

Edgar Filing: MULTIBAND CORP - Form S-1/A

MULTIBAND CORP  
Form S-1/A  
May 26, 2005

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 26, 2005

REGISTRATION NO. 333-122717

=====

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

-----  
AMENDMENT NUMBER TWO TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
-----

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

MINNESOTA	4813	41-1255001
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

9449 SCIENCE CENTER DRIVE  
NEW HOPE, MINNESOTA 55428  
(763) 504-3000  
(Address, including zip code, and telephone number,  
including area code of registrant's principal executive offices)

JAMES L. MANDEL  
CHIEF EXECUTIVE OFFICER  
MULTIBAND CORPORATION  
9449 SCIENCE CENTER DRIVE  
NEW HOPE, MINNESOTA 55428  
(763) 504-3000  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

-----  
COPIES TO:

STEVEN M. BELL, ESQ.  
MULTIBAND CORPORATION  
9449 SCIENCE CENTER DRIVE  
NEW HOPE, MINNESOTA 55428  
(763) 504-3000  
-----

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED  
SALE TO PUBLIC: As soon as practicable after this  
registration statement becomes effective.

Edgar Filing: MULTIBAND CORP - Form S-1/A

-----

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective date registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

-----

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED AGG OFFERED
Shares of Common Stock no par value	6,666,667	\$1.52	
Shares of Common Stock, no par value, underlying Warrants	7,142,858	\$1.52	
Totals	13,809,525	\$1.52	

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933. Based on the closing price for the common stock on February 7, 2005 as reported on the Nasdaq Stock Market.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

TABLE OF CONTENTS

Page

	-----
Prospectus Summary	5
Risk Factors	8
Forward-Looking Statements	10
Use of Proceeds	10
Dividend Policy	11
Capitalization	11
Selected Financial Data	12
Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Business	21
Management	
Certain Transactions	33
Principal and Selling Shareholders	35
Plan of Distribution	38
Description of Securities	39
Legal Matters	41
Experts	41
Where You Can Find More Information	41
Index to Consolidated Financial Statements	F1

MULTIBAND CORPORATION

COMMON STOCK

13,809,525 SHARES

PROSPECTUS

-----  
FEBRUARY 10, 2005

Page 3

(Subject to Completion) THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS ISSUED FEBRUARY 10, 2005

MULTIBAND CORPORATION

13,809,525 SHARES OF COMMON STOCK

The selling shareholders are offering up to an aggregate of 13,809,525 shares of our common stock. Of the shares of common stock being offered by the selling shareholders, (i) 7,142,858 shares may be purchased upon exercise of outstanding warrants and (ii) 6,666,667 shares are currently owned by shareholders who acquired such shares in private placements to accredited investors.

We will not receive any proceeds from the sale of common stock by the selling shareholders under this prospectus. However, we will receive proceeds

## Edgar Filing: MULTIBAND CORP - Form S-1/A

upon the exercise of the warrants. See "Use of Proceeds" on page 7.

Our common stock is traded on the Nasdaq Stock Market under the symbol "MBND." On February 7, 2005, the closing price of our common stock as reported by NASDAQ was \$1.52 per share.

The selling shareholders may offer the shares through public or private transactions, on or off the NASDAQ Stock Market exchange, at prevailing market prices or at privately negotiated prices. The selling shareholders may make sales directly to purchasers or through agents, dealers or underwriters.

-----  
YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS  
CONTAINED IN THIS PROSPECTUS. A HIGH DEGREE OF RISK  
EXISTS WITH REGARDS TO THE OFFERING.  
-----

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

-----  
THE DATE OF THIS PROSPECTUS IS FEBRUARY 10, 2005.

Page 4

### PROSPECTUS SUMMARY

This summary highlights selected information and does not contain all the information that is important to you. You should carefully read this prospectus and the documents we have referred you to in "Where You Can Find More Information" for more information about Multiband and our financial statements. In this prospectus, references to "Multiband," "we," "us" "our" and "Company" refer to Multiband Corporation and its subsidiaries.

### OUR COMPANY

Multiband Corporation (Multiband), (f/k/a Vicom, Incorporated), is a Minnesota corporation formed in September 1975. Multiband has one operating division: 1) Multiband Consumer Services (MCS, legally known as Corporate Technologies, USA, Inc. dba Multiband), which encompasses the subsidiary corporations, Multiband USA, Inc., URON, Inc., Minnesota Digital Universe, Inc., and Rainbow Satellite Group, LLC.

Multiband completed an initial public offering in June 1984. In November 1992, Multiband became a non-reporting company under the Securities Exchange Act of 1934. In July 2000, Multiband regained its reporting company status. In December, 2000, Multiband stock began trading on the NASDAQ stock exchange under the symbol VICM. In July 2004, the symbol was changed to MBND concurrent with the Company's name change from Vicom, Incorporated to Multiband Corporation.

Multiband's website is located at: [www.multibandusa.com](http://www.multibandusa.com).

From its inception until December 31, 1998, Multiband operated as a telephone interconnect company only. Effective December 31, 1998, Multiband acquired the assets of the Midwest region of Enstar Networking Corporation (ENC), a data cabling and networking company. In late 1999, in the context of a

Edgar Filing: MULTIBAND CORP - Form S-1/A

forward triangular merger, Multiband to expand its range of computer products and related services, purchased the stock of Ekman, Inc. d/b/a Corporate Technologies, and merged Ekman, Inc. into the newly formed surviving corporation, Corporate Technologies, USA, Inc. (MBS). MBS provided voice, data and video systems and services to business and government. The MBS business segment was sold effective March 31, 2005. All referenced to financial information and descriptions of business in this registration have been revised to reflect only our continuing operations and all references to our now discontinued Multiband Business Services have been eliminated. MCS began in February 2000. MCS, the Company's continuing operating division, provides voice, data and video services to multiple dwelling units (MDU), including apartment buildings, condominiums and time share resorts. During 2004 the Company purchased video subscribers in a number of separate transactions, the largest one being Rainbow Satellite Group, LLC. During 2004 the Company also purchased the stock of Minnesota Digital Universe, Inc., which made the Company the largest master service operator in MDU's for DirecTV satellite television in the United States.

Page 5

THE OFFERING

Common stock offered	13,809,525 (1)
Common stock to be outstanding after the offering	40,705,426 (2)
Use of proceeds	We intend to use the net pro warrants for working capital purposes. See"Use of Proceed

(1) The selling shareholders are offering up to an aggregate of 13,809,525 shares of our common stock. Of the shares of common stock being offered by the selling shareholders, (i) 7,142,858 shares may be purchased upon exercise of outstanding warrants and (ii) 6,666,667 shares are currently owned by shareholders who acquired such shares in private placements to accredited investors.

The offering shares include 6,666,667 common shares related to the Company's Class I Cumulative Convertible Preferred Stock, which converts into common stock at \$1.50 per share; and 3,571,429 one year warrants at an exercise price of \$1.575 per share and 3,571,429 five year warrants at an exercise price of \$1.725 per share.

(2) The information is based on the number of shares of common stock outstanding as of February 4, 2005 and assumes that all of the warrants to purchase 7,142,858 shares were exercised. The number of shares outstanding does not include the following:

- o 13,385,506 shares of common stock issuable upon the exercise of warrants outstanding as of February 4, 2005 with a weighted average exercise price of \$1.66 per share;
- o 2,672 shares of unvested restricted stock grants as of February 4, 2005 with a weighted average grant price of \$ .88 per share;

## Edgar Filing: MULTIBAND CORP - Form S-1/A

- o 5,500,000 shares of common stock reserved for additional issuances under our stock plans as of February 4, 2005 (4.3 million shares reserved in our employee stock option plan, 400,000 shares reserved in our employee stock purchase plan and 800,000 shares reserved in our Director's option plan.)
- o 9,283,402 shares of common stock issuable upon the conversion of shares of our 8% Class A Cumulative Convertible Preferred Stock ("Class A Preferred"), 10% Class B Cumulative Convertible Preferred Stock ("Class B Preferred"), 10% Class C Cumulative Convertible Preferred Stock ("Class C Preferred"), 10% Class F Cumulative Convertible Preferred Stock ("Class F Preferred"), 8% Class G Cumulative Convertible Preferred Stock ("Class G Preferred"), 6% Class H Cumulative Convertible Preferred Stock ("Class H Preferred") and Class I Cumulative Convertible Preferred Stock ("Class I Preferred") outstanding as of February 4, 2005.
- o 699,216 shares upon conversion of a note owed as of February 4, 2005.

Page 6

### SUMMARY FINANCIAL DATA

The following table sets forth certain summary financial data for Multiband Corporation and should be read in conjunction with the Consolidated financial Statements of Multiband Corporation included in this Prospectus Supplement.

STATEMENT OF OPERATIONS DATA	2004	2003	2002	2001
-----	-----	-----	-----	-----
Revenues .....	\$ 11,067,834	\$ 1,441,118	\$ 577,221	\$ 265,996
Cost of products and services (exclusive of depreciation and amortization shown below) .....	\$ 5,943,395	\$ 884,536	\$ 418,093	\$ 226,432
Selling, general and administrative expenses ...	\$ 5,960,050	\$ 2,647,870	\$ 1,971,584	\$ 2,555,144
% of revenues .....	53.9%	183.0%	641.6%	960.6%
Depreciation and amortization	\$ 3,432,779	\$ 1,065,650	\$ 1,193,306	\$ 1,165,610
Loss from Operations .....	\$ (4,268,390)	\$ (3,156,938)	\$ (3,005,762)	\$ (3,681,190)
Other expense net .....	\$ (1,058,252)	\$ (548,476)	\$ (1,439,069)	\$ (1,070,802)
Minority interest in subsidiary .....	\$ 0	\$ 33,366	\$ 0	\$ 0
Loss before income taxes ...	\$ (5,326,642)	\$ (3,672,048)	\$ (4,444,831)	\$ (4,751,992)
Income tax provision .....	\$ 0	\$ 0	\$ 0	\$ 0
Loss from Continuing Operations .....	\$ (5,326,642)	\$ (3,672,048)	\$ (4,444,831)	\$ (4,751,992)
Discontinued operations .....	\$ (4,457,320)	\$ (692,956)	6,772	\$ (573,560)
Net Loss .....	\$ (9,783,962)	\$ (4,365,004)	\$ (4,438,059)	\$ (5,325,552)
Loss attributable to common stockholders .....	\$ (10,374,417)	\$ (4,613,693)	\$ (4,591,637)	\$ (5,758,221)
Loss per common share-basic and diluted .....	\$ (.42)	\$ (.27)	\$ (.38)	\$ (.66)

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Weighted average shares outstanding .....	23,307,594	16,112,231	11,735,095	8,762,814
--	------------	------------	------------	-----------

BALANCE SHEET DATA	2004	2003	2002	2001
Working capital				
(deficiency) .....	\$ (8,931,414)	\$ 1,118,792	\$ (252,870)	\$ 426,549
Total assets .....	26,653,712	\$ 13,902,885	\$ 10,347,316	\$ 12,209,681
Long-term debt .....	3,498,657	\$ 2,262,891	\$ 3,273,350	\$ 3,311,870
Stockholders' equity .....	\$ 8,549,431	\$ 5,807,711	\$ 2,642,285	\$ 4,184,001

Page 7

### RISK FACTORS

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

#### General

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

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

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

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

#### NET LOSSES

The Company had net losses of \$9,783,962 for the fiscal year ended December 31, 2004, \$4,365,004 for the fiscal year ended December 31, 2003, and \$4,438,059 for the fiscal year ended December 31, 2002. Multiband may never be profitable.

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

If we cannot achieve profitability from operating activities, we may not

## Edgar Filing: MULTIBAND CORP - Form S-1/A

be able to meet:

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

### GOODWILL

In June 2001, the Financial Accounting Standards Board (FASB) adopted Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets" which changed the amortization rules on recorded goodwill from a monthly amortization to a periodic "impairment" analysis for fiscal years beginning after December 15, 2001. In 2004, the Company recorded an impairment charge of \$527,879 related to Multiband Business Services. In the fourth quarter of 2004, the Company wrote off \$2,221,000 worth of goodwill related to discontinued operations. As of December 31, 2004, the Company had remaining recorded goodwill of \$812,366 related to the purchase of Rainbow Satellite Group, LLC.

### DEREGULATION

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

Page 8

### DEPENDENCE ON STRATEGIC ALLIANCES

Several suppliers, or potential suppliers of Multiband, such as McLeod, WorldCom, WS Net, XO Communications and others have filed for bankruptcy in recent years. While the financial distress of its suppliers or potential suppliers could have a material adverse effect on Multiband's business, Multiband believes that enough alternate suppliers exist to allow the Company to execute its business plans. The Company is also highly dependent on its Master System Operator agreement with DirecTV which expires in May 2006. Although an alternate provider of satellite television services, Echostar, exists, the termination of its agreements with DirecTV could have a material adverse effect on Multiband's business.

### CHANGES IN TECHNOLOGY

A portion of our projected future revenue is dependent on public acceptance of broadband, and expanded satellite television services. Acceptance of these services is partially dependent on the infrastructure of the internet and satellite television which is beyond Multiband's control. In addition, newer



## Edgar Filing: MULTIBAND CORP - Form S-1/A

technologies, such as video-on-demand, are being developed which could have a material adverse effect on the Company's competitiveness in the marketplace if Multiband is unable to adopt or deploy such technologies.

### ATTRACTION AND RETENTION OF EMPLOYEES

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

### INTELLECTUAL PROPERTY RIGHTS

Multiband relies on a combination of trade secret, copyright, and trademark laws, license agreements, and contractual arrangements with certain key employees to protect its proprietary rights and the proprietary rights of third parties from which Multiband licenses intellectual property. Multiband also relies on agreements with owners of MDUs which grant the Company rights of access for a specific period to MDU premises whereby Multiband is allowed to offer its voice, data, and video services to individual residents of the MDUs. If it was determined that Multiband infringed the intellectual property rights of others, it could be required to pay substantial damages or stop selling products and services that contain the infringing intellectual property, which could have a material adverse effect on Multiband's business, financial condition and results of operations. Also, there can be no assurance that Multiband would be able to develop non-infringing technology or that it could obtain a license on commercially reasonable terms, or at all. Multiband's success depends in part on its ability to protect the proprietary and confidential aspects of its technology and the products and services it sells. There can be no assurance that the legal protections afforded to Multiband or the steps taken by Multiband will be adequate to prevent misappropriation of Multiband's intellectual property.

### CERTAIN ANTI-TAKEOVER EFFECTS

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

### VOLATILITY OF MULTIBAND'S COMMON STOCK

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

## Edgar Filing: MULTIBAND CORP - Form S-1/A

### FUTURE SALES OF OUR COMMON STOCK MAY LOWER OUR STOCK PRICE

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

### COMPETITION

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

### FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of federal securities law. Terminology such as "may," "will," "expect," "anticipate," "believe," "estimate," "continue," "predict," or other similar words, identify forward-looking statements. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements appear in a number of places in this prospectus and include statements regarding our intent, belief or current expectation about, among other things, trends affecting the industries in which we operate, as well as the industries we service, and our business and growth strategies. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors."

### USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of common stock by the selling shareholders under this prospectus. However, we will receive proceeds of \$11,785,715 from the exercise of the warrants estimated at \$11,765,715 after payment of the offering expenses. We have agreed to pay all of the expenses related to this offer, estimated to be approximately \$20,000.

