financial performance. If the Company is not able to comply with those covenants, additional financing may become necessary. Sources of financing, if needed , may include additional debt financing or the sale of equity (including the issuance of preferred stock) or other securities.  We cannot be sure that any additional sources of financing or new capital will be available to us, available on acceptable terms, or permitted by the terms of our current debt.  In addition, if we sell additional equity to raise funds, all shares of common stock currently outstanding will be diluted.

Income Taxes

The Company has federal net operating losses of $47,461 and state net operating losses of approximately $45,966, at December 31, 2012, which, if not used, will expire from 2013-2032.  Changes in the stock ownership of the Company have placed limitations on the use of these net operating loss carryforwards (NOLs).  The Company has performed an IRC Section 382 study and determined that a total of five ownership changes had occurred since 1999.  As a result of these ownership changes, the Company's ability to utilize its net operating losses is limited. Federal net operating losses are limited to a total of $19,927, consisting of annual amounts of $9,909 in 2013 and $1,101 per year for each of the years 2014-2022 and then $109 in 2023. State net operating losses are limited to a total of approximately $44,505. We believe that $27,534 of federal net operating losses and $1,461 of state net operating losses will expire unused due to IRC Section 382 limitations. These limitations could be further restricted if additional ownership changes occur in future years. The amount of the deferred tax asset associated with the net operating losses that will expire due to the IRC Section 382 limitation is not included in net deferred tax assets. To the extent our use of net operating loss carryforwards are significantly limited, our income could be subject to corporate income tax earlier than it would be if we were able to use net operating loss carryforwards, which could result in lower profits.

Pending Acquisition

On July 9, 2012, the Company entered into an Acquisition Agreement (Agreement) with MDU Communications International, Inc. (MDUC), a Delaware corporation. Upon the terms and subject to the conditions set forth in the Agreement, MDUC will merge with and into a wholly owned subsidiary of Multiband, (MBSUB), with MDUC continuing as the surviving corporation (Merger). MDUC would then be a wholly owned subsidiary of the Company.

On December 18, 2012, the Company announced that it had reached a conceptual agreement to amend the terms of the Agreement with MDUC. The terms of the Agreement would be amended to extend the deadline for completion of the acquisition from December 31, 2012 to February 28, 2013. Under the proposed terms of the amendment, the Company would acquire 100% of the outstanding stock of MDUC by issuing $12,900 of a convertible, redeemable, three year, cumulative preferred stock instrument which would convert to common stock under certain conditions at $4.00 per share. The preferred stock would carry a cumulative dividend coupon rate of 6.25% with dividends paid quarterly in cash. The preferred stock will be redeemable, in whole or in part, in cash, at par, (i) at any time within three years at the Company's discretion, or (ii) upon closing of a material financing of at least $30,000, subject to any necessary Company lender consent. In addition, MDUC's current senior debt facility would need to be extended on terms satisfactory to the Company. Subsequently, in spite of the fact that the February 28, 2013 deadline has now expired, the Company and MDUC are continuing to discuss the completion of this transaction as soon as practical.

Deregulation

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Several regulatory and judicial proceedings have recently concluded, are underway or may soon be commenced that address issues affecting our 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, the Company's activities are 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.

Certain Anti-Takeover Effects

The Company is subject to Minnesota statutes regulating business combinations and restricting voting rights of certain persons acquiring shares of the Company. 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 the Company's securities, or the removal of incumbent management.

The Company's FS segment is highly dependent on its strategic alliance with DIRECTV and a major alteration or termination of that alliance could adversely affect the Company's business

The FS segment currently provides approximately 87.3% of our total revenues and most of these revenues are dependent on our relationship with DIRECTV. Accordingly, we are highly dependent on our relationship with DIRECTV. The Company has a Home Services Provider (HSP) agreement with DIRECTV which was renewed on November 1, 2012 and terminates October 2016. The term of this agreement will automatically renew for additional one year periods unless either DIRECTV or the Company gives written notice of termination at least 90 days in advance of expiration of the then current term. The agreement can be terminated on 180 days' notice by either party. DIRECTV may also change the terms of their agreement with the Company, among other things, to change our service areas and/or pricing, both of which have occurred in the past. The terms of the HSP agreement also contain specific operational requirements that impact how we provide service to and interact with DIRECTV customers, and which requirements directly affect how we budget, strategize and operate as a business. Some of these requirements include, but are not limited to: (a) required uniforms/appearance and tools for technicians; (b) limitations on advertising and signage utilized by us; (c) fleet specifications; (d) call center operations (response times, minimum hours of operation); (e) technician training and education standards; and (f) required hardware. Any adverse alteration or termination of our HSP agreement with DIRECTV would have a material adverse effect on our business. In addition, a significant decrease in the number of jobs the Company completes for DIRECTV could have a material adverse effect on our business, financial condition and results of operations.