We expect to use the net proceeds from the exercise of the warrants primarily for working capital and other general corporate purposes, including expenditures for sales and marketing and fixed assets and inventory. No specific amount has been allocated to any particular purpose. Pending these uses, we intend to invest the net proceeds of this offering in investment grade, interest-bearing securities.

### DIVIDEND POLICY

We have never paid cash dividends on our common stock, nor do we have plans to do so in the foreseeable future. The declaration and payment of any cash dividends on our common stock in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements and overall financial condition.

The holders of our Series A Cumulative Convertible Preferred Stock are entitled to receive a cumulative dividend of 8% per year, payable quarterly, and the holders of our Series B Convertible and Series C Convertible Preferred Stock are entitled to receive cumulative dividends of 10% per year, payable monthly, the holders of our Series E Convertible Preferred Stock are entitled to receive a cumulative dividend of 15% per year, payable in kind quarterly. The holders of

## Edgar Filing: MULTIBAND CORP - Form S-1/A

our Series F Convertible Preferred Stock are entitled to receive a cumulative dividend of 10% per year, payable in kind quarterly, and the holders of our Series G Convertible Preferred Stock are entitled to receive a cumulative dividend of 6% per year, payable in kind quarterly. The holders of our Series H Convertible Preferred Stock are entitled to receive a cumulative dividend of 6% per year, payable semi-annually. The holders of our Series I Convertible Preferred Stock receive a monthly dividend at a range between prime rate and prime rate plus 10% for the first seven months and at prime rate thereafter.

Page 10

### CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2004 and our capitalization as adjusted to reflect the issuance and sale of 7,142,858 shares of common stock upon exercise of the warrants and the historical financial statements and notes thereto included elsewhere in this prospectus.

-----  
-----  
-----  
**Preferred stock:**

-----  
8% Class A cumulative convertible - no par value 27,931 shares issued and outstanding

-----  
10% Class B cumulative convertible - no par value 8,700 shares issued and outstanding

-----  
10% Class C cumulative convertible - no par value 125,400 shares issued and outstanding

-----  
10% Class F cumulative convertible - no par value 150,000 shares issued and outstanding

-----  
10% Class G cumulative convertible - no par value 45,245 shares issued and outstanding

-----  
6% Class H cumulative convertible - no par value 11.5 shares issued and outstanding

-----  
Class I cumulative convertible - no par value 100 shares issued and outstanding

-----  
Common stock - no par value 25,784,490 and 32,927,348 issued, 25,781,818 and 32,924,676  
outstanding

-----  
Stock Subscriptions receivable

-----  
Options and Warrants

-----  
Unamortized Compensation

-----  
Accumulated deficit

-----  
\*The Class I shares were issued in February 2005 for gross proceeds of

Edgar Filing: MULTIBAND CORP - Form S-1/A

\$10,000,000.

Page 11

SELECTED 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 as of December 31, 2003 and 2002 and the nine months ended September 30, 2004 and for each of the three years in the period ended December 31, 2003 and the nine months ended September 30, 2004 and 2003 have been derived from our consolidated financial statements and accompanying notes contained in this prospectus. The Statement of Operations Data for the years ended December 31, 2000 and 1999 and the Balance Sheet Data at December 31, 2001, 2000 and 1999 have been derived from our audited financial statements which are not contained in this prospectus.

STATEMENT OF OPERATIONS DATA	2004	2003	2002	2001
Revenues .....	\$ 11,067,834	\$ 1,441,118	\$ 577,221	\$ 265
Cost of products and services (exclusive of depreciation and amortization shown below) ...	\$ 5,943,395	\$ 884,536	\$ 418,093	\$ 226
Selling, general and administrative expenses .....	\$ 5,960,050	\$ 2,647,870	\$ 1,971,584	\$ 2,555
% of revenues .....	53.9%	183.0%	641.6%	9
Depreciation and amortization .....	\$ 3,432,779	\$ 1,065,650	\$ 1,193,306	\$ 1,165
Loss from Operations .....	\$ (4,268,390)	\$ (3,156,938)	\$ (3,005,762)	\$ (3,681)
Other expense net .....	\$ (1,058,252)	\$ (548,476)	\$ (1,439,069)	\$ (1,070)
Minority interest in subsidiary .....	\$ 0	\$ 33,366	\$ 0	\$
Loss before income taxes .....	\$ (5,326,642)	\$ (3,672,048)	\$ (4,444,831)	\$ (4,751)
Income tax provision .....	\$ 0	\$ 0	\$ 0	\$
Loss from Continuing Operations .....	\$ (5,326,642)	\$ (3,672,048)	\$ (4,444,831)	\$ (4,751)
Discontinued operations .....	\$ (4,457,320)	\$ (692,956)	\$ 6,772	\$ (573)
Net Loss .....	\$ (9,783,962)	\$ (4,365,004)	\$ (4,438,059)	\$ (5,325)
Loss attributable to common stockholders .....	\$ (10,374,417)	\$ (4,613,693)	\$ (4,591,637)	\$ (5,758)
Loss per common share-basic and diluted .....	\$ (.42)	\$ (.27)	\$ (.38)	\$
Weighted average shares outstanding .....	23,307,594	16,112,231	11,735,095	8,762
BALANCE SHEET DATA	2004	2003	2002	2001
Working capital (deficiency) .....	\$ (8,931,414)	\$ 1,118,792	\$ (252,870)	\$ 426
Total assets .....	26,633,712	\$ 13,902,885	\$ 10,347,316	\$ 12,209
Long-term debt .....	3,498,657	\$ 2,262,891	\$ 3,273,350	\$ 3,311
Stockholders' equity	\$ 8,549,431	\$ 5,807,711	\$ 2,642,285	\$ 4,184

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of Operations of Multiband Corporation should be read in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto included elsewhere in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of the financial condition and results of operations of Multiband should be read in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto included elsewhere in this report.

Years Ended December 31, 2004 and December 31, 2003.

This discussion does not include the results of discontinued operations.

Results of Operations

The following table sets forth certain items.

	2004 -----	2003 -----
Revenues		
Multiband	0%	0%
MCS	100%	100%
	-----	-----
Total Revenues	100%	100%
	=====	=====
Cost of Products and Services (exclusive of depreciation and amortization)		
Multiband	0%	0%
MCS	53.70%	61.38%
	-----	-----
Total Cost of Products and Services (exclusive of depreciation and amortization)	53.70%	61.38%
	=====	=====
Selling, General and Administrative expenses	53.85%	183.73%
Operating loss from continuing operations	(48.12%)	(254.81%)
Loss from discontinued operations	(40.27%)	(48.08%)
Net Loss	(88.40%)	(302.89%)

Revenues:

Total revenues from continuing operations increased 668.0% from \$1,441,118 in 2003 to \$11,067,834 in 2004. This significant increase in revenues is primarily due to the Company's acquisition of subscriber related assets in 2004 which produced a material increase in consumer recurring revenues. These acquisitions led primarily to the Company in 2004 growing from approximately 6,800 subscribers to approximately 30,000 subscribers. The Company's revenues

## Edgar Filing: MULTIBAND CORP - Form S-1/A

are expected to increase in 2005, even without further acquisitions, as the Company will experience a full year's worth of revenues from these acquisitions made in 2004.

### Cost of Products and Services:

The cost of products and services was \$5,943,395 in 2004 compared to \$884,536 in 2003. The significant increase in costs of products and services resulted from the revenue generated from acquisition of subscriber related assets. The Company expects costs of products and services as a percentage of revenue to remain stable in future periods due to the relative predictability of the costs.

Page 13

### Selling, General and Administrative Expenses

These expenses from continuing operations increased 125.08% to \$5,960,050 in 2004, compared to \$2,647,870 in 2003. The increase in expenses was directly related to the Company's increase in revenues. Furthermore, the Company's integration of various accounting, information technology and customer service activities from its 2004 acquisitions produced material start up and additional expense. Selling, general and administrative expenses were, as a percentage of revenues, 53.85 % for 2004 and 183.73% for 2003. The Company expects these expenses to decline as a percentage of revenues throughout 2005 as the aforementioned integration expenses should be mitigated.

### Interest Expense

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

### Net Loss

The Company, in 2004, showed a net loss of \$9,783,962, inclusive of the loss from discontinued operations, which totaled \$4,457,320. The Company's net loss in 2003 totaled \$4,365,004 which included a discontinued operations loss of \$692,956. Included in the loss from discontinued operations was an impairment of goodwill of \$2,748,879 for the year ended December 31, 2004 (see Note 1 to the consolidated financial statements for further detail).

YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

### Results of Operations

The following table sets forth certain items from the Company's consolidated statements of operations expressed as a percentage of total revenue.

	2003	2002
	-----	-----
Revenues		
Multiband	0%	0%
MCS	100.0%	100.0%
	-----	-----
Total Revenues	100.0%	100.0%
	=====	=====

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Cost of Products and Services (exclusive of depreciation and amortization)		
Multiband	0%	0%
MCS	61.38%	72.43%
	-----	-----
Total Cost of Products and services (exclusive of depreciation and amortization)		
	61.38%	72.43%
	=====	=====
Selling, General and Administrative expenses	183.73%	341.56%
Operating loss from continuing operations	(254.81%)	(770.04%)
Loss from discontinued operations	(48.08%)	(1.17%)
Net Loss	(302.89%)	(768.87%)

### REVENUES

Total revenues increased 149.7% to \$1,441,118 in 2003 from \$577,221 in 2002. This increase is due to the expansion of MCS services to nineteen apartment properties and eighteen timeshare properties.

### COSTS OF PRODUCTS AND SERVICES

The cost of products and services was \$884,536 in 2003 compared to \$418,093 in 2002. The increase is due to the expansion of MCS services to nineteen apartment properties and eighteen timeshare properties.

Page 14

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 34.3% to \$2,647,870, compared to \$1,971,584 in 2002. This increase in expenses is primarily related to increased payroll and facility expense and costs incurred for re-branding Vicom operating divisions as Multiband. Increased payroll primarily resulted from acquisition related payroll expense and increase in officer compensation in 2003. Selling, general and administrative expenses were, as a percentage of revenues, 183.7% for 2003 and 341.5% for 2002.

### INTEREST EXPENSE

Interest expense was \$488,156 for 2003, versus \$1,256,965 for 2002 reflecting a substantial decrease in Original Issue Discount expense associated with long term debt and a significant decrease in cash interest expense associated with notes payable.

### NET LOSS

In 2003, the Company incurred a net loss of \$4,365,004 compared to a net loss of \$4,438,059 for 2002.

Page 15

### UNAUDITED QUARTERLY RESULTS

Edgar Filing: MULTIBAND CORP - Form S-1/A

The following table sets forth certain unaudited quarterly operating information for each of the eight quarters in the two-year period ending December 31, 2004. This data includes, in the opinion of management, all normal recurring adjustments necessary for the fair presentation of the information for the periods presented when read in conjunction with the Company's consolidated financial statements and related notes thereto. Results for any previous fiscal quarter are not necessarily indicative of results for the full year or for any future quarter.

	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	March 31, 2004	Dec. 31, 2003	Sept. 2003
<b>Revenues:</b>						
Vicom	0	0	0	0	0	
MCS	3,475,576	3,918,342	2,911,261	762,655	429,141	418,
Total Revenues	3,475,576	3,918,342	2,911,261	762,655	429,141	418,
Cost of Products and Services (exclusive of depreciation and amortization shown below)	1,889,980	1,952,631	1,712,280	410,962	290,391	238,3
SG&A Expense	2,148,570	1,845,547	1,137,780	828,153	931,304	592,
Depreciation & Amortization	881,826	1,048,031	1,150,677	352,245	295,131	279,
Operating Loss	(1,444,800)	(927,867)	(1,089,476)	(828,705)	(1,087,685)	(692,
Interest Expense	(382,854)	(254,314)	(188,986)	(229,334)	(135,411)	(97,
Other Income (Expenses)	13,403	(15,423)	6,851	14,863	(12,136)	
Minority Interest	38,170	(3,460)	(1,392)	0		
Net Loss Before Taxes	(1,814,251)	(1,197,604)	(1,271,611)	(1,043,176)	(1,197,062)	(793,
Income Tax (Benefit) Provision	0	0	0	0	0	
Income (loss) from continuing operations	(1,814,251)	(1,197,604)	(1,271,611)	(1,043,176)	(1,197,062)	(793,
Discontinued Operations	(3,149,780)	(653,989)	(179,863)	(473,688)	(434,537)	(39,



Edgar Filing: MULTIBAND CORP - Form S-1/A

Net Loss	(4,964,031)	(1,851,593)	(1,451,474)	(1,516,864)	(1,631,599)	(832,
-----						
Net Loss Per Common Share						
Basic and Diluted	(.20)	(.07)	(.06)	(.08)	(.09)	(
-----						

LIQUIDITY AND CAPITAL RESOURCES

YEAR ENDED DECEMBER 31, 2004

Available working capital for 2004 decreased to \$8,931,414 primarily due to acquisition related debt load. Accounts receivable increased by \$ 1,125,668 in 2004 due to a significant increase in consumer revenues. Current liabilities increased in 2004 \$8,298,728 due primarily to higher accounts payable and accrued liabilities directly related to the increase in consumer revenues. In addition, current maturities to long-term debt increased \$500,000 and short-term debt increased \$4.5 million as of December 31, 2004 versus December 31, 2003 due to the short-term debt issued related to the 2004 acquisitions. Inventories decreased by \$135,024 due to the Company's need to carry fewer inventories in its consumer services division versus its discontinued business services division.

Page 16

Total long term debt and capital lease obligations increased by \$1,717,015 during the year ended December 31, 2004. Multiband paid out \$74,902 related to capital lease obligations and \$345,578 related to long term debt during the year ended December 31, 2004 versus \$276,069 paid out in 2003.

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

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

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

The Company, as is common in the cable and telecommunications industries, uses earnings before interest, taxes, depreciation, and amortization ("EBITDA") as a measure of performance to demonstrate earnings exclusive of interest and non-cash events. The Company manages its business based on its cash flows. The majority of the Company's non-cash expense results from amortization of

Edgar Filing: MULTIBAND CORP - Form S-1/A

intangible right of entry agreement assets obtained through acquisition. The Company, in its daily management of its business affairs and analysis of its monthly, quarterly and annual performance, makes its decisions based on cash flows; not on the amortization of the aforementioned assets obtained through historical activities. The Company, in managing its current and future affairs, cannot affect the amortization of the intangible assets to any material degree, and therefore uses EBITDA as its primary management guide. Since an outside investor may base its evaluation of the Company's performance based on the Company's net income not its cash flows, there is a limitation to the EBITDA measurement. EBITDA is not, and should not be considered an alternative to net income, income from operations, or any other measure for determining operating performance or liquidity, as determined under accounting principals generally accepted in the United States.

The most directly comparable GAAP reference in the Company's case is the removal of interest, depreciation, amortization and other non cash charges. The following table reconciles Company EBITDA to our consolidated net loss as computed under GAAP.