Our FS segment revenues could be negatively affected by reduced support from DIRECTV

DIRECTV conducts promotional and marketing activities on national, regional and local levels. Due to our substantial dependence on DIRECTV, our revenues depend, in significant part, on: (i) the overall reputation and success of DIRECTV; (ii) the incentive and discount programs provided by DIRECTV and its promotional and marketing efforts for its products and services; (iii) the goodwill associated with DIRECTV trademarks; (iv) the introduction of new and innovative products by DIRECTV; (v) the manufacture and delivery of competitively-priced, high quality equipment and parts by DIRECTV in quantities sufficient to meet customers' requirements on a timely basis; (vi) the quality, consistency and management of the overall DIRECTV system; and (vii) the ability of DIRECTV to manage its risks and costs. If DIRECTV does not provide, maintain or improve any of the foregoing, if DIRECTV changes the terms of its incentive and discount programs, or if DIRECTV were sold or reduced or ceased operations, there could be a material adverse effect on our financial condition and results of operations even though alternate providers of satellite television services exist.

The Company’s Multi-Dwelling unit (MDU) business strategy is also highly dependent on its strategic alliance with DIRECTV

Our master system operator agreement with DIRECTV was signed with an effective date of August 22, 2011. The initial term of the agreement is four years. The initial term will automatically renew thereafter for additional, individual one-year periods, unless either the Company or DIRECTV gives written notice of non-renewal at least ninety (90) days in advance of expiration of the then-current term. In October 2012, the initial term of the agreement was extended to a term of five years and the agreement now expires in August 2016. Similar to the terms of the HSP agreement, material terms of the MSO agreement regarding term, termination, pricing and service areas are subject to change, oftentimes in DIRECTV's discretion. Any adverse alteration or any termination of our current relationship with DIRECTV with respect to our MDU segment would have a material adverse effect on our business, financial condition and results of operations.

Our MDU segment growth initiative may not be successful or profitable

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The Company has a strategy for growth for our MDU segment and we have invested significant time, effort, and capital into developing our MDU infrastructure. If the Company is unable to generate consistent profitability in the MDU segment, it could have a material adverse effect on our business, financial condition and results of operations.

The Company may require additional debt financing or will be limited to stock-funded acquisitions in order to complete any material strategic acquisitions

The Company may require additional debt financing or will be limited to stock-funded acquisitions in order to complete any material strategic acquisitions. There is no assurance that additional financing will be available in the amounts or at the times required, or if it is, on terms acceptable or favorable to us. There is also no assurance that a target company would agree to a stock exchange or that our stock would not be diluted by such a stock exchange. If we are unable to obtain additional financing when and if needed or to do a stock exchange, our ability to grow through acquisitions will be limited.

Marketplace pressures could curtail our operations

The Company faces competition from others who are competing for a share of the FS and MDU markets, including other satellite companies, cable companies, telephone companies and other installers. Some of these companies have significantly greater assets and resources than we do. If we are unable to compete successfully with these companies, our market share could decrease which could have a material adverse effect on our business, financial condition and results of operations.

Changes in technology or consumer preference and demand could weaken the Company's competitiveness in the marketplace

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 our control. In addition, newer technologies, such as video-on-demand and delivery of programming content over the internet, are being developed, which could have a material adverse effect on our competitiveness in the marketplace if we are unable to adopt or deploy such technologies.

In addition, our business and operating results depend upon the overall appeal of DIRECTV’s products and services to consumers. A decline in the popularity of existing products and services or the failure of new products and services to achieve and sustain market acceptance could result in reduced overall revenues, which could have a material adverse effect on our business, financial condition and results of operations. Consumer preferences with respect to entertainment are continuously changing, are difficult to predict and can vary over time. There can be no assurance that any of DIRECTV’s current products and services will continue to be popular for any significant period of time or that any new products and services will achieve commercial acceptance. As such, changes in consumer preferences may cause our revenues and net income to vary, possibly significantly, between comparable periods.

Our business segment, Energy, Engineering and Construction (EE&C), faces uncertainty and unpredictable profitability.

We recently have focused on a new business segment called Energy, Engineering and Construction (EE&C), which provides engineering and construction services for the wired and wireless telecommunications industry, including public safety networks, renewable energy services including wind and solar applications and other design and construction services, mostly done on a project basis. We face intense competition from other providers of these services, which competitors may have more resources, and more dedicated, trained staff than we do, may have more customers, and may be able to provide these services at a higher volume or at lower rates than we do. If this new segment is not profitable, this could negatively impact our results of operations.

The Company’s operations historically have fluctuated due to a number of seasonal factors. As a result, the Company’s results of operations may fluctuate significantly from quarter to quarter.

Variations in our revenues and operating results occur quarterly 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 our expenses are relatively fixed, a variation in the number of customer engagements or the timing of the initiation or completion of those engagements can cause significant fluctuations in our operating results from quarter to quarter.

Amounts included in our EE&C backlog may not result in actual revenue or translate into profits.
As of December 31, 2012 and December 31, 2011, we had a backlog of unfilled orders of approximately $1,680 and $1,817 respectively. This backlog amount is based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. In addition, contracts included in our backlog may not be profitable. We have from time to time experienced variances in the realization of our backlog because of project delays or cancellations resulting from

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external market factors and economic factors beyond our control and we may experience delays or cancellations in the future. If our backlog fails to materialize, we could experience a further reduction in revenue, profitability and liquidity.

The Company's operating results can be negatively affected by weather conditions
We perform a significant amount of our services outdoors. Adverse weather conditions may affect productivity in performing services or may temporarily prevent us from performing services for our customers. The effect of weather delays on projects that are under fixed price arrangements may be greater if we are unable to adjust the project schedule for such delays. A reduction in productivity in any given period or our inability to meet guaranteed schedules may adversely affect the profitability of our projects and operations.

Nationwide economic conditions may limit consumers' abilities to purchase our products and services in the future
While we believe the present status of the United States economy may actually assist us because consumers may stay home more for entertainment, if economic conditions deteriorate, there is no guarantee that consumers will continue to purchase DIRECTV at current levels or at all, and the need for our services may diminish, possibly materially. A significant decline in the need for our services could have a material adverse effect on our business, financial condition and results of operations.

The Company relies on key employees and needs skilled and trained personnel to conduct its operations. Excessive employee turnover could materially weaken its operations and/or reduce profitability
Our success depends on the continued employment of certain key personnel, including our executive officers. In particular, the loss of James L. Mandel, our Chief Executive Officer, or Steve M. Bell, our Chief Financial Officer and General Counsel, would harm our business and the employment relationships with both Mr. Mandel and Mr. Bell are terminable by us or each of them upon 90 days' written notice for any reason. If we were unable to continue to attract and retain a sufficient number of qualified key personnel, including key executives, our business, operating results and financial condition could be materially and adversely affected. In addition, our success depends on our ability to attract, develop, motivate and retain highly skilled 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. We have traditionally experienced material technician churn, which can have a significant impact on operations if we have an insufficient number of technicians at any given time to complete our current outstanding jobs. If we experience high levels of churn and are unable to attract, train and retain a sufficient number of qualified personnel, our business, operating results and financial condition could be materially and adversely affected.

Adverse results in legal proceedings could have a material adverse effect on our operations
We are subject to claims, regulatory processes and lawsuits that arise in the ordinary course of business. We accrue for such matters when a loss is considered probable and the amount of such loss or range of loss can be reasonably estimated. Some of these claims, if resolved or determined adversely, may be material to our results of operations and may have an adverse effect on our cash position or financial results.

Rising fuel costs could impact the Company's profitability
The Company cannot predict the price of the fuel it needs to operate its fleet. Price fluctuations are common and are outside of our control. These fluctuations are based on, among other things, political developments, supply and demand, and actions by oil and gas producers. Violence and political instability in oil producing countries can also impact prices. The Company has implemented programs and technologies that monitor fuel usage and employee driving habits, all done in an effort to maximize efficiencies. During 2011, DIRECTV implemented a fuel subsidy program which provided the Company with $2,183 of additional revenue in 2012 and $2,330 in 2011 to lessen the impact of increased fuel costs. As of the date of this report, the fuel subsidy program has not been initiated for 2013. There is no guarantee that this program will ever resume in the future. Any increase in fuel costs, or the elimination of the DIRECTV fuel subsidy program, could have a material adverse effect on our business, financial position or results

of operations.

Collective bargaining agreement

The Company has approximately 24% of its labor force covered by collective bargaining agreements that expires in May 2013. The Company utilizes a contractor base for seasonality and work overflow but it cannot be certain that it could cover all jobs during a work outage, if one should occur. A reduction in productivity in any given period or our inability to meet guaranteed schedules may adversely affect our profitability.

The Company's inability to adequately protect the confidential aspects of its technology and the products and services it sells could materially weaken its operations

We rely on a combination of trade secret, copyright and trademark laws, license agreements, and contractual arrangements with certain key employees to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. There can be no assurance that the legal protections afforded to us or the steps that we take will be adequate to prevent misappropriation of our intellectual property. We also rely on agreements with owners of multi-dwelling units who grant us the

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right of access to the premises for a specific period whereby we are allowed to offer our voice, data, and video services to individual residents of the properties. If it was determined that we have infringed or are infringing on the intellectual property rights of others, we 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 our business, financial condition and results of operations. Also, there can be no assurance that we would be able to develop non-infringing technology or that we could obtain a license on commercially reasonable terms, if at all. Our success depends in part on our ability to protect the proprietary and confidential aspects of our technology and the products and services that we sell or utilize.

Diversification efforts may fail
In 2011, the Company entered the cable television fulfillment business and the engineering and specialty construction business. These new ventures were unprofitable in 2012 and may continue to be unprofitable in 2013.