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2004	2003	2004	2003
EBITDA	\$ (549,569)	\$ (792,446)	\$ (838,373)	\$ (2,091,669)
Interest Expense, other	(102,203)	23,862	(211,669)	(69,780)
Depreciation and Amortization	(881,828)	(295,129)	(3,432,779)	(1,065,780)
Loss from discontinued operations	(3,149,780)	(434,537)	(4,457,320)	(692,780)
Other Non Cash Expense associated with common stock issuance	(280,651)	(133,349)	(843,818)	(445,780)
Net Loss	\$ (4,964,031)	\$ (1,631,599)	\$ (9,783,962)	\$ (4,365,780)

In February 2005, the Company sold ten million dollars worth of Class I convertible preferred stock. With this investment and the Company's anticipated EBITDA for 2005 based on 2004 trends, Multiband management believes that it can meet the anticipated liquidity and capital resource requirements of its business in 2005.

YEAR ENDED DECEMBER 31, 2003

Available working capital for 2003 increased \$1,3771,662 primarily to a stronger cash position due to investing activities. Multiband successfully completed an offering of institutional financing in the second half of 2003 raising net proceeds of \$2,223,150. Multiband had a decrease of \$289,890 in accounts receivable as a result of a reduction in sales. Current liabilities increased in 2003 by \$1,373,968 as a result of higher current portion of long term debt and accrued liabilities. Inventories increased by \$509,762 primarily due to a planned expansion to provide wireless intranet service.

Total long term debt and capital lease obligation decreased by \$1,010,459

## Edgar Filing: MULTIBAND CORP - Form S-1/A

during the year ended December 31, 2003. Multiband paid out \$75,301 related to capital lease obligations and \$200,768 related to long term debt during the year ended December 31, 2003 versus \$1,069,433 paid out in 2002.

The Company used \$526,936 for capital expenditures during 2003, as compared to \$1,275,434 in 2002. The decrease was primarily attributed to a reduction in self-financed MCS construction. In 2004 capital expenditures are expected to be limited to the Company's internal information technology infrastructure and are expected to be less than 2003 expenditures.

In 2003, the Company reached an agreement to convert the remaining \$962,000 of a Note Payable to equity. Terms of the conversion state the note will be converted to equity over a 14 month period at a price generally equivalent to a 10% discount to market price.

In November of 2003, the Company borrowed \$1,500,000 and issued a three-year warrant to the lender to purchase 535,000 common shares at \$2.21 per share through November 2006. The debt is also convertible into common stock of the Company at a conversion rate of \$1.40 per share through November 2006.

On June 30, 2003, the Company borrowed \$124,000 as an unsecured note from a stockholder of the Company, with monthly payments of \$5,600 at an interest rate of 7.85%.

Net cash used by operations in 2003 was \$2,580,248 as compared to cash used by operations in 2002 of \$869,721. The cash used by operations in 2003 is due primarily to net operating losses and a reduction in the wholesale line of credit. During the years ended December 31, 2003, and December 31, 2002, the Company incurred significant net losses. Although the majority of these losses were due to non-cash expenses, The Company still continued to incur cash losses as well due to general corporate expense. The on-going addition of MCS properties in the Company's portfolio provided additional cash flows in 2003 and those cash flows are projected to improve in 2004 with additional expansions. Management of Multiband believes that, for the near future, cash generated from new investments combined with existing credit facilities are adequate to meet the anticipated liquidity in capital resource requirements of its business, contingent upon Company operating results for the next twelve months.

### YEAR ENDED DECEMBER 31, 2002

Available working capital, for 2002, decreased \$679,419 due to Multiband's net operating loss and net cash used in operating activities of \$869,721. Proceeds from issuance of long term debt, stock and warrants totaling \$2,121,597 helped offset Multiband's net operating loss. Multiband had a decrease of \$38,344 in accounts payable and other current liabilities for 2002 versus last year's period, primarily due to significant reductions in accounts receivables which were used to reduce payables.

Inventories year to date decreased net of reserves \$182,783 over last year's prior period inventories due to a decrease in revenues. The aforementioned decrease in revenues also led to a decrease in accounts receivable net of reserves of \$576,509.

Total long term debt and capital lease obligation decreased by \$102,631 during the year ended December 31, 2002. The Company paid out \$937,828 related to capital lease obligations and \$131,605 related to long term debt during the year ended December 31, 2002 versus \$777,578 paid out in 2001.

In 2001, the Company entered into a long-term debt agreement, expiring in 2003, with an investment fund. The fund, in exchange for its \$1.5 million investment, also received 375,000 warrants and the right to convert its investment into Multiband common stock at a predetermined price. The effect of

## Edgar Filing: MULTIBAND CORP - Form S-1/A

recording the beneficial conversion feature and warrants associated with the convertible loan resulted in a \$1,500,000 discount attributable to the warrants in accordance with the Black-Scholes pricing model. The Company is expensing the aforementioned warrant discount in eight quarterly installments over the two year term of the loan. \$460,000 of the debt was converted to stock in 2002 pursuant to a formula tied to the trading price of the Company's Common Stock.

In 2002, the Company borrowed \$600,000 from a Director. This investment was later converted into Class E Preferred Stock. Also in 2002, the Company restructured its debenture with Convergent Capital, resetting the date of principal repayment to begin in August 2005.

The Company used \$1,275,434 for capital expenditures during 2002, as compared to \$1,884,945 in 2001. The decrease was primarily attributed to a reduction in self-financed MCS construction.

Page 18

In 2002, the Company extinguished \$937,828 worth of capital lease obligations, reduced its principal indebtedness \$460,000 to a note holder, and converted another \$600,000 worth of debt to Preferred Stock. All these events, combined, with the aforementioned refinancing and delayed principal repayment to its largest debt holder, should materially improve projected cash flows throughout 2003 provided Company operating losses continue to diminish.

Net cash used by operations was approximately \$869,721 in 2002 versus net cash used by operations of \$502,110 in 2001. The cash used by operations in 2002 is due primarily to net operating losses, and reductions in accounts payable and wholesale line of credit balances in that year. During the years ended December 31, 2002 and December 31, 2001, the Company incurred significant net losses. Although the majority of these losses were due to non-cash expenses, the Company still continued to incur cash losses as well due to general corporate expense and continuing expenses related to the building out of its MCS network. The Company in 2002 significantly cut its selling, general and administrative expenses which led to a material decrease in cash losses. The on-going addition of MCS properties in the Company's portfolio also generated additional cash flows in 2002 and these MCS cash flows are projected to improve meaningfully in 2003. Management of Multiband believes that, for the near future, cash generated from new investments combined with existing credit facilities are adequate to meet the anticipated liquidity in capital resource requirements of its business, contingent upon Company operating results for the next twelve months.

Page 19

### DESCRIPTION OF BUSINESS

Multiband Corporation (Multiband), (f/k/a Vicom, Incorporated), is a Minnesota corporation formed in September 1975. Multiband has one operating division: 1) Multiband Consumer Services (MCS, legally known as Corporate Technologies, USA, Inc. dba Multiband), which encompasses the subsidiary corporations, Multiband USA, Inc., URON, Inc., Minnesota Digital Universe, Inc., and Rainbow Satellite Group, LLC.

Multiband completed an initial public offering in June 1984. In November 1992, Multiband became a non-reporting company under the Securities Exchange Act of 1934. In July 2000, Multiband regained its reporting company status. In December, 2000, Multiband stock began trading on the NASDAQ stock exchange under the symbol VICM. In July 2004, the symbol was changed to MBND concurrent with

## Edgar Filing: MULTIBAND CORP - Form S-1/A

the Company's name change from Vicom, Incorporated to Multiband Corporation.

Multiband's website is located at: [www.multibandusa.com](http://www.multibandusa.com).

From its inception until December 31, 1998, Multiband operated as a telephone interconnect company only. Effective December 31, 1998, Multiband acquired the assets of the Midwest region of Enstar Networking Corporation (ENC), a data cabling and networking company. In late 1999, in the context of a forward triangular merger, Multiband to expand its range of computer products and related services, purchased the stock of Ekman, Inc. d/b/a Corporate Technologies, and merged Ekman, Inc. into the newly formed surviving corporation, Corporate Technologies, USA, Inc. (MBS). MBS provided voice, data and video systems and services to business and government. The MBS business segment was sold effective March 31, 2005. All referenced to financial information and descriptions of business in this Form 10-K have been revised to reflect only our continuing operations and all references to our now discontinued Multiband Business Services have been eliminated. MCS began in February 2000. MCS, the Company's continuing operating division, provides voice, data and video services to multiple dwelling units (MDU), including apartment buildings, condominiums and time share resorts. During 2004 the Company purchased video subscribers in a number of separate transactions, the largest one being Rainbow Satellite Group, LLC. During 2004 the Company also purchased the stock of Minnesota Digital Universe, Inc., which made the Company the largest master service operator in MDU's for DirecTV satellite television in the United States.

### MULTIBAND CONSUMER SERVICES

Since 2000, Multiband has offered voice, data and video services to residents of the multi dwelling unit (MDU) market. Our experience in this market suggests that property owners and managers are currently looking for a solution that will satisfy two problems. The first problem that they are dealing with is how to satisfy the residents who desire to bring satellite television service to the unit without being visually unattractive or a structural/maintenance problem. The second is how to provide competitive access for local and long distance telephone cable television and internet services. Our MCS offering addresses these problems and provides the consumer several benefits, including:

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

As we develop and market this package, we keep a marketing focus on two levels of customer for this product. The primary decision-makers are the property owners/managers. Their concerns are focused on delivering their residents reliability, quality of service, short response times, minimized disruptions on the property, minimized alterations to the property and value added services. Each of these concerns is addressed in our contracts with the property owner, which includes annual reviews and 10 year terms as service providers on the property. The secondary customer is the end-user. We provide the property with on-going marketing support for their leasing agents to deliver

## Edgar Filing: MULTIBAND CORP - Form S-1/A

clear, concise and timely information on our services. This will include simple sign up options that should maximize our penetration of the property.

Page 20

When taken as a whole, and based on Multiband 's interpretations of U.S. Census Bureau statistics, cable television, telephone and internet services currently generate over \$170 billion of revenues annually in the U.S, with an estimated 26 million households living in MDUs. These statistics indicate stable growing markets with demand that is likely to deliver significant values to businesses that can obtain a subscriber base of any meaningful size.

### MULTIBAND CONSUMER INDUSTRY ANALYSIS

#### Strategy

For the near future, the services described below will be offered primarily in New York, California, Minnesota, Florida, Illinois, Missouri and North Dakota. Our primary competition will come from the local incumbent providers of telephone and cable television services.

#### Local Telephone Service

We compete with the former Bell System companies such as Verizon Communications (Verizon) and Qwest Communications International, Inc. (Qwest) for local telephone services. Although those companies have become the standard for local telephone service, we believe we have the ability to underprice their service while maintaining high levels of customer satisfaction.

#### Cable Television Service

We compete with Comcast Corporation (Comcast), Time Warner and others for pay-TV customers. Comcast and Time-Warner are national cable television service providers. We have a significant consumer benefit in that we are establishing private rather than public television systems, which allows us to deliver a package that is not laden with local "public access" stations that clog the basic service package. In essence, we will be able to deliver a customized service offering to each property based upon pre-installation market research that we perform. The pricing of our service is also untariffed which allows for flexible and competitive "bundling" of services.

#### Long Distance Telephone Service

Cingular-Wireless, LLC (Cingular), WorldCom Inc. dba MCI (MCI), and Sprint Corporation (Sprint) are our principal competitors in providing long distance telephone service. They offer new products almost weekly. Our primary concern in this marketplace is to assure that we are competitive with the most recent advertised offerings in the "long distance wars." We will meet this challenge by staying within a penny of the most current offering, while still maintaining a high gross margin on our product. We accomplish this through various carrier agency associations. We expect to generate a high penetration in our long distance services amongst our local service subscribers because private property owners in the shared tenant environment (similar to a hotel environment) are not required to offer multiple long distance carriers to their tenants.

#### Internet Access Service

The clear frontrunners in this highly unregulated market are America Online, Inc. and CompuServe Corp. They compete with local exchange carriers, long distance carriers, Internet backbone companies and many local ISPs

## Edgar Filing: MULTIBAND CORP - Form S-1/A

(Internet Service Providers). Competition has driven this to a flat rate unlimited access dial-up service market. The general concern among consumers is the quality of the connection and the speed of the download. Our design provides the highest connection speeds that are currently available. The approach that we will market is "blocks of service." Essentially, we deliver the same high bit rate service in small, medium and large packages, with an appropriate per unit cost reduction for those customers that will commit to a higher monthly expenditure.

### Market Description

We are currently marketing Multiband services to MDU properties primarily throughout Minnesota, North Dakota, Missouri, Florida, New York, California and Illinois. We will target properties that range from 50 to 150 units on a contiguous MDU property for television and Internet access only. We will survey properties that exceed 150 units for the feasibility of local and long distance telephone services.

We are initially concentrating on middle to high-end rental complexes. We are also pursuing resort area condominiums. A recent U.S. Census Bureau table indicates that there are more than 65,000 properties in the United States that fit this profile. Assuming an average of 100 units per complex, our focus is on a potential subscriber base of 6,500,000.

Page 21

A recent Property Owners and Manager Survey, published by the U.S. Census Bureau, shows that the rental properties are focusing on improving services and amenities that are available to their tenants. These improvements are being undertaken to reduce tenant turnover, relieve pricing pressures on rents and attract tenants from competing properties. We believe that most of these owners or managers are not interested in being "in the technology business" and will use the services that we are offering. Various iterations of this package will allow the owners to share in the residual income stream from the subscriber base.

Minnesota Digital Universe, Inc. (MDU, Inc.)

The Company, through its MDU, Inc. subsidiary, also serves as a master service operator for DirecTV, a provider of satellite television service. DirecTV is the largest provider of satellite television services in the United States with approximately 13 million subscribers. DirecTV competes with the leading cable companies and with Echostar, America's second largest provider of satellite television. The Company, through its direct operations, markets DirecTV services. The MDU, Inc. subsidiary allows the Company to offer satellite television services to residents of Multi-dwelling-units through a network of affiliated operators.

### Number of Units/Customers

At April 1, 2005, MCS had 36,816 subscriptions for its services, (1,386 voice subscriptions, 31,177 video subscriptions and 4,253 internet subscriptions).

### Employees

As of March 31, 2005, Multiband employed three full-time management employees, four accounting personnel, and six information technology employees. As of that same date, MCS had 33 full-time employees, consisting of eight in sales and marketing, seven in technical positions, sixteen in customer service

## Edgar Filing: MULTIBAND CORP - Form S-1/A

and related support, and two in management.

### PROPERTIES

Multiband and its subsidiaries lease principal offices located at 2000 44th Street SW, Fargo, ND 58103 and 9449 Science Center Drive, New Hope, Minnesota 55428. We have no foreign operations. The main Fargo office lease expires in 2017 and covers approximately 22,500 square feet. The Fargo base rent ranges from \$23,565 to \$30,377 per month. The New Hope office lease expires in 2013 and covers approximately 47,000 square feet. The New Hope base rent ranges from \$18,389 to \$25,166 per month. Both the New Hope and Fargo leases have provisions that call for the tenants to pay net operating expenses, including property taxes, related to the facilities. Both offices have office, warehouse and training facilities.

Multiband considers its current facilities adequate for its current needs and believes that suitable additional space would be available as needed.