Risks Related to Our Financial Condition and Capital Requirements

The Company has a significant amount of accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts.
Within the EE&C segment, the Company extends credit to its customers as a result of performing work under contracts prior to billing for that work. At December 31, 2012 and 2011, in the EE&C segment, we had net accounts receivable of approximately $951 and $1,535 and costs and estimated earnings in excess of billings on uncompleted contracts of $1,540 and $998, respectively. The Company periodically assesses the credit risk of its customers and regularly monitors the timeliness of payments. Slowdowns in the industries the Company serves or bankruptcies or financial difficulties within the markets the Company serves, may impair the financial condition of one or more of its customers and may hinder their ability to pay the Company on a timely basis or at all. If any of these difficulties are encountered, the Company’s cash flows and results of operations could be adversely impacted. Additionally, the Company could incur losses in excess of the current bad debt allowances provided as of December 31, 2012.

If the Company fails to accurately estimate costs associated with fixed-price contracts using the percentage-of-completion method, results may vary from previous estimates, which may adversely impact profitability and liquidity.
A substantial portion of revenue derived in the EE&C segment is from fixed price contracts. Under these contracts, the Company sets the price of services on an aggregate basis and assumes the risk that the costs associated with performance may be greater than anticipated. Revenue and profit on these contracts is recognized as the work progresses on a percentage-of-completion basis.

The percentage-of-completion method relies on estimates of total expected contract costs. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. Contract revenue and total cost estimates are reviewed and revised monthly as the work progresses, such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Adjustments are reflected in contract revenue for the period affected by these revised estimates. If estimates of costs to complete long-term contracts indicate a loss, we immediately recognize the full amount of the estimated loss.

If the Company fails to accurately estimate costs associated with fixed price contracts using the percentage-of-completion method, reported results may materially differ from previous estimates which could adversely impact profitability and liquidity.

The Company has limited working capital, which may require additional financing

On December 31, 2012, the Company had a working capital deficit of $4,886 due to the amount of debt due over the next twelve months of $17,396 and positive working capital of $7,463 for the year ended December 31, 2011. On March 20, 2013, the Company entered into a new financing package with Fifth Third Bank, which consists of a $20,000 term loan and a $10,000 revolving line of credit. Proceeds from the financing package were used to pay-off its existing secured indebtedness. The Company believes the new debt facility significantly improves its liquidity however, if profitability does not continue into the future, the Company may not have adequate levels of working capital to meet its needs which may cause the need for additional financing.

The working capital at December 31, 2011 was primarily due to the improvement in the Company's cash balance and working capital position as a result of the cash flow provided by operations in 2011, as well as the net proceeds received by the Company from the common stock public offering on June 1, 2011 of $16,176. If profitability does not continue into the future, the Company may not have adequate levels of working capital to meet its needs which may cause the need for additional financing.

Failure to properly manage projects may result in unanticipated costs or claims.
In the EE&C segment, project engagements could involve large scale, highly complex projects. The quality of the Company’s performance on such projects depends in large part upon the Company’s ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors and our personnel, in a

timely manner. Any defects, errors or failure to meet customers' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our customers. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve certain performance standards. If the project or network experiences a performance problem, we may not be able to recover the additional costs we would incur, which could exceed revenues realized from a project.

Failure to pay debt when due could cause secured creditors to foreclose upon the Company's assets, making it unlikely that the Company could continue operating

As of December 31, 2012, the Company had a significant amount of debt due within the next twelve months. On March 20, 2013, the Company entered into a new financing arrangement with Fifth Third Bank (see Note 9), which provided the capital necessary to pay off the Company's existing indebtedness and to fund working capital needs. The new financing arrangement, which significantly reduced the amount of debt due within the next twelve months, contains certain financial covenants which are based on the financial performance. If the Company is not able to comply with those covenants, additional financing may become necessary. Sources of financing, if needed , may include additional debt financing or the sale of equity (including the issuance of preferred stock) or other securities. We cannot be sure that any additional sources of financing or new capital will be available to us, available on acceptable terms, or permitted by the terms of our current debt. In addition, if we sell additional equity to raise funds, all shares of common stock currently outstanding will be diluted.

The Company has significant amounts of long-lived assets that may not maintain their current value due to changes in market conditions. A write-down of those assets could adversely affect the Company's profitability

The Company has significant amounts of long-lived assets. Should we in future periods experience a significant decline in profitability and/or should the market value for our long-lived assets decrease, some impairment to these assets could occur. If impairment occurs, it could materially and adversely affect our results of operations in those future periods.