### LEGAL PROCEEDINGS

The Company is involved in legal actions in the ordinary course of business, including an action brought by Private Investor's Equity Group (PIEG) brought in the third quarter of 2004, which seeks damages in excess of \$75,000 over an alleged financing fee owed. The Company believes the claims are without merit and is vigorously defending against the action. However, as of December 31, 2004, with the possible exception of the aforementioned PIEG proceeding, Multiband was not engaged in any pending legal proceedings where, in the opinion of the Company, the outcome is likely to have a material adverse effect upon the business, operating results and financial condition of the Company.

### DIRECTORS AND OFFICERS

NAME	AGE	POSITION
----	---	-----
Steven Bell.....	45	President & CFO, Multiband Incorporated
Frank Bennett.....	47	President, Artesian Capital
Jonathan Dodge.....	53	Partner, Dodge & Fox C.P.A. Firm
David Ekman.....	43	Chief Information Officer, Corporate Technologies USA, Inc.

Page 22

NAME	AGE	POSITION
----	---	-----
Eugene Harris.....	39	Shareholder, Eidelman, Finger, Harris & Co.
James L. Mandel.....	47	Chief Executive Officer, Multiband Corporation
Donald Miller.....	64	Chairman, Multiband Corporation
David Weiss.....	41	Principal, Rangeline Capital, LLC

STEVEN BELL was general counsel and Vice President of the Company from June 1985 through October 1994, at which time he became Chief Financial Officer. He was also named President in July 1997. He is a graduate of the William Mitchell College of Law.



## Edgar Filing: MULTIBAND CORP - Form S-1/A

FRANK BENNETT has been a Director of Multiband Corporation since 2002 and is currently a member of the Audit Committee. Mr. Bennett is President of Artesian Management, Inc., which manages Artesian Capital, a private equity investment firm based in Minneapolis. Artesian Capital invests in companies in the communications, consumer, financial services and health care industries. Prior to founding Artesian Capital in 1989, he was a Vice President of Mayfield Corporation, and a Vice President of Corporate Finance of Piper Jaffray & Hopwood and a Vice President of Piper Jaffray Ventures, Inc. He is currently a director of Fairfax Financial Holdings Limited, Odyssey Re Holdings Corp., Multiband Corporation, Northbridge Financial Corporation and Crum & Forster Holdings, Inc. Mr. Bennett currently serves on the boards of several non-profit organizations including the Social Enterprise Fund, American Federation of Arts, St. David's Child Development and Family Services, PACER Center and Wayzata Community Church. Mr. Bennett, a graduate of the University of Oregon, lives with his wife and five children in Long Lake, MN.

JONATHAN DODGE has been the Senior Partner of the C.P.A. firm of Dodge & Fox since its inception in March 1997. Prior to that, he was a partner in the CPA firm of Misukanis and Dodge from 1992 to March 1997. Mr. Dodge is a member of both the AICPA and the Minnesota Society of CPA's.

DAVID EKMAN is Chief Information Officer of Corporate Technologies, USA, Inc., a wholly owned subsidiary of Multiband. He has worked continuously in the computer business since 1981, initially as a franchisee of Computerland, a personal computer dealer and subsequently from 1996 to December 1999 as President of Ekman, Inc., a value-added computer reseller and the predecessor company to Corporate Technologies, USA, Inc.

EUGENE HARRIS is a Vice President and major shareholder of Eidelman, Finger, Harris & Co., a St. Louis based registered investment advisor. He has been with Eidelman, Finger, Harris & Co. since 1994. Prior to joining Eidelman, Finger, Harris & Co., Mr. Harris held positions in general management and new business development for the Monsanto Company from 1990-1994. He also was an Associate Consultant with Bain and Co. from 1996-1998. Mr. Harris received a B.S. in Industrial Engineering from Stanford University in 1996 and an M.S. in Management from the Sloan School of Management at the Massachusetts Institute of Technology in 1990. He is a Chartered Financial Analyst and a member of the Financial Analysts Federation. Mr. Harris was appointed to Multiband's Board of Directors in April 2004.

JAMES MANDEL has been the Chief Executive Officer and a Director of the Company since October 1, 1998. From October 1991 to October 1996, he was Vice President of Systems for Grand Casinos, Inc., where his duties included managing the design, development, installation and on-going maintenance for the 2,000 room, \$507 million Stratosphere Hotel, Casino and Tower in Las Vegas. Mr. Mandel also managed the systems development of Grand Casino Mille Lacs, in Onamia, Minnesota, Grand Casino Hinckley in Hinckley, Minnesota and six other casinos nationwide. He also serves as Chairman of the Board of CorVu Corporation and is a trustee of the Boys and Girls Club of Minneapolis.

DONALD MILLER worked for Schwan's enterprises between 1962 and 2001, primarily as Chief Financial Officer. He is currently employed by Schwan's as Special Assistant to the CEO. He was appointed to Multiband's Board of Directors in September 2001 and was elected Chairman of the Board in April 2002. Mr. Miller is also Chairman of Multiband's Audit Committee.

DAVID WEISS has been a Director of Multiband since 2002. He is currently Managing Principal for Rangeline Capital, LLC, a real estate investment banking company. Prior to forming Rangeline in 2002, Mr. Weiss was Managing Director for the St. Louis office of Northland/Marquette Capital Group.

## Edgar Filing: MULTIBAND CORP - Form S-1/A

The Company knows of no arrangements or understandings between a Director or nominee and any other person pursuant to which any person has been selected as a Director or nominee. There is no family relationship between any of the nominees, Directors or executive officers of the company.

Page 23

### BOARD OF DIRECTORS AND ITS COMMITTEES

The Board has determined that a majority of its members are "independent" as defined by the listing standards of the NASDAQ Stock Market. The independent Directors are Messrs. Frank Bennett, Eugene Harris, Donald Miller and David Weiss.

The Board of Directors met four times on a regular basis in 2004. As permitted by Minnesota Law, the Board of Directors also acted from time to time during 2004 by unanimous written consent in lieu of conducting formal meetings. Last year, there were four such actions and accompanying Board Resolutions passed. The Board has designated an audit committee consisting of Jonathan Dodge, Donald Miller and Frank Bennett. The Board also designated a compensation committee consisting of Frank Bennett and David Weiss.

### Shareholder communication with the Board

Our Board welcomes your questions and comments. If you would like to communicate directly to our Board, or if you have a concern related to the Company's business ethics or conduct, financial statements, accounting practices or internal controls, then you may contact our website via [www.multibandusa.com](http://www.multibandusa.com), section Investor Relations. All communications will be forwarded to our audit committee.

Directors' attendance at Annual Meetings can provide shareholders with an opportunity to communicate with directors about issues affecting the Company. The Company does not have a policy regarding director attendance, but all directors are encouraged to attend the Annual Meeting of Shareholders. Six of our directors attended our Annual Meeting in 2003.

### AUDIT COMMITTEE

Our audit committee:

- o recommends to our Board of Directors the independent auditors to conduct the annual audit of our books and records;
- o reviews the proposed scope and results of the audit;
- o approves the audit fees to be paid;
- o reviews accounting and financial controls with the independent public accountants and our financial and accounting staff; and
- o reviews and approves transactions between us and our Directors, officers and affiliates.

Our audit committee has a formal charter that is an exhibit to our most recent annual report on Form 10K.

Our audit committee met four times during 2004. The Audit Committee is comprised entirely of individuals who meet the independence and financial literacy requirements of NASDAQ listing standards. Our Board has determined that all three members qualify as an "audit committee financial expert" independent from management as defined by Item 401(h)(2) of Regulation S-K under the Securities Act of 1933, as amended. Multiband acknowledges that the designation of the members of the audit committee as financial experts does not impose on them any

## Edgar Filing: MULTIBAND CORP - Form S-1/A

duties, obligations or liability that are greater than the duties, obligations and liability imposed on them as a member of the audit committee and the Board of Directors in the absence of such designation.

### REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter adopted by the Board of Directors, the Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and financial reporting practices of the Company. During the year ended December 31, 2004, the Committee met four times, and Donald Miller, as the Audit Committee chair and representative of the Audit Committee, discussed the interim financial information contained in quarterly earnings announcement with the Company's Chief Financial Officer and the Company's independent auditors prior to public release.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," discussed with the auditors any relationships that may affect their objectivity and independence and satisfied itself as to the auditors' independence. The Audit Committee also discussed with management and the independent auditors the quality and adequacy of the Company's internal controls. The Audit Committee reviewed with both the independent auditors their audit plans, audit scope, and identification of audit risks.

Page 24

The Audit Committee discussed and reviewed with the Company's independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees" and, both with and without management present, discussed and reviewed the results of the independent auditors' examination of the Company's financial statements. The Audit Committee reviewed the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2004 with management and the independent auditors. Management has the responsibility for the preparation of the Company's consolidated financial statements and the Company's independent auditors have the responsibility for the examination of those statements.

Based on the review referred to above and discussions with management and the independent auditors, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 for filing with the Securities and Exchange Commission. The Audit Committee also recommended the reappointment, subject to shareholder approval, of the independent auditors and the Board of Directors concurred in such recommendation.

### COMPENSATION COMMITTEE

Our compensation committee consisting of Frank Bennett, Donald Miller and Eugene Harris:

- o reviews and recommends the compensation arrangements for management, including the compensation for our chief executive officer; and
- o establishes and reviews general compensation policies with the objective

## Edgar Filing: MULTIBAND CORP - Form S-1/A

to attract and retain superior talent, to reward individual performance and to achieve our financial goals.

Our compensation committee met four times during 2004. The compensation committee is comprised entirely of Directors who meet the independence requirements of the NASDAQ listing standards.

### NOMINATING COMMITTEE

The Nominating Committee (the "Nominating Committee") was formed by our Board in April 2004 and consists of Frank Bennett and David Weiss. The Nominating Committee's duties include adopting criteria for recommending candidates for election or re-election to our Board and its committees, considering issues and making recommendations considering the size and composition of our Board. The Nominating Committee will also consider nominees for Director suggested by shareholders in written submissions to the Company's Secretary.

The Nominating Committee met in April 2004 to decide upon the nominees for Director at the Annual Meeting.

### DIRECTOR NOMINATION PROCEDURES

**DIRECTOR MANAGER QUALIFICATIONS.** The Company's Nominating Committee has established policies for the desired attributes of our Board as a whole. The Board will seek to ensure that a majority of its members are independent as defined in the NASDAQ listing standards. Each member of our Board must possess the individual qualities of integrity and accountability, informed judgment, financial literacy, high performance standards and must be committed to representing the long-term interests of the Company and the shareholders. In addition, Directors must be committed to devoting the time and effort necessary to be responsible and productive members of our Board. Our Board values diversity, in its broadest sense, reflecting, but not limited to, profession, geography, gender, ethnicity, skills and experience.

**IDENTIFYING AND EVALUATING NOMINEES.** The Nominating Committee regularly assesses the appropriate number of Directors comprising our Board, and whether any vacancies on our Board are expected due to retirement or otherwise. The Nominating Committee may consider those factors it deems appropriate in evaluating Director candidates including judgment, skill, diversity, strength of character, experience with businesses and organizations comparable in size or scope to the Company, experience and skill relative to other Board members, and specialized knowledge or experience. Depending upon the current needs of our Board, certain factors may be weighed more or less heavily by the Nominating Committee. In considering candidates for our Board, the Nominating Committee evaluates the entirety of each candidate's credentials and, other than the eligibility requirements established by the Nominating Committee, does not have any specific minimum qualifications that must be met by a nominee. The Nominating Committee considers candidates for the Board from any reasonable source, including current Board members, shareholders, professional search firms or other persons. The Nominating Committee does not evaluate candidates differently based on who has made the recommendation. The Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates.

Page 25

**CHARTER OF THE NOMINATING COMMITTEE.** A copy of the charter of the Nominating Committee is available on our website at [www.multibandusa.com](http://www.multibandusa.com).

### EXECUTIVE COMPENSATION

Edgar Filing: MULTIBAND CORP - Form S-1/A

The following table sets forth certain information relating to the remuneration paid by the Company to its executive officers whose aggregate cash and cash-equivalent remuneration approximated or exceeded \$100,000 during the Company's last three fiscal years ending December 31, 2004.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION				RESTRICTED STOCK AWARD(S) (\$)	SECURITIES UNDERLYING OPTIONS SARS (#)
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	LO		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
James L. Mandel Chief Executive Officer	2004	\$201,731	\$125,000	-0-	-0-	100,000	
	2003	\$250,727	\$125,000	-0-	-0-	300,000	
	2002	\$149,874	-0-	-0-	-0-	-0-	
Steven Bell Chief Financial Officer	2004	\$135,521	-0-	-0-	-0-	75,000	
	2002	\$120,484	-0-	-0-	-0-	50,000	
	2002	\$99,014	-0-	-0-	-0-	10,500	
Dave Ekman Chief Information Officer	2004	\$120,380	-0-	-0-	-0-	-0-	
	2002	\$111,154	-0-	-0-	-0-	-0-	
	2002	\$93,695	-0-	-0-	-0-	-0-	

DIRECTORS FEES

There were no cash fees paid to Directors in 2004. Outside Directors receive a stock option of 30,000 shares at market price upon joining the Multiband Board. Additional awards or options to Directors are determined by the Board's Compensation Committee.

Page 26

STOCK OPTION GRANTS DURING 2004

THE FOLLOWING TABLE PROVIDES INFORMATION REGARDING STOCK OPTIONS GRANTED DURING FISCAL 2004 TO THE NAMED EXECUTIVE OFFICERS IN THE SUMMARY COMPENSATION TABLE.

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year (%)	Exercise or Base Price (\$/Share)	Expiration Date	Potential Assumed Price Appr
-----	-----	-----	-----	-----	-----
					5%
					-----

Edgar Filing: MULTIBAND CORP - Form S-1/A

James L. Mandel	100,000	16.4	\$1.45	6/18/2014	\$86,190
Steven M. Bell	25,000	4.1	\$1.89	4/23/2014	\$39,465
Steven M. Bell	50,000	8.2	\$1.45	6/18/2014	\$63,095
Dave Ekman	-0-	-0-	-	-	-

(1) The "potential realizable value" shown represents the potential gains based on annual compound stock price appreciation of 5% and 10% from the date of grant through the full option terms, net of exercise price, but before taxes associated with exercise. The amounts represent certain assumed rates of appreciation only, based on the Securities and Exchange Commission rules. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock, overall market conditions and the option holders, continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved and do not reflect the Company's estimate of future stock price growth.

Each option represents the right to purchase one share of common stock. The options shown in this table are all non-qualified stock options. To the extent not already exercisable, the options generally become exercisable in the event of a merger in which Vicom is not the surviving corporation, a transfer of all shares of stock of Vicom, a sale of substantially all the assets, or a dissolution or liquidation, of Vicom.

AGGREGATED OPTION EXERCISES IN 2004 AND YEAR END OPTION VALUES

The following table provides information as to options exercised by the named executive officers in the Summary Compensation Table during fiscal 2004 and the number and value of options at December 31, 2004.

NAME	SHARES ACQUIRED		EXERCISABLE/UNEXERCISABLE	EXER	
	ON EXERCISE	VALUE (1)			NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 2004
James L. Mandel.....	-0-	-0-	550,500	-0-	\$200
Steven M. Bell.....	-0-	-0-	135,500	-0-	\$ 3
David Ekman.....	-0-	-0-	150,500	-0-	\$0

-----  
 (1) Value is calculated on the basis of the difference between the option exercise price and \$1.61, the fair market value of the Company's common stock at December 31, 2004 as quoted on the NASDAQ, multiplied by the number of shares underlying the option.