The Company has significant intangible assets, including goodwill. Lack of profitability and/or changes in market conditions may result in an impairment of these assets which could adversely affect the Company's profitability

The Company tests for impairment of its goodwill and intangible assets without a defined life. We tested for impairment of the FS and MDU segments which had goodwill as of November 30, 2012 using standard fair value measurement techniques. The Company concluded there was no goodwill impairment as of December 31, 2012. In 2011, there was an impairment charge of $246 recorded for the FS segment relating to the goodwill with the subsidiary, Security. The installation contract supporting this business was terminated in November 2011. In 2010, the Company recorded an impairment charge of $25 on the goodwill related to the US Install purchase . Should we experience a significant decline in future profitability, or our stock price declines and remains depressed, and/or should the business climate for satellite providers deteriorate, impairment to our goodwill could occur. If impairment occurs, it could be materially adverse to our results of operations in those periods.

Excessive insurance claims could have a material adverse impact on the Company's profitability

The Company utilizes a combination of self-insurance and third-party carrier insurance with predetermined deductibles that cover certain insurable risks, such as workers' compensation and health insurance. During 2012 and 2011, the Company was self-insured for workers' compensation claims up to $100 plus administrative expenses. During 2010, the Company was self-insured for workers' compensation claims up to $250 plus administrative expenses. From 2010 through 2012, the Company was self-insured for health insurance covering the range of liability up to $275 per claim where the Company expects most claims to occur. If any liability claims are substantially in excess of coverage amounts, such claims are covered under premium-based policies issued by insurance companies to coverage levels that management considers adequate. If either we exceed our coverage amounts too often and our premiums rise, or if a high number of claims are made for which we are responsible (because they are below the deductible), our profitability and cash flow may be adversely affected.

The Company may be unable to use certain net operating tax loss carryforwards
The Company has federal net operating losses of $47,461 and state net operating losses of approximately $45,966, at December 31, 2012, which, if not used, will expire from 2013-2032.  Changes in the stock ownership of the Company have placed limitations on the use of these net operating loss carryforwards (NOLs).  The Company has performed an IRC Section 382 study and determined that a total of five ownership changes had occurred since 1999.  As a result of these ownership changes, the Company's ability to utilize its net operating losses is limited. Federal net operating losses are limited to a total of $19,927, consisting of annual amounts of $9,909 in 2013 and $1,101 per year for each of the years 2014-2022 and then $109 in 2023. State net operating losses are limited to a total of approximately $44,505. We believe that $27,534 of federal net operating losses and $1,461 of state net operating losses will expire unused due to IRC Section 382 limitations. These limitations could be further restricted if additional ownership changes occur in future years. The amount of the deferred tax asset associated with the net operating losses that will expire due to the IRC Section 382 limitation is not included in net deferred tax assets. To the extent our use of net operating loss carryforwards

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are significantly limited, our income could be subject to corporate income tax earlier than it would be if we were able to use net operating loss carryforwards, which could result in lower profits.

The Company incurs significant costs as a result of operating as a public company, and we are required to devote substantial time to new compliance initiatives
As a public company, the Company incurs significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as rules subsequently implemented by the SEC and NASDAQ have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations result in increased legal and financial compliance costs and make some activities more time-consuming and costly.

The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective internal controls for financial reporting and disclosure. In particular, the Company is required to perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. We have incurred and continue to expect to incur significant expense and devote substantial management effort toward ensuring compliance with Section 404. Moreover, if we do not comply with the requirements of Section 404, or if we identify deficiencies in our internal controls that are deemed to be material weaknesses, the market price of our common stock could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would entail expenditure of additional financial and management resources.

Risks associated with the implementation of our Enterprise Resource Planning project may adversely affect our business and results of operations or the effectiveness of internal control over financial reporting.
We have undertaken an Enterprise Resource Planning Project (ERP) which includes an upgrade to our existing accounting system and conversion to a new information technology platform. This upgrade is being deployed for use throughout the organization in phases which began in the third quarter of 2012 and are planned to continue throughout 2014. This project is costly and involves risks inherent in the conversion to the upgraded system, including potential loss of information, disruption to our normal operations, changes in accounting procedures and internal control over financial reporting, as well as problems achieving accuracy in the conversion of electronic data. Implementation risks also include a potential increase in costs, the diversion of management's and employees' attention and resources, and a potentially adverse effect on our operating results, internal controls over financial reporting and ability to manage our business effectively. Throughout the ERP Project we have expended resources which are intended to properly and adequately address these issues and have instituted additional management controls relating to internal control over financial reporting and implementation risks. While the ERP Project is intended to further improve and enhance our information systems, it exposes us to the risks of integrating the system upgrades with our existing systems and processes. Disruption of our financial reporting could impair our ability to make required filings with various reporting agencies on a timely or accurate basis.

Risks of Ownership of Our Common Stock

The trading price of our common stock has been and is likely to continue to be volatile
The stock market has experienced extreme volatility, and this volatility has often been unrelated to the operating performance of particular companies. Prices for our common stock are 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. In addition, although our common stock is listed on the NASDAQ Capital Market, our common stock has experienced low trading

volume. Limited trading volume subjects our common stock to greater price volatility and may make it difficult for our shareholders to sell shares at an attractive price.

Future sales of our common stock, including by our existing shareholders, could cause our stock price to decline
If any existing shareholders, sell substantial amounts of our common stock (whether currently held or acquired upon the exercise of options or warrants or other convertible securities) in the public market, the market price of our common stock could decrease significantly. In the past, we believe certain institutional investors have sold significant numbers of shares of our common stock. The perception in the public market that our shareholders might sell shares of our common stock could also depress the market price of our common stock.

The Company may not continue to have a national market for trading of its stock
There is no assurance that our common stock will continue to trade on the NASDAQ Capital Market or other national stock exchange due to ongoing listing criteria for such exchanges. If we are unable to stay in compliance with applicable listing criteria, it may be more difficult for you to trade your shares or to sell your shares at a price that is attractive to you.

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You may not be able to resell your shares at or above the price you paid for your shares
You may not be able to sell our common stock at prices equal to or greater than the price you paid for your shares. The stock markets have been extremely volatile. The risks related to the Company discussed in this "Risk Factors" section, as well as the public's reaction to our public announcements, changes in research analysts' recommendations and decreases in market valuations of similar companies, could cause the market price of our common stock to decrease significantly from the price you paid. Further, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our stock price.

The Company may issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders
Our charter documents permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our shareholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that may be issued in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the ne terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve known and unknown risks, uncertainties and other factors that may cause our results or our industry's actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information.

These important factors include those that we discuss under the heading "Risk Factors." You should read these risk factors and the other cautionary statements made in this Annual Report on Form 10-K as being applicable to all related forward-looking statements wherever they appear in this Annual Report on Form 10-K. We cannot assure you that the forward-looking statements in this Annual Report on Form 10-K will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. You should read this Annual Report on Form 10-K completely. Other than as required by law, we undertake no obligation to update these forward-looking statements, even though our situation may change in the future.

Item 1B

Unresolved Staff Comments
We have not received any written comments that were issued more than 180 days before December 31, 2012, the end of the fiscal year covered by this report, from the SEC staff regarding our periodic or current reports under the Securities and Exchange Act of 1934 that remain unresolved.

Item 2

Properties (in thousands)
The Company owns, subject to a mortgage, its principal office located at 5605 Green Circle Drive, Minnetonka, Minnesota and leases its largest satellite office at 2000 44th Street SW, Fargo, ND 58103. We have no foreign operations. The Minnetonka office mortgage expires in 2018 and covers approximately 58,000 square feet. The Minnetonka base mortgage payment is $36 per month. The Fargo office is leased and is made up of four separate leases expiring in 2013 and 2014 and covers approximately 21 square feet. The Fargo total base rent is $22 per month. All leases have provisions that call for the tenants to pay net operating expenses, including property taxes, related to the facilities. All offices have office, warehouse and training facilities. In addition, the Company leases warehouses in its various markets of operation to facilitate storage of inventory and technician interface. These warehouses have lease terms ranging from month to month to six years in duration with lease terms expiring through 2017. The base rents at these facilities range from $1 to $16 per month. The Company considers its current facilities adequate for its current needs.

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Item 3

Legal proceedings (in thousands)

The Company is subject to claims, regulatory processes and lawsuits that arise in the ordinary course of business. The Company accrues for such matters when a loss is considered probable and the amount of such loss, or a range of loss, can be reasonably estimated. The Company's defense costs are expensed as incurred. The Company has recorded $71 and $3,072 of accrued liabilities in the accompanying consolidated balance sheets at December 31, 2012 and 2011, respectively, for claims and known and potential settlements and legal fees associated with existing litigation.

In December 2009, the U.S. Department of Labor (DOL) sued various individuals that are either shareholders, directors, trustees and/or advisors to DirecTECH Holding Company, Inc. (DTHC) and its Employee Stock Ownership Plan (ESOP). The Company was not named in this complaint. In May 2011, three of these individuals settled the complaint with the DOL (upon information and belief, some of this settlement was funded by the individuals' insurance carrier) in the approximate amount of $8,600 and those same individuals have filed suit against the Company for advancement of expenses and or reimbursement of liabilities. The basis for these reimbursement demands are certain corporate indemnification agreements that were entered into by the former DTHC operating subsidiaries and the Company itself.

Two of those defendants had their claims denied during the second quarter of 2012, in a summary arbitration proceeding. This denial was appealed and the summary judgment award was overturned by a federal court judge in February 2013 meaning the matter may proceed to arbitration. Based on the summary judgment ruling favorable to the Company, management determined that it was appropriate to reverse a $1,800 related legal reserve as of June 30, 2012, which is included in selling, general and administrative expenses in the consolidated statement of income for the year ended December 31, 2012.

The Company has denied all requests for indemnification of legal fees and/or reimbursement of liabilities in this matter for, in part, the following reasons: 1) similar indemnification agreements have been declared illegal under Federal law by a California federal appeals court; and 2) the Company has no obligation to indemnify DTHC individual shareholder conduct.