OTHER COMPENSATION AND LONG-TERM INCENTIVE PLANS

The Company has no long-term incentive plans and issued no long-term incentive awards during 2004.

The Company has an employment agreement with Mr. Steven Bell, President,

## Edgar Filing: MULTIBAND CORP - Form S-1/A

for the term beginning January 2005 and expiring September 2008. Mr. Bell's compensation is not directly tied to the Company's performance. The agreement states that annual base salary for Mr. Bell will be \$195,000.00 per year. Other key provisions of the contract include an agreement by Mr. Bell to keep confidential information secret both during and after employment by the Company and covenants not to compete with the Company for one year from the date of termination of employment. The contract also provides Mr. Bell with 400,000 stock options at market price, vested over a three year period.

The Company maintains key man life insurance policies in the amount of \$1,000,000 each on the lives of Steven Bell and Marvin Frieman, former Director. The Company is the beneficiary of these policies and has adopted a plan to pay fifty percent of all life insurance proceeds to the spouse or surviving children of each such individual.

The Company also has a three year employment agreement, from January 2005 to December 2007, with James L. Mandel, Chief Executive Officer, the terms of which involve an annual base salary of \$250,000 and a stock option of 600,000 shares at \$1.47 per share, vested over a three year period. Mr. Mandel's job responsibilities involve developing company business plans, developing expansion and growth opportunities and directing other executive officers.

Page 28

### 1999 STOCK COMPENSATION PLAN

#### 1999 STOCK COMPENSATION PLAN

The total number of shares of stock reserved for awards to employees under the Plan is 4.3 million shares. The purpose of the plan is to promote the interest of the Company and its shareholders by providing employees of the company with an opportunity to receive a proprietary interest in the Company and thereby develop a stronger incentive to contribute to the Company's continued success and growth. The plan is administered by a Committee of the Board of Directors. Awards pursuant to the 1999 plan may be in the form of either a restricted stock grant, which means that stock issued will vest over a three year vesting period, or stock options.

Options granted under the Plan may be either "incentive" stock options within the meaning of Section 422 of the Internal Revenue Code ("IRC") or "nonqualified" stock options that do not qualify for special tax treatment under the IRC. No incentive stock option may be granted with a per share exercise price less than the fair market value of a share of the Company's common stock on the date the option is granted; in the case of any shareholder owning 10 percent or more of the common stock to whom an incentive stock option has been granted under the Plan, the exercise price thereof is required to be not less than 110 percent of the fair market value of the common stock on the date the option is granted. Options are not transferable. An optionee, or his or her personal representative, may exercise his or her option for a period of ninety (90) days following termination of employment, disability or death. The term of each option, which is fixed by the Committee, may not exceed 10 years from the date the option is granted, or 5 years in the case of incentive stock options granted to shareholder owning 10 percent or more of the common stock to whom options have been granted. Options may be made exercisable in whole or in installments as determined by the Committee or Board. The Committee or Board may cancel an option of an employee who has been terminated for cause or takes employment with a competitor. The closing sale price of a share of the Company's common stock was \$ \$1.52 on February 7, 2005.

Federal Income Tax Matters

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Options. Incentive stock options granted under the 1999 plan are intended to qualify for favorable tax treatment under Section 422 of the Internal Revenue Code of 1986, as amended. Under Section 422, an optionee recognizes no taxable income when the option is granted. Further, the optionee generally will not recognize any taxable income when the option is exercised if he or she has at all times from the date of the option's grant until three months before the date of exercise been an employee of the Company. The Company ordinarily is not entitled to any income tax deduction upon the grant or exercise of an incentive stock option. Certain other favorable tax consequences may be available to the optionee if he or she does not dispose of the shares acquired upon the exercise of an incentive stock option for a period of two years from the granting of the option and one year from the receipt of the shares.

Under present law, an optionee will not realize any taxable income on the date a nonqualified option is granted pursuant to the 1999 plan. Upon exercise of the option, however, the optionee must recognize, in the year of exercise, ordinary income equal to the difference between the option price and the fair market value of the Company's common stock on the date of exercise. Upon the sale of the shares, any resulting gain or loss will be treated as capital gain or loss. The Company will receive an income tax deduction in its fiscal year in which nonqualified options are exercised equal to the amount of ordinary income recognized by those optionees exercising options, and must withhold income and other employment related taxes on such ordinary income.

Restricted Stock Awards. Generally, no income is taxable to the recipient of a restricted stock award in the year the award is granted. Instead, the recipient will recognize compensation taxable as ordinary income equal to the fair market value of the shares in the year in which the transfer restrictions lapse. Alternatively, if a recipient makes a "Section 83(b)" election, the recipient will, in the year that the restricted stock award is granted, recognize compensation taxable as ordinary income equal to the fair market value of the shares on the date of the award. The Company normally will receive a deduction equal to the amount of compensation the recipient is required to recognize as ordinary taxable income, and must comply with applicable tax withholding requirements.

### 2000 NON-EMPLOYEE DIRECTOR STOCK COMPENSATION PLAN

The total number of shares reserved for awards under the Plan is 800,000 shares. The purpose of the 2000 Directors' Plan is to enable the Company, through the grant of non-qualified stock options to non-employee ("outside") Directors of the Company, to attract and retain highly-qualified outside Directors and, by providing them with such a stock-based incentive, to motivate them to promote the best interests of the Company and its shareholders. For the purposes of the Plan, outside Directors are Directors who, at the time of granting of options under the Plan, are not and for the prior twelve months have not been employees of the Company or any of its subsidiaries.

Page 29

All grants will provide for an exercise price equal to 100% of the fair market value of a Share at the date of the grant. Options will become exercisable approximately one year after date of grant and will expire ten years after date of grant, subject to earlier exercise and termination in certain circumstances. If an outside Director ceases to be a Director due to death, any of his outstanding options that have not yet become exercisable will accelerate, and all of his outstanding Options will remain exercisable for various specified periods of time up to a maximum of approximately one year. If an outside Director ceases to be a Director due to disability, all of his or her



## Edgar Filing: MULTIBAND CORP - Form S-1/A

outstanding options not fully vested will immediately terminate, and those that are fully vested will remain exercisable for various specified periods of time up to a maximum of approximately one year. If an outside Director ceases to be a Director for any other reason, all of his or her outstanding options not fully vested will immediately terminate, and those that are fully vested will remain exercisable for 90 days.

The closing sale price of a share of the Company's common stock was \$1.32 on April 25, 2005.

### Federal Income Tax Matters

Under present law, an optionee will not realize any taxable income on the date a nonqualified option is granted pursuant to the 2000 Directors' Plan. Upon exercise of the option, however, the optionee must recognize, in the year of exercise, ordinary income equal to the difference between the option price and the fair market value of the Company's common stock on the date of exercise. Upon the sale of the shares, any resulting gain or loss will be treated as capital gain or loss. The Company will receive an income tax deduction in its fiscal year in which nonqualified options are exercised equal to the amount of ordinary income recognized by those optionees exercising options, and must withhold income and other employment related taxes on such ordinary income.

### 2000 EMPLOYEE STOCK PURCHASE PLAN

The 2000 Employee Stock Purchase Plan ("the ESPP") was adopted by the Multiband shareholders in August 2000. The purpose of the ESPP is to provide eligible employees with an opportunity to increase their proprietary interest in the success of Multiband by purchasing Common Stock from Multiband on favorable terms and to pay for such purchase through payroll deductions. The aggregate number of shares of stock available for purchase under the ESPP is 400,000. The ESPP is intended to qualify under section 423 of the Internal Revenue Code. The provisions of the ESPP shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

The ESPP is administered by a committee of Multiband's board of directors. The committee consists exclusively of one or more directors of Multiband who are appointed by the Board. The committee interprets the ESPP and makes all other policy decisions relating to the operation of the ESPP. The committee may adopt such rules, guidelines and forms as it deems appropriate to implement the ESPP. The committee's determination under the ESPP are final and binding on all persons.

The ESPP Year consists of a twelve-month period commencing on January 1 and ending on December 31. Notwithstanding the foregoing, the first ESPP Year will be a short year commencing on the effective date of the ESPP and ending on December 31, 2000.

### EMPLOYEE BENEFITS PLANS

Multiband has 401(k) profit sharing plans covering substantially all full-time employees. Employee contributions are limited to the maximum amount allowable by the Internal Revenue Code of 1986, as amended. Multiband made no significant discretionary contributions in years 1999, 1998 and 1997.

### CERTAIN TRANSACTIONS

The following is a summary of all significant related party transactions for the three years ended December 31, 2004.

The Company had revenues from companies that are associated with a

Edgar Filing: MULTIBAND CORP - Form S-1/A

director, who was elected to the board of directors during 2003, of approximately \$0, \$1,124,000 and \$636,000 for the years ended December 31, 2004, 2003, and 2002, respectively. In addition, the Company had accounts receivable outstanding from these companies of approximately \$140,000, \$142,000, and \$171,000 at December 31, 2004, 2003, and 2002, respectively.

Page 30

Multiband and its subsidiaries lease principal offices located at 2000 44th Street SW, Fargo, ND 58013 and 9449 Science Center Drive, New Hope, Minnesota 55428. The Fargo office lease expires in 2017 and covers approximately 22,500 square feet. The Fargo base rent ranges from \$21,577 to \$24,360 per month. The New Hope office lease expires in 2006 and covers approximately 47,000 square feet. The New Hope base rent ranges from \$16,000 to \$17,653 per month. Both the New Hope and main Fargo leases have provisions that call for the tenants to pay net operating expenses, including property taxes, related to the facilities. Both offices have office, warehouse and training facilities. The main Fargo property is owned in part by David Ekman. The New Hope property was owned jointly by Steven Bell and Marvin Frieman prior to its sale in August, 2003 to an independent third party.

Interest and dividend expense paid by Multiband to related parties was approximately \$9,995 in 2004, \$225,966 in 2003, and \$228,000 in 2002. Related parties include the Company's Chairman, Chief Executive Officer, President and the President's mother.

Page 31

PRINCIPAL AND SELLING SHAREHOLDERS

The following table provides information as of February 4, 2005 concerning the beneficial ownership of Multiband's common stock by (i) each director of Multiband, (ii) the Named Executive Officers, (iii) the persons known by Multiband to own more than 5% of Multiband's outstanding common stock, and (iv) all directors and executive officers as a group. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares of common stock owned by them. The following table also provides information as of February 4, 2005 regarding the beneficial ownership of shares of Multiband's common stock which can be obtained by the selling shareholders by exercising warrants held by them and is adjusted to reflect the sale of all their shares. The information regarding ownership of shares of common stock after the offering assumes that all of the shares registered under this prospectus have been sold. The selling shareholders may actually sell all, some or none of the shares held by them.

BENEFICIAL OWNER	SHARES (2)	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING (1)		PERCENT (3)	SH TO B
		SHARES UNDERLYING WARRANTS	TOTAL NUMBER OF SHARES		
Steven Bell	0	0	589,0634	2%	

## Edgar Filing: MULTIBAND CORP - Form S-1/A

9449 Science Center Drive New Hope, MN 55428	0	0	89,6006	*
Frank Bennett 301 Carlson Parkway - Suite 120 Minnetonka, Minnesota 55305	0	0	70,1008	*
Jonathan Dodge 715 Florida Avenue South - Suite 402 Golden Valley, MN 55426	0	0	1,751,583 (10)	5.9%
David Ekman 2000 44th Street SW Fargo, ND 58103	0	0	19,000 (12)	*
Eugene Harris 225 South Meramec - Suite 722 St. Louis, MO 63105	0	0	464,133 (14)	1.6%
James L. Mandel 9449 Science Center Drive New Hope, MN 55428	0	0	1,369,686 (16)	4.6%
Donald Miller 1924 Cocoplum Way Naples, FL 34105	0	0	122,726 (18)	*
David Weiss 10829 Olive Blvd. Suite 203 St. Louis, MO 63141				
All Directors and executive officers as a group (eight persons)	0	0	4,475,891	15%

- 
- 1 Each person has sole voting and sole dispositive power with respect to all outstanding shares, except as noted.
  - 2 Excludes shares underlying warrants.
  - 3 Based on an average of 26,895,901 shares outstanding at February 4, 2005, and 29,861,682 shares outstanding after the exercise of warrants. Each figure showing the percentage of outstanding shares owned beneficially has been calculated by treating as outstanding and owned the shares which could be purchased by the indicated person upon the exercise of stock options and warrants (including the warrants).
  - 4 Includes vested options to acquire 35,500 shares of common stock. Mr. Bell's Beneficial Ownership does include 31,250 shares of common stock owned by his spouse as to which Mr. Bell disclaims his beneficial ownership.
  - 5 Includes vested options to acquire 35,500 shares of common stock. Mr. Bell's Beneficial Ownership does include 31,250 shares of common stock owned by his spouse as to which Mr. Bell disclaims his beneficial ownership.
  - 6 Includes vested options to purchase 69,600 shares of common stock.
  - 7 Includes vested options to purchase 69,600 shares of common stock.
  - 8 Includes vested options to acquire 69,600 shares of common stock.
  - 9 Includes vested options to acquire 69,600 shares of common stock.
  - 10 Includes vested options to purchase 150,500 shares of common stock.
  - 11 Includes vested options to purchase 150,500 shares of common stock.
  - 12 Mr. Harris's beneficial ownership does include 19,000 shares owned by his spouse as to which Mr. Harris disclaims his beneficial ownership.
  - 13 Mr. Harris's beneficial ownership does include 19,000 shares owned by his spouse as to which Mr. Harris disclaims his beneficial ownership.

Edgar Filing: MULTIBAND CORP - Form S-1/A

- 14 Includes vested options to purchase 300,500 shares of common stock.  
 15 Includes vested options to purchase 300,500 shares of common stock.  
 16 Includes warrants and vested options to purchase 878,700 shares of common stock.  
 17 Includes warrants and vested options to purchase 878,700 shares of common stock.  
 18 Includes vested options to purchase 69,600 shares of common stock.  
 19 Includes vested options to purchase 69,600 shares of common stock. \*Less than one percent

Page 32

BENEFICIAL OWNER	SHARES (21)	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING (20)		PERCENT (22)	SHARE TO BE
		SHARES UNDERLYING WARRANTS	TOTAL NUMBER OF SHARES		
Mercator Advisory Group, LLC	0	2,857,142	2,857,142	10.6%	2,857
Mercator Momentum Fund, LP	1,400,000	750,000	2,150,000	8.0%	2,150
Mercator Momentum Fund III, LP	966,667	517,858	1,484,525	5.5%	1,484
Monarch Pointe Fund, Ltd.	2,966,667	1,589,286	4,555,953	16.9%	4,555
Pentagon Special Purpose Fund, Ltd.	1,333,333	1,428,572	2,761,905	10.2%	,761
	6,666,667	7,142,858	13,809,525	51.3%	3,809

- \* Less than one percent  
 20 Each person has sole voting and sole dispositive power with respect to all outstanding shares, except as noted.  
 21 Excludes shares underlying warrants.  
 22 Based on an average of 26,895,901 shares outstanding at February 4, 2005, and 34,038,759 shares outstanding after the exercise of warrants. Each figure showing the percentage of outstanding shares owned beneficially has been calculated by treating as outstanding and owned the shares which could be purchased by the indicated person within 60 days upon the exercise of stock options and warrants (including the warrants).