The ultimate outcome of the matter is uncertain. The Company, based in part on outside counsel's assessment, believes it has solid grounds to appeal the federal judge's decision overturning the arbitrator's summary judgment award and has filed a notice of appeal with the sixth circuit court of appeals.

Depending on the outcome of the appeal and a potential arbitration hearing, the Company's reasonable estimate of this potential liability is a range between zero and nine million dollars with no amount in that range a better estimate than any other amount. Accordingly, no amount has been accrued by the Company for this potential liability as of December 31, 2012. In future periods, the Company will continue to assess its potential exposure in the matter pursuant to the applicable financial accounting standards until the matter is resolved.

Item 4

Mine Safety Disclosures

Not applicable.

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PART II

Item 5

Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities
The Company's common stock presently trades on the NASDAQ Capital Market system under the symbol "MBND". 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, 2012 and December 31, 2011, as provided by NASDAQ.

| Quarter Ended | High Bid | Low Bid |
|---|---|---|
| December 31, 2012 | $2.24 | $1.37 |
| September 30, 2012 | $2.50 | $1.66 |
| June 30, 2012 | $3.02 | $1.91 |
| March 31, 2012 | $3.73 | $2.75 |
| | | |
| December 31, 2011 | $3.63 | $2.36 |
| September 30, 2011 | $3.74 | $2.44 |
| June 30, 2011 | $4.87 | $2.97 |
| March 31, 2011 | $6.72 | $2.60 |

As of March 11, 2013, The Company had 881 shareholders of record of its common stock and 21,788,834 shares of common stock outstanding. Because many of our shares of common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders. As of that date, three shareholders held a total of 12,696 of Class A Preferred, one shareholder held a total of 109,000 shares of Class C Preferred, one shareholder held a total of 150,000 shares of Class F Preferred and one shareholder held a total of 10,000 shares of Class G Preferred.

Recent Sales of Unregistered Securities (in thousands, except for share amounts)
During the last three years the Company has issued various securities that were not registered under the Securities Act. The securities were offered and sold by us in reliance upon the exemptions provided under Section 4(2) under the Securities Act relating to sales not involving any public offering, and/or Rule 506 of Regulation D under the Securities Act. The certificates representing the securities sold bear a restrictive legend that prohibits transfer without registration or an applicable exemption. All purchasers signed agreements stating that they were purchasing for investment purposes only and which contain restrictions on the transfer of the securities sold. Unregistered securities were subsequently registered in October 2011.

In December 2012, the Company issued 7,500 shares of common stock in lieu of making a cash payment of $75 in dividends on Class F preferred stock.

In July 2012, the Company issued 7,500 shares of common stock in lieu of making a cash payment of $75 in dividends on Class F preferred stock.

In January 2012, the Company issued 45,030 shares of common stock worth $156 in lieu of payment for board of director services.

In September 2011, the Company issued 918 shares of common stock worth $2 in lieu of payment for employee compensation.

In July 2011, the Company issued 1,250 shares of common stock worth $2 to an employee as a result of the exercise of a non-qualified stock option.

During 2011, the Company issued a total of 199,452 shares of common stock worth $399 to DirecTECH Holding Company, Inc., in lieu of payment for dividends on Class J preferred stock.

During 2011, the Company issued a total of 20,822 shares of common stock at various times worth a total of $70 to Mr. Frank Bennett, a director, in lieu of payment for dividends on Class E preferred stock.

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In June 2011, the Company issued 7,500 shares of common stock in lieu of making a cash payment of $75 in dividends on Class F preferred stock.

In June 2011, the Company issued 970 shares of common stock worth $5 in lieu of payment of interest and dividends of Class H preferred stock.

In May 2011, the Company issued 13,800 shares of common stock worth $41 as a result of the conversion of warrants.

In April 2011, the Company issued 8,333 shares of common stock worth $15 to an employee as a result of the exercise of a non-qualified stock option.

In March 2011, the Company issued 12,500 shares of common stock worth $24 to Mr. James Mandel, CEO as a result of the exercise of a non-qualified stock option.

In February 2011, the Company issued 1,675 shares of common stock worth $8 as a result of the dividend and related conversion of Series H preferred stock.

In January 2011, the Company issued 1,994 shares of common stock worth $16 as a result of the conversion of Series G preferred stock.

In January 2011, the Company issued 45,956 shares of common stock worth $125 in lieu of payment for board of director services.

During 2010, the Company issued a total of 60,048 shares of common stock at various times worth a total of $114 to Mr. Frank Bennett, a director, in lieu of payment for dividends on Class E preferred stock.

During 2010, the Company issued a total of 315,616 shares of common stock at various times worth a total of $631 to DirecTECH Holding Company, Inc., in lieu of payment for dividends on Class J preferred stock.