Page 33

PLAN OF DISTRIBUTION

The Selling Stockholders and any of their pledges, assignees and

## Edgar Filing: MULTIBAND CORP - Form S-1/A

successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. Currently, the company is listed only on the NASDAQ exchange where the shares will be offered. These sales may be at fixed or negotiated prices. The Selling Stockholders may use any one or more of the following methods when selling shares:

- o Ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- o Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- o Purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- o An exchange distribution in accordance with the rules of the applicable exchange;
- o Privately negotiated transactions;
- o Settlement of short sales;
- o Broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;
- o A combination of any such methods of sale; and
- o Any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares from the purchaser) in amounts to be negotiated. The Selling Stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The Selling Stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledges or secured parties may offer and sell the shares of common stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of Selling Stockholders to include the pledgee, transferee or other successors in interest as Selling Stockholders under this prospectus.

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. Oak Ridge Financial, one of the Selling Shareholders is a broker-dealer. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The Selling Stockholders have informed the Company that it does not have any agreement or understanding, directly or indirectly, with any person to distribute the Common Stock.

The Company is required to pay all fees and expenses incident to the registration of the shares. The Company has agreed to indemnify the Selling

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Page 34

### DESCRIPTION OF SECURITIES

#### CAPITAL STRUCTURE

The Articles of Incorporation of Multiband authorize Multiband to issue 100 million shares of capital stock, which have no par value. However, the shares have a par value of one cent per share for the purpose of a statute or regulation imposing a tax or fee based upon the capitalization of a corporation. As of February 4, 2005 there were 26,895,901 shares of common stock outstanding, 5.5 million shares reserved for issuance under our stock plans, 18,270,231 shares of common stock reserved for issuance under outstanding warrants, 9,533,402 shares of common stock issuable upon the conversion of shares of our Classes A through I cumulative convertible Preferred Stock and 699,216 shares upon conversion of a note payable.

#### COMMON STOCK

Holders of common stock are entitled to one vote per share in all matters to be voted upon by shareholders. There is no cumulative voting for the election of directors, which means that the holders of shares entitled to exercise more than 50% of the voting rights in the election of directors are able to elect all of the directors. Multiband's Articles of Incorporation provide that holders of the Company's common stock do not have preemptive rights to subscribe for and to purchase additional shares of common stock or other obligations convertible into shares of common stock which may be issued by the Company.

Holders of common stock are entitled to receive such dividends as are declared by Multiband's Board of Directors out of funds legally available for the payment of dividends. Multiband presently intends not to pay any dividends on the common stock for the foreseeable future. Any future determination as to the declaration and payment of dividends will be made at the discretion of the Board of Directors. In the event of any liquidation, dissolution or winding up of Multiband, and subject to the preferential rights of the holders of the Class A Preferred, Class B Preferred, Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred, Class G Preferred, Class H Preferred and Class I Preferred, the holders of common stock will be entitled to receive a pro rata share of the net assets of Multiband remaining after payment or provision for payment of the debts and other liabilities of Multiband.

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

#### WARRANTS

The warrants being registered hereunder have a three year term with one half of the warrants allowing the warrant holder to purchase one share of Multiband common stock for \$1.575 per share and one half of the warrants allowing the warrant holder to purchase one share of Multiband common stock for \$1.725 per share.

#### MARKET PRICE OF MULTIBAND'S COMMON AND RELATED STOCKHOLDER MATTERS

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Through May 17, 2000, Multiband's common stock was traded and quoted on the OTC Bulletin Board(R) ("OTCBB") under the symbol "VICM." From May 18, 2000 until August 21, 2000, the common stock was quoted under the VICM symbol on the Pink Sheets(R) operated by Pink Sheets LLC. From August 21, 2000, to December 12, 2000, Multiband's common stock was traded and quoted on the OTCBB under the VICM symbol. Since then, the stock has been traded and quoted on the Nasdaq Smallcap market system. The symbol was changed to MBND in July, 2004. 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, 2004 and December 31, 2003, as provided by Nasdaq.

QUARTER ENDED	HIGH BID	LOW BID
March 31, 2003.....	\$1.37	\$.77
June 30, 2003.....	2.49	1.03
September 30, 2003.....	2.20	1.52
December 31, 2003.....	1.85	1.23
March 31, 2004.....	1.68	1.04
June 30, 2004.....	2.70	1.30
September 30, 2004.....	1.45	.96
December 31, 2004.....	1.78	1.01

As of March 31, 2005, Multiband had 637 shareholders of record of its common stock and 28,434,584 shares of common stock outstanding. As of that date, eight shareholders held a total of 27,931 of Class A Preferred, two shareholders held 8,700 shares of Class B Preferred, five shareholders held a total of 125,400 shares of Class C Preferred, one shareholder held a total of 150,000 shares of Class F Preferred, 14 shareholders held a total of 45,245 shares of Class G Preferred, 8 shareholders held a total of 4.8 shares of Class H Preferred, and four shareholders held a total of 100,000 shares of Class I Preferred.

Page 35

### PREFERRED STOCK

In December 1998, Multiband issued 2,550 shares of Class A Preferred for \$23,638 and 37,550 shares of Class B Preferred for \$359,893. The Class B Preferred was offered to certain note holders at a conversion rate of \$10.00 per share of Class B Preferred. Each share of Class A Preferred and Class B Preferred is non-voting (except as otherwise required by law) and convertible into five shares of common stock, subject to adjustment in certain circumstances. Each holder of a share of Class A Preferred or Class B Preferred has a five-year warrant to purchase one share of common stock at \$3.00 per share, subject to adjustment. During 2001, Multiband issued 67,655 shares of Class A Preferred for \$676,556.

In June 2000, Multiband issued 80,500 shares of Class C Preferred for \$805,000. The Class C Preferred was offered to certain note holders at a conversion rate of \$10.00 a share. In September 2000, Multiband issued an additional 72,810 shares of Class C Preferred for \$728,100. Each share of Class C Preferred is non-voting (except as otherwise required by law) and convertible into two shares of Multiband common stock, subject to adjustment in certain circumstances.

In November 2000, Multiband issued 72,500 shares of Class D Preferred for \$490,332. The Class D Preferred was sold to eight accredited investors at \$10.00 per share. Each share of Class D Preferred is non-voting (except as otherwise required by law) and convertible into two and one-half shares of Multiband Common Stock, subject to adjustment in certain circumstances.

## Edgar Filing: MULTIBAND CORP - Form S-1/A

In the second quarter of 2002, Preferred Class D stocks were redeemed; \$100,000 converted to Common Stock, and \$300,000 converted to a Note Payable.

In the fourth quarter of 2002, Multiband issued 70,000 shares of Class E Preferred for \$700,000, with \$600,000 related to conversion of a note payable from a director of the Company into Preferred Stock.

In the first quarter of 2003, \$72,000 worth of Class C Preferred Stock was issued to an officer of the Company in a conversion of accounts payable. Also in the first quarter of 2003, \$76,500 worth of Class E Preferred Stock was issued to a member of the Board for his purchase of Multiband assets.

In the third quarter of 2003 \$25,000 worth of Class B Preferred Stock was purchased by an accredited investor.

In addition, during 2003 \$133,100 worth of Class C Preferred Stock was redeemed.

During the second quarter of 2004, \$776,500 worth of Class E Preferred Stock was converted into Common Stock at a price of \$1.25 per share. During the third quarter of 2004, two million dollars worth of Class F Preferred Stock was issued. During the fourth quarter of 2004, \$452,450 worth of Class G Preferred Stock was issued and \$1,050,002 worth of Class H Preferred Stock was issued.

In the fourth quarter of 2004, the Company issued \$452,540 worth of Class G Preferred Stock. In the same quarter, the Company issued \$1,150,002 worth of Class H Preferred Stock.

In the first quarter of 2005, the Company issued \$10,000,000 worth of Class I Preferred Stock.

The holders of the Class A Preferred, Class B Preferred, Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred, Class G Preferred and Class H Preferred (collectively, "Preferred Stock") are entitled to receive, as and when declared by the Board, out of the assets of the Company legally available for payment thereof, cumulative cash dividends calculated based on the per share stated value of the Preferred Stock. The per annum dividend rate is eight percent (8%) for the Class A Preferred and ten percent (10%) for the Class B Preferred, Class C Preferred and Class F Preferred, fourteen percent (14%) for the Class D Preferred, fifteen percent (15%) for the Class E Preferred, to be paid in kind, eight percent (8%) for the Class G Preferred six percent (6%) for the Class H Preferred and a variable rate for the Class I Preferred. Dividends on the Class A Preferred, Class C Preferred, Class D Preferred, Class F Preferred and Class G Preferred are payable quarterly on March 31, June 30, September 30, and December 31 of each year. Dividends on the Class B and Class I Preferred are payable monthly on the first day of each calendar month. Dividends on the Class H Preferred are payable semiannually on June 30 and December 31 of each year. Dividends on the Preferred Stock accrue cumulatively on a daily basis until the Preferred Stock is redeemed or converted.

Page 36

In the event of any liquidation, dissolution or winding up of Multiband, the holders of the Class A Preferred and Class B Preferred will be entitled to receive a liquidation preference of \$10.50 per share, and the holders of the Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred and Class G Preferred will be entitled to receive a liquidation preference of \$10.00 per share, each subject to adjustment. Holders of the Class H Preferred and



## Edgar Filing: MULTIBAND CORP - Form S-1/A

Class I Preferred will be entitled to receive a liquidation preference of \$100,000 per share. Any liquidation preference shall be payable out of any net assets of Multiband remaining after payment or provision for payment of the debts and other liabilities of Multiband.

Multiband may redeem the Preferred Stock, in whole or in part, at a redemption price of \$10.50 per share for the Class A Preferred and the Class B Preferred and \$10.00 per share for the Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred and Class G Preferred (subject to adjustment, plus any earned and unpaid dividends) on not less than thirty days' notice to the holders of the Preferred Stock, provided that the closing bid price of the common stock exceeds \$4.00 per share (subject to adjustment) for any ten consecutive trading days prior to such notice. Upon Multiband's call for redemption, the holders of the Preferred Stock called for redemption will have the option to convert each share of Preferred Stock into shares of common stock until the close of business on the date fixed for redemption, unless extended by Multiband in its sole discretion. Preferred Stock not so converted will be redeemed. No holder of Preferred Stock can require Multiband to redeem his or her shares.

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under Section 302A.251 of the Minnesota statutes, a corporation shall, unless prohibited or limited by its Articles of Incorporation or Bylaws, indemnify its directors, officers, employees and agents against judgments, penalties, fines, settlements and reasonable expenses, including attorneys' fees and disbursements, incurred by such person who was, or is threatened to be, made a party to a proceeding by reason of the fact that the person is or was a director, officer, employee or agent of the corporation if generally, with respect to the acts or omissions of the person complained of in the proceeding, the person (i) has not been indemnified by another organization with respect to the same acts or omissions; (ii) acted in good faith; (iii) received no improper personal benefit; (iv) in the case of a criminal proceeding, had no reasonable cause to believe the conduct was unlawful; and (v) reasonably believed the conduct was in the best interest of the corporation or, in certain circumstances, reasonably believed that the conduct was not opposed to the best interests of the corporation. Minnesota corporate law also provides that a corporation may purchase and maintain insurance on behalf of any indemnified party against any liability asserted against such person, whether or not the corporation would have been required to indemnify the person against liability under the provisions of Minnesota corporate law. Multiband's Articles of Incorporation provide for indemnification pursuant to Minnesota statutes. We also have directors' and officers' insurance in the amount of \$3,000,000 per occurrence.

### LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Steven M. Bell, Esq. of New Hope, Minnesota.

### EXPERTS

Financial statements of Multiband included in this prospectus for the years ended December 31, 2004, 2003 and 2002 have been audited by Virchow, Krause & Company, LLP, independent certified public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of such firm as experts in giving said report.

### WHERE YOU CAN FIND MORE INFORMATION

We will be filing annual, quarterly and current reports, proxy statements

## Edgar Filing: MULTIBAND CORP - Form S-1/A

and other information with the Securities and Exchange Commission under File No. 0-13529. You may read and copy any document in our public files at the SEC's offices at:

- o Judiciary Plaza  
450 Fifth Street, NW  
Room 1024  
Washington, D.C. 20549
- o 500 West Madison Street  
Suite 1400  
Chicago, Illinois 60606
- o 3475 Lenox, N.E.  
Suite 1000  
Atlanta, Georgia 30326

Page 37

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>, through the SEC's electronic data gathering analysis and retrieval system, EDGAR. Our common stock is traded on the NASDAQ Stock Market under the symbol "VICM." Information about us is also available from the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

This prospectus is part of a registration statement that we filed with the SEC. You should rely only on the information provided in this prospectus or any supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of that document.

Page 38

### INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents, which we have filed with the Commission, are incorporated by reference in this Prospectus:

- o our Annual Report on Form 10-K for the fiscal year ended December 31, 2004;
- o our proxy statement for the 2004 Annual Meeting of Shareholders;
- o our quarterly reports on Form 10-Q for the quarters ended September 30, 2004, June 30, 2004 and March 31, 2004;
- o our Forms 8-K filed with the Commission; and
- o the description of our common stock contained in our Registration Statement on Form 10.

All documents we file in the future pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering are also incorporated by reference and are an important part of this Prospectus. Any statement contained in a document

## Edgar Filing: MULTIBAND CORP - Form S-1/A

incorporated by reference in this Prospectus shall be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which is incorporated by reference modifies or supersedes such statement.

We will provide without charge to each person to whom this Prospectus is delivered, upon request, a copy of any or all documents that have been or may be incorporated by reference in the Prospectus (other than exhibits to such documents which are not specifically incorporated by reference into such documents). Your requests should be directed to our Chief Financial Officer at our principal executive offices at:

9449 Science Center Drive  
New Hope, Minnesota 55428  
Telephone Number (763) 504-3000

### INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus and the documents we incorporate by reference that are not statements of historical fact are "forward-looking statements". Sometimes these statements contain words like "believe", "belief", "plan", "anticipate", "expect", "estimate", "may", "will", or similar terms. Forward-looking statements involve known or unknown uncertainties and other factors that could cause actual results to be materially different from historical results or from any future results expressed or implied by the forward-looking statements. The "Risk Factors" section summarizes certain of the material risks and uncertainties that could cause our actual results, performance or achievements to differ materially from what we have said in this Prospectus and the documents we incorporate by reference. The Risk Factors apply to all of our forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this Prospectus. We will not revise these forward-looking statements to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events.

Page 39

### INDEX TO FINANCIAL STATEMENTS.

MULTIBAND CORPORATION AND SUBSIDIARIES - CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004, AND 2003 CONSOLIDATED STATEMENTS OF OPERATIONS, CONSOLIDATED STOCKHOLDERS' EQUITY AND CONSOLIDATED CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002.

DESCRIPTION	PAGES
Report of Independent Registered Public Accounting Firm	F2
Consolidate Balance Sheets	F3
Consolidated Statements of Operations	F4
Consolidated Statements of Stockholders' Equity	F5
Consolidated Statements of Cash Flows	F11
Notes to Consolidated Financial Statements	F12

F-1

MULTIBAND CORPORATION AND SUBSIDIARIES  
FKA: VICOM, INCORPORATED AND SUBSIDIARIES

# Edgar Filing: MULTIBAND CORP - Form S-1/A

## TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity	4 - 13
Consolidated Statements of Cash Flows	14
Notes to Consolidated Financial Statements	15 - 41
SUPPLEMENTAL INFORMATION	
Report of Independent Registered Public Accounting Firm on Supplementary Information	42
Valuation and Qualifying Accounts	43

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Stockholders, Board of Directors, and Audit Committee  
Multiband Corporation and subsidiaries (formerly known as Vicom, Incorporated  
and subsidiaries)

We have audited the accompanying consolidated balance sheets of Multiband Corporation and subsidiaries (formerly known as Vicom, Incorporated and subsidiaries) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Multiband Corporation and subsidiaries (formerly known as: Vicom, Incorporated and subsidiaries) as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ VIRCHOW, KRAUSE & COMPANY, LLP

# Edgar Filing: MULTIBAND CORP - Form S-1/A

Minneapolis, Minnesota

March 8, 2005 (except as to Note 16, as to which the date is April 8, 2005).

Page 1

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)  
See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS  
December 31, 2004 and 2003  
ASSETS

	2004	
	-----	-----
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 726,553	\$
Certificate of deposit	650,000	
Accounts receivable, net	2,783,774	
Inventories, net	231,993	
Current assets of discontinued operations	634,307	
Other current assets	146,334	
	-----	-----
Total Current Assets	5,172,961	
	-----	-----
<b>PROPERTY AND EQUIPMENT, NET</b>	4,372,474	
	-----	-----
<b>OTHER ASSETS</b>		
Goodwill	812,366	
Intangible assets, net	16,081,635	
Other assets of discontinued operations	47,975	
Other assets	146,301	
	-----	-----
Total Other Assets	17,088,277	
	-----	-----
<b>TOTAL ASSETS</b>	\$26,633,712	\$ 1
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Checks issued in excess of cash in bank	\$ 234,348	\$
Short-term debt	4,481,099	
Wholesale line of credit	926,201	
Current portion of long-term debt	1,524,527	
Current portion of note payable - stockholder	84,801	
Current portion of capital lease obligations	201,530	
Accounts payable	2,561,611	
Accrued liabilities	3,030,024	
Contingent liability	222,700	
Customer deposits	59,875	
Current liabilities of discontinued operations	370,921	
Deferred service obligations and revenue	406,738	
	-----	-----
Total Current Liabilities	14,104,375	
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net	3,498,657	
Note payable - stockholder, net of current portion	--	

Edgar Filing: MULTIBAND CORP - Form S-1/A

Capital lease obligations, net of current portion	481,249	
	-----	
Total Liabilities	18,084,281	
	-----	
MINORITY INTEREST IN SUBSIDIARY	--	
	-----	
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A ( 27,931 and 27,931 shares issued and outstanding, \$293,276 and \$293,276 liquidation preference)	419,752	
10% Class B (8,700 and 8,700 shares issued and outstanding, \$91,350 and \$91,350 liquidation preference)	62,000	
10% Class C (125,400 and 125,400 shares issued and outstanding, \$1,254,000 and \$1,254,000 liquidation preference)	1,611,105	
15% Class E (0 and 77,650 shares issued and outstanding, \$0 and \$776,500 liquidation preference)	0	
10% Class F (150,000 and 0 shares issues and outstanding, \$1,500,000 and \$0 liquidation preference)	1,500,000	
8% Class G (45,245 and 0 shares issued and outstanding, \$452,450 and \$0 liquidation preference)	179,897	
6% Class H (11.5 and 0 shares issued and outstanding, \$1,150,000 and \$0 liquidation preference)	0	
Common stock, no par value (25,784,490 and 19,036,805 shares issued; 25,781,818 and 19,019,786 shares outstanding)	16,888,291	
Stock subscriptions receivable	(391,264)	
Options and warrants	32,985,983	3
Unamortized compensation	(1,724)	
Accumulated deficit	(44,704,609)	(3)
	-----	
Total Stockholders' Equity	8,549,431	
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$26,633,712	\$ 1
	=====	=====

See accompanying notes to consolidated financial statements.

Page 2

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)  
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS  
Years Ended December 31, 2004, 2003 and 2002

	2004	2003	2002
	-----	-----	-----
REVENUES	\$ 11,067,834	\$ 1,441,118	\$ 577
	-----	-----	-----
COST AND EXPENSES			
Cost of products and services (exclusive of depreciation and amortization shown separately below)	5,943,395	884,536	418
Selling, general and administrative	5,960,050	2,647,870	1,971
Depreciation and amortization	3,432,779	1,065,650	1,193

Edgar Filing: MULTIBAND CORP - Form S-1/A

Total costs and expenses	15,336,224	4,598,056	3,582
LOSS FROM OPERATIONS	(4,268,390)	(3,156,938)	(3,005)
OTHER INCOME (EXPENSE)			
Interest expense	(1,055,488)	(488,156)	(1,256)
Interest income	8,805	10,406	52
Loss on sale of assets	(26,217)	0	
Other income	14,648	(70,726)	(234)
Total Other Expense	(1,058,252)	(548,476)	(1,439)
LOSS BEFORE MINORITY INTEREST IN SUBSIDIARY	(5,326,642)	(3,705,414)	(4,444)
Minority interest in subsidiary	0	33,366	
LOSS FROM CONTINUING OPERATIONS	(5,326,642)	(3,672,048)	(4,444)
LOSS FROM DISCONTINUED OPERATIONS	(4,457,320)	(692,956)	6
NET LOSS	(9,783,962)	(4,365,004)	(4,438)
Preferred stock dividends	590,455	248,689	153
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (10,374,471)	\$ (4,613,693)	\$ (4,591)
BASIC AND DILUTED LOSS PER COMMON SHARE:			
LOSS FROM CONTINUING OPERATIONS	\$ (.23)	\$ (.23)	\$
LOSS FROM DISCONTINUED OPERATIONS	\$ (.19)	\$ (.04)	\$
NET LOSS	\$ (.42)	\$ (.27)	\$
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	23,307,594	16,112,231	11,735

See accompanying notes to consolidated financial statements.

Page 3

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
Years Ended December 31, 2004, 2003, and 2002

Cumulative Convertible Preferred Stock						
8% Class A		10% Class B		10% Class C		14% C
Shares	Amount	Shares	Amount	Shares	Amount	Shares

Edgar Filing: MULTIBAND CORP - Form S-1/A

BALANCES,								
December 31,								
2001	28,872	\$433,867	8,700	\$ 87,000	139,510	\$1,800,447	40,000	
Stock issued:								
Cash	-	-	-	-	-	-	-	-
Reduction of stock subscriptions receivable for fees related to equity transactions	-	-	-	-	-	-	-	-
Acquisition of assets	1,859	18,590	-	-	-	-	-	-
Guarantee of debt financing	-	-	-	-	-	-	-	-
Services rendered	-	-	-	-	-	-	-	-
Conversion of accounts payable	-	-	-	-	-	-	-	-
Conversion of notes payable and accrued interest	-	-	-	-	-	-	-	(30,000)
Conversion of accrued interest	-	-	-	-	-	-	-	-
Conversion of preferred stock	-	-	(2,500)	(25,000)	(2,500)	(25,000)	(10,000)	
Redemption of preferred stock	(2,900)	(29,000)	-	-	(5,500)	(55,000)	-	
Discount on preferred stock related to warrants issued	-	(5,205)	-	-	-	(21,040)	-	
Interest receivable on stock subscription	-	-	-	-	-	-	-	-
Warrants issued:								
Preferred stock	-	-	-	-	-	-	-	-
Common stock	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-
Deferred compensation expense related to stock options issued below fair								



Edgar Filing: MULTIBAND CORP - Form S-1/A

market value	-	-	-	-	-	-	-
Deferred compensation expense	-	-	-	-	-	-	-
Restricted stock:							
Issued and outstanding	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-	-
Embedded value with Pyramid Trading warrants	-	-	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-
<b>BALANCES, December 31, 2002</b>	<b>27,831</b>	<b>418,252</b>	<b>6,200</b>	<b>62,000</b>	<b>131,510</b>	<b>1,699,407</b>	<b>0</b>

See accompanying notes to consolidated financial statements.

Page 4

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

	Cumulative Convertible Preferred Stock							
	8% Class A		10% Class B		10% Class C		14% C	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	
Stock issued:								
Cash	100	1,000	2,500	25,000	-	-	-	-
Exercise of warrants	-	-	-	-	-	-	-	-
Cashless exercise of warrants	-	-	-	-	-	-	-	-
Exercise of stock options	-	-	-	-	-	-	-	-
Reduction of stock subscriptions receivable for fees related	-	-	-	-	-	-	-	-

Edgar Filing: MULTIBAND CORP - Form S-1/A

to equity transactions								
Acquisition of assets	-	-	-	-	-	-	-	-
Conversion of accounts payable	-	-	-	-	7,200	72,000	-	-
Conversion of notes payable	-	-	-	-	-	-	-	-
Conversion of accrued interest	-	-	-	-	-	-	-	-
Conversion of preferred stock	-	-	-	-	(4,000)	(40,000)	-	-
Conversion of dividends payable	-	-	-	-	-	-	-	-
Redemption of preferred stock	-	-	-	-	(9,310)	(93,100)	-	-
Intrinsic value of convertible feature	-	500	-	-	-	(27,202)	-	-
Discount on preferred stock related to warrants issued	-	-	-	(25,000)	-	-	-	-
Stock subscriptions receivable:								
Cash payments	-	-	-	-	-	-	-	-
Increase reserve	-	-	-	-	-	-	-	-
Interest collected	-	-	-	-	-	-	-	-
Warrants issued:								
Preferred stock	-	-	-	-	-	-	-	-
Common stock	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-
Services rendered	-	-	-	-	-	-	-	-
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-	-	-	-	-
Deferred compensation expense	-	-	-	-	-	-	-	-
Restricted stock:								

Edgar Filing: MULTIBAND CORP - Form S-1/A

Forfeited	-	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-	-
Embedded value with Laurus warrants	-	-	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-
-----							
BALANCES, December 31, 2003	27,931	419,752	8,700	62,000	125,400	1,611,105	0
Stock issued:							
Cash					-	-	
Exercise of warrants	-	-	-	-	-	-	-
Cashless exercise of warrants	-	-	-	-	-	-	-
Reduction of stock subscriptions receivable for fees related to equity transactions	-	-	-	-	-	-	-
Acquisition of assets - remaining 50% ownership of MBUSA	-	-	-	-	-	-	-
Acquisition of assets - URON, Inc.	-	-	-	-	-	-	-
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	-	-	-	-	-	-	-

See accompanying notes to consolidated financial statements.

Page 5

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

Cumulative Convertible Preferred Stock

Edgar Filing: MULTIBAND CORP - Form S-1/A

	8% Class A		10% Class B		10% Class C		14% C
	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Acquisition of assets - Minnesota Digital Universe, Inc.	-	-	-	-	-	-	-
Acquisition of assets - Rainbow Satellite Group, LLC.	-	-	-	-	-	-	-
Acquisition of assets - 21st Century Satellite Communications	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Conversion of notes payable	-	-	-	-	-	-	-
Conversion of accrued interest	-	-	-	-	-	-	-
Conversion of preferred stock	-	-	-	-	-	-	-
Conversion of dividends payable	-	-	-	-	-	-	-
In lieu of cash for services	-	-	-	-	-	-	-
In lieu of cash for other current assets	-	-	-	-	-	-	-
Stock repurchase	-	-	-	-	-	-	-
Conversion of preferred stock into note payable	-	-	-	-	-	-	-
Intrinsic value of convertible feature	-	-	-	-	-	-	-
Discount on preferred stock related to warrants issued	-	-	-	-	-	-	-
Stock	-	-	-	-	-	-	-

Edgar Filing: MULTIBAND CORP - Form S-1/A

subscriptions receivable:	-	-	-	-	-	-	-	-
Cash payments	-	-	-	-	-	-	-	-
Interest collected	-	-	-	-	-	-	-	-
Warrants issued for debt modification	-	-	-	-	-	-	-	-
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-	-	-	-	-
Deferred compensation expense	-	-	-	-	-	-	-	-
Restricted stock:								
Forfeited	-	-	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
BALANCES, December 31, 2004	27,931	\$ 419,752	8,700	\$ 62,000	125,400	\$1,611,105	\$	0
	=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

Page 6

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' STOCKHOLDERS' EQUITY  
Years Ended December 31, 2004, 2003, and 2002

	Cumulative Convertible Preferred S			
	10% Class F		8% Class G	
	Shares	Amount	Shares	Amount
BALANCES, December 31, 2001	-	\$ -	-	\$ -
Stock issued:				
Cash	-	-	-	-
Reduction of stock subscriptions receivable				

Edgar Filing: MULTIBAND CORP - Form S-1/A

for fees related to equity transactions	-	-	-	-
Acquisition of assets			-	-
Guarantee of debt financing	-	-	-	-
Services rendered	-	-	-	-
Conversion of accounts payable	-	-	-	-
Conversion of notes payable and accrued interest	-	-	-	-
Conversion of accrued interest	-	-	-	-
Conversion of preferred stock	-	-		
Redemption of preferred stock			-	-
Discount on preferred stock related to warrants issued	-		-	-
Interest receivable on stock subscription	-	-	-	-
Warrants issued:				
Preferred stock	-	-	-	-
Common stock	-	-	-	-
Debt	-	-	-	-
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-
Deferred compensation expense	-	-	-	-
Restricted stock:				
Issued and outstanding	-	-	-	-
Forfeited	-	-	-	-
Amortization expense	-	-	-	-
Embedded value with Pyramid Trading warrants	-	-	-	-
Preferred stock dividends	-	-	-	-
Net loss	-	-	-	-
	-----	-----	-----	-----
BALANCES, December 31, 2002	0	0	0	0
Stock issued:				
Cash				
Exercise of warrants	-	-	-	-

See accompanying notes to consolidated financial statements.

Page 7

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

	Cumulative Convertible Preferred S			
	10% Class F		8% Class G	
	Shares	Amount	Shares	Amount
Cashless exercise of warrants	-	-	-	-
Exercise of stock options	-	-	-	-
Reduction of stock subscriptions				
receivable for fees related to equity transactions	-	-	-	-
Acquisition of assets	-	-	-	-
Conversion of accounts payable				

Edgar Filing: MULTIBAND CORP - Form S-1/A

	-	-	-	-
Conversion of notes payable	-	-	-	-
Conversion of accrued interest	-	-	-	-
Conversion of preferred stock	-	-	-	-
Conversion of dividends payable	-	-	-	-
Redemption of preferred stock	-	-	-	-
Intrinsic value of convertible feature	-	-	-	-
Discount on preferred stock related to warrants issued	-	-	-	-
Stock subscriptions receivable:				
Cash payments	-	-	-	-
Increase reserve	-	-	-	-
Interest collected	-	-	-	-
Warrants issued:				
Preferred stock	-	-	-	-
Common stock	-	-	-	-
Debt	-	-	-	-
Services rendered	-	-	-	-
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-
Deferred compensation expense	-	-	-	-
Restricted stock:				
Forfeited	-	-	-	-
Amortization expense	-	-	-	-
Embedded value with Laurus warrants	-	-	-	-
Preferred stock dividends	-	-	-	-
Net loss	-	-	-	-
	-----	-----	-----	-----
BALANCES, December 31, 2003	0	0	0	0
Stock issued:				
Cash	-	-	40,245	353,382
Exercise of warrants	-	-	-	-
Cashless exercise of warrants	-	-	-	-
Reduction of stock subscriptions receivable for fees related to equity transactions	-	-	-	-
Acquisition of assets - remaining 50% ownership	-	-	-	-
Acquisition of assets - URON, Inc.	-	-	-	-
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	-	-	-	-
Acquisition of assets - Minnesota Digital Universe, Inc.	-	-	-	-

See accompanying notes to consolidated financial statements.