In October 2010, the Company issued 20,000 shares of common stock worth $52 in lieu of payment for investor relation services.

In August 2010, the Company issued 103,164 shares of common stock worth $181 in connection with a purchase agreement entered into with Lincoln Park Capital Fund, LLC.

In June 2010, the Company issued 5,000 shares of common stock worth $10 in lieu of payment for consulting services.

In April 2010, the Company issued 12,000 shares of common stock worth $24 in connection with the acquisition of Hyatt Tech Systems.

In January 2010, the Company issued 50,000 shares of common stock worth $100 in lieu of payment for board of director services.

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.  The Company'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 the Company's Board of Directors out of funds legally available for the payment of dividends. The Company 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 the Company, and subject to the preferential rights of the holders of the various classes of the Company's preferred stock, the holders of common stock will be entitled to receive a pro rata share of the net assets of remaining after payment or provision for payment of the debts and other liabilities .

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

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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 thousands, except share and liquidation preference amounts)
The following chart summarizes certain terms of our outstanding preferred stock as of December 31, 2012. The certificate of designation for each series should be carefully reviewed to determine exact rights and preferences of each class.

| Class/ Series | Date of Issuance | Shares Outstanding (1) | Annual Dividend Rate | Number of shares issued upon conversion (2) | Liquidation Preference | Redeemable by Company | |
|---|---|---|---|---|---|---|---|
| A | 12/98 | 12,696 | 0.08 | 1 | $133,308 | Yes | (3) |
| C | 6/00 | 109,000 | 0.1 | 0.40 | $1,090,000 | Yes | (4) |
| F | 6/04 | 150,000 | 0.1 | 1 | $1,500,000 | Yes | (4) |
| G | 9/04 | 10,000 | 0.08 | 1.25 | $100,000 | — | |
| | | 281,696 | | | | | |

(1) All preferred stock is non-voting.
(2) Preferred shares are convertible at any time. Figures are adjusted for a 1-for-5 reverse stock split of the Company’s common stock, effective August 7, 2007.
(3) Redeemable at $10.50 per share in accordance with the terms and conditions of the preferred stock certificate of designation.
(4) Redeemable at $10.00 per share whenever the Company’s common stock price exceeds certain defined criteria and other terms and conditions of the preferred stock certificate of designation.

The single Class F stockholder, at its sole discretion pursuant to a put option, required the Company to redeem up to 50,000 Class F Preferred Shares (the equivalent of $500 worth). Class G shares have no redemption “call” price. Upon the Company’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 the Company in its sole discretion. Preferred stock not converted would be redeemed.

Our ability to issue preferred stock, or rights to purchase such shares, could discourage an unsolicited acquisition proposal. For example, we could impede a business combination by issuing a series of preferred stock containing, among other rights and preferences, class voting rights that would enable the holders of such preferred stock to block a business combination transaction. Alternatively, we could facilitate a business combination transaction by issuing a series of preferred stock having sufficient voting rights to provide a required percentage vote of the shareholders. Additionally, under certain circumstances, our issuance of preferred stock could adversely affect the voting power of the holders of our common stock. Although our board of directors is required to make any determination to issue any preferred stock based on its judgment as to the best interests of our shareholders, our board of directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of our shareholders might believe to be in their best interests or in which shareholders might receive a premium for their stock over prevailing market prices of such stock. Our board of directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange requirements.

Issuer Purchases of Equity Securities

On June 4, 2012, the Company announced that its Board of Directors has approved the repurchase of up to 2,000,000 shares of its common stock over a six month period commencing on June 6, 2012. On June 13, 2012, the Company entered into a Stock Repurchase Plan pursuant to SEC Rule10b-18, which documents the guidelines, rules and limitations of the program. The following table summarizes shares repurchased pursuant to this program during the year ended December 31, 2012.

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| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share (including commission costs | Total Number of Shares Purchased as Part of Publicly Announced Programs | Approximate Number of Shares that May Yet Be Purchased Under the Programs |
|---|---|---|---|---|
| June 1, 2012 - June 30, 2012 | 10,000 | $2.18 | 10,000 | 1,990,000 |
| July 1, 2012 - July 31, 2012 | 99,301 | $2.18 | 99,301 | 1,890,699 |
| August 1, 2012 - August 31, 2012 | 55,400 | $2.05 | 55,400 | 1,835,299 |
| | 164,701 | $2.13 | 164,701 | |

(1) All shares purchased during the year ended December 31, 2012 were made in open-market transactions.

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 has been derived from our consolidated financial statements and accompanying notes included elsewhere in this report. The Statement of Operations data for the years ended December 31, 2009 and 2008 and the Balance Sheet data at December 31, 2010, 2009 and 2008 have been derived from our audited consolidated financial statements which are not contained in this filing.

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| Statement of Operations Data (in thousands, except share and per share amounts) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Revenues | $305,624 | $300,186 | $265,594 | | |