Page 8

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

-----  
Cumulative Convertible Preferred S

Edgar Filing: MULTIBAND CORP - Form S-1/A

	10% Class F		8% Class G		S
	Shares	Amount	Shares	Amount	
Acquisition of assets - Rainbow Satellite Group, LLC.	200,000	2,000,000	-	-	
Acquisition of assets - 21st Century Satellite Communications Property and equipment	-	-	-	-	
Conversion of notes payable	-	-	5,000	50,000	
Conversion of accrued interest	-	-	-	-	
Conversion of preferred stock	-	-	-	-	
Conversion of dividends payable	-	-	-	-	
In lieu of cash for services	-	-	-	-	
In lieu of cash for other current assets	-	-	-	-	
Stock repurchase	-	-	-	-	
Conversion of preferred stock into note payable	(50,000)	(500,000)	-	-	
Intrinsic value of convertible feature	-	-	-	(54,182)	
Discount on preferred stock related to warrants issued	-	-	-	(169,303)	
Stock subscriptions receivable:	-	-	-	-	
Cash payments	-	-	-	-	
Interest collected	-	-	-	-	
Warrants issued for debt modification	-	-	-	-	
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-	
Deferred compensation expense	-	-	-	-	
Restricted stock:	-	-	-	-	
Forfeited	-	-	-	-	
Amortization expense	-	-	-	-	
Preferred stock dividends	-	-	-	-	
Net loss	-	-	-	-	
<b>BALANCES, December 31, 2004</b>	<b>150,000</b>	<b>\$1,500,000</b>	<b>45,245</b>	<b>\$ 179,897</b>	

See accompanying notes to consolidated financial statements.

Page 9

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' STOCKHOLDERS' EQUITY  
Years Ended December 31, 2004, 2003, and 2002

	Common Stock		Stock Subscriptions Receivable	Options and Warrants	Unamortized Compensation
	Shares	Amount			
BALANCES, December 31, 2001	10,679,450	\$ 3,443,104	(631,619)	\$24,957,912	\$ (1,209,000)



Edgar Filing: MULTIBAND CORP - Form S-1/A

Stock issued:					
Cash	1,548,120	274,414	7,850	-	
Reduction of stock subscriptions receivable for fees related to equity transactions	-	(40,563)	40,563	-	
Acquisition of assets	-	-	-	(18,590)	
Guarantee of debt financing	25,000	14,750	-	-	
Services rendered	35,214	27,700	-	-	
Conversion of accounts payable	7,500	7,255	-	-	
Conversion of notes payable and accrued interest	554,569	460,001	-	-	
Conversion of accrued interest	117,787	119,881	-	-	
Conversion of preferred stock	140,000	150,000	-	-	
Redemption of preferred stock	-	-	-	-	
Discount on preferred stock related to warrants issued	-	-	-	-	
Interest receivable on stock subscription receivable	-	-	(49,989)	-	
Warrants issued:	-	-	-	-	
Preferred stock	-	-	-	324,324	
Common stock	-	-	-	575,119	
Debt	-	-	-	879,382	
Deferred compensation expense related to stock options issued below fair market value	-	53,745	-	(53,345)	4

See accompanying notes to consolidated financial statements.

Page 10

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

	Common Stock		Stock	Options	Unamort
	Shares	Amount	Subscriptions Receivable	and Warrants	Compensa
	-----	-----	-----	-----	-----
Deferred compensation expense	-	-	-	-	78
Restricted stock:					
Issued and outstanding	22,434	21,255	-	-	(21
Forfeited	(19,597)	(65,710)	-	-	65
Amortization expense	-	-	-	-	400
Embedded value with Pyramid Trading					

Edgar Filing: MULTIBAND CORP - Form S-1/A

warrants	-	-	-	(32,503)	
Preferred stock dividends	-	-	-	-	
Net loss	-	-	-	-	
	-----	-----	-----	-----	-----
BALANCES, December 31, 2002	13,110,477	4,465,832	(633,195)	26,632,299	(682,000)
Stock issued:					
Cash					
Cash	4,477,279	1,947,197	-	-	
Exercise of warrants	258,790	262,030	-	-	
Cashless exercise of warrants	141,529	-	-	-	
Exercise of stock options	3,000	3,750	-	-	
Reduction of stock subscriptions receivable for fees related to equity transactions	-	(36,977)	36,977	-	
Acquisition of assets	-	-	-	-	
Conversion of accounts payable	85,000	120,690	-	-	
Conversion of notes payable	654,202	762,000	-	-	
Conversion of accrued interest	63,539	66,172	-	-	
Conversion of preferred stock	66,666	40,000	-	-	
Conversion of dividends payable	187,164	113,209	-	-	
Conversion of preferred stock into notes payable	-	-	-	-	
Redemption of preferred stock	-	-	-	-	
Intrinsic value of convertible feature	-	-	-	-	
Discount on preferred stock related to warrants issued	-	-	-	-	
Stock subscriptions receivable:					
Cash payments	-	-	105,806	-	

See accompanying notes to consolidated financial statements.

Page 11

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

	Common Stock		Stock	Options	Unamort
	Shares	Amount	Subscriptions Receivable	and Warrants	Compensa
	-----	-----	-----	-----	-----
Increase reserve	-	-	71,000	-	-

Edgar Filing: MULTIBAND CORP - Form S-1/A

Interest collected			1,327		
Warrants issued:					
Preferred stock	-	-	-	58,314	
Common stock	-	-	-	2,050,507	
Debt	-	-	-	883,711	
Services rendered	-	-	-	321,920	
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-	
Deferred compensation expense	-	-	-	-	47
Restricted stock:					
Forfeited	(10,841)	(17,398)	-	-	17
Amortization expense	-	-	-	-	400
Embedded value with Laurus warrants	-	-	-	568,121	
Preferred stock dividends	-	-	-	-	
Net loss	-	-	-	-	
	<hr/>				
BALANCES, December 31, 2003	19,036,805	7,726,505	(418,085)	30,514,872	(217)
Stock issued:					
Cash				791,483	
	2,001,832	2,059,093	-	-	
Exercise of warrants	273,403	390,279	-	-	
Cashless exercise of warrants	133,742	-	-	-	
Reduction of stock subscriptions receivable for fees related to equity transactions	-	(17,320)	17,320	-	
Acquisition of assets - remaining 50% ownership of MBUSA	30,000	39,000	-	-	
Acquisition of assets - URON, Inc.	180,000	235,800	-	-	
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	135,076	270,152	-	-	
Acquisition of assets - Minnesota Digital Universe, Inc.	2,300,000	3,960,000	-	-	
Acquisition of assets - Rainbow Satellite Group, LLC.	-	-	-	-	
Acquisition of assets - 21st Century Satellite Communications	230,333	364,584	-	-	
Property and equipment	11,800	15,530	-	-	
Conversion of notes payable	407,051	580,909	-	-	
Conversion of accrued interest	47,393	56,687	-	-	
Conversion of preferred stock	621,200	776,500	-	-	
Conversion of dividends payable	156,110	124,618	-	-	
In lieu of cash for services	213,464	329,581	-	-	

See accompanying notes to consolidated financial statements.

Page 12

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)

Edgar Filing: MULTIBAND CORP - Form S-1/A

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (CONTINUED)  
Years Ended December 31, 2004, 2003, and 2002

	Common Stock		Stock Subscriptions Receivable	Options and Warrants	Unamort Compensa
	Shares	Amount			
In lieu of cash for other current assets	36,000	42,120	-	-	
Conversion of preferred stock into notes payable	-	-	-	-	
Stock repurchase	(27,500)	(62,975)	-	-	
Intrinsic value of convertible feature	-	-	-	457,500	
Discount on preferred stock related to warrants issued	-	-	-	1,153,476	
Stock subscriptions receivable:					
Cash payments	-	-	6,731	-	
Interest collected	-	-	2,770	-	
Warrants issued for debt modification	-	-	-	68,652	
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-	
Deferred compensation expense	-	-	-	-	12
Restricted stock:	-	-	-	-	
Forfeited	(2,219)	(2,772)	-	-	2
Amortization expense	-	-	-	-	200
Preferred stock dividends	-	-	-	-	
Net loss	-	-	-	-	
BALANCES, December 31, 2004	25,784,490	\$16,888,291	\$ (391,264)	\$32,985,983	\$ (1

See accompanying notes to consolidated financial statements.

Page 13

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)  
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2004, 2003, and 2002

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (9,783,962)	\$ (4,365,004)
Adjustments to reconcile net loss to cash flows from		

Edgar Filing: MULTIBAND CORP - Form S-1/A

operating activities:		
Depreciation	1,305,431	948,796
Amortization	2,304,626	47,583
Amortization of deferred compensation	212,714	447,481
Impairment of goodwill	2,748,879	--
Amortization of original issue discount	718,166	405,248
Write off of notes receivable and investment	--	19,069
Reserve for stock subscriptions and interest receivable	--	71,000
Impairment reserve on property and equipment	--	--
Common stock issued for services	329,581	--
Loss on sale of property and equipment	26,217	79,394
Interest receivable on stock subscription receivable	--	1,327
Warrants issued for( services	--	321,920
Warrants issued with debt conversion	--	--
Minority interest in subsidiary	--	(33,366)
Changes in operating assets and liabilities:	--	--
Accounts receivable, net	(1,158,198)	289,890
Inventories, net	1,105,372	(509,762)
Other current assets	(7,664)	70,264
Other assets	(13,675)	(143,101)
Wholesale line of credit	(50,113)	(314,069)
Accounts payable and accrued liabilities	(229,855)	122,403
Deferred service obligations and revenue	198,361	(39,321)
Customer deposits	4,475	--
	-----	-----
Net Cash Flows from Operating Activities	(2,289,645)	(2,580,248)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	2,712	15,492
Purchases of property and equipment	(748,704)	(526,936)
Purchase of SBC	(221,624)	--
Purchase of MDU	(1,009,730)	--
Purchase of Rainbow	(1,000,000)	--
Purchase of 21st Century	(250,000)	--
Payments for investment in joint venture	--	(64,878)
Purchase of certificate of deposit	(400,000)	(250,000)
	-----	-----
Net Cash Flows from Investing Activities	(3,627,346)	(826,322)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in checks issued in excess of cash in bank	83,558	147,398
Proceeds from long-term debt and warrants issued with long-term debt	2,471,688	1,659,726
Net payments on short-term debt	(2,688,900)	--
Proceeds from note payable - stockholder	--	124,000
Payments received on stock subscriptions receivable	9,501	105,806
Payments on long-term debt	(345,578)	(200,768)
Payments on note payable - stockholder	(29,590)	(9,609)
Payments on capital lease obligations	(74,902)	(75,301)
Proceeds from issuance of stock and warrants	4,188,131	4,023,704
Payments for debt issuance costs	(198,337)	--
Redemption of preferred stock	--	(93,100)
Preferred dividends	(45,291)	(135,481)
Redemption of common stock	(62,975)	--
Exercise of stock options	--	3,750
Exercise of warrants	390,279	262,030
	-----	-----
Net Cash Flows from Financing Activities	3,697,584	5,812,155
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,219,407)	2,405,585
	-----	-----
CASH AND CASH EQUIVALENTS - Beginning of Year	2,945,960	540,375

# Edgar Filing: MULTIBAND CORP - Form S-1/A

CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 726,553	\$ 2,945,960
	=====	=====

See accompanying notes to consolidated financial statements.

Page 14

## MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

##### Nature of Business

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

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the years ended December 31, 2004, 2003, and 2002, the Company incurred net losses of \$ 9,783,962, \$4,365,004 and \$4,438,059, respectively. At December 31, 2004, the Company had an accumulated deficit of \$44,704,609. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability and/or raising additional capital. On February 3, 2005, the Company completed a \$10 million private placement of the Company's Series I Convertible Preferred Stock. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and fund commitments on planned Multiband projects; however, there can be no assurance that the sources will be available or available on terms favorable to the Company. Management anticipates that the impact of the actions listed below will generate sufficient cash flows to pay current liabilities, long-term debt and capital lease obligations and fund the Company's future operations:

1. Continued reduction of operating expenses by controlling payroll, professional fees and other general and administrative expenses.
2. Solicit additional equity investment in the Company by either issuing preferred or common stock. The Company, in February 2005 issued \$10,000,000 worth of Class I Preferred Stock to a group of accredited investors.
3. Continue to market Multiband services and acquire additional multi-dwelling unit customers.
4. Control capital expenditures by contracting Multiband services and equipment through a landlord-owned equipment program.
5. Establish market for wireless internet services.
6. Discontinuation of Multiband business services segment which was unprofitable in 2004.

##### Principles of Consolidation

The consolidated financial statements include the accounts of Multiband

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Corporation (MB) and its wholly owned subsidiaries, Corporate Technologies, USA, Inc. (CTU), URON, Inc., Minnesota Digital, Inc. (MDU), Rainbow Satellite Group, LLC (Rainbow) and Multiband, Inc. (Multiband) which provides voice, data and video services to residential multi-dwelling units. In February 2003, the Company formed a 50% owned subsidiary, Multiband USA, Inc. (MB USA) with Pace Electronics, Inc. (PACE) a video wholesaler, and provides the same services as Multiband). On January 1, 2004, the Company purchased the 50% PACE interest in Multiband USA. All significant intercompany transactions and balances have been eliminated in consolidation.

On January 1, 2004, the Company merged Multiband into CTU.

Page 15

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

##### Discontinued Operations

During the first quarter of 2005, the Company sold certain assets and transferred certain liabilities related to its Multiband Business Services (a/k/a CTU). The Company began discussions and efforts to sell these assets in the fourth quarter of 2004. These assets met the requirements of Statement of Financial Accounting Standards No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" as being held for sale. Operations and cash flows will be eliminated as a result of the sale and the Company will not have any significant involvement in the operations after the sale. In accordance with appropriate accounting rules, the Company has reclassified the previously reported financial results to exclude the results of the Multiband Business Services (CTU) and these results are presented on a historical basis as a separate line in the consolidated statement of operations and the consolidated balance sheets entitled "Discontinued Operations". All of the financial information in the consolidated financial statements and notes to the consolidated financial statements has been revised to reflect only the results of continuing operations (see Note 16). Based on the discussions and efforts to sell these assets, the Company determined, based on the final purchase price which was arrived at in the first quarter of 2005, it was required to take an impairment charge to the goodwill of the Multiband Business Services division. As a result, an impairment charge related to goodwill of \$2,221,000 was recorded in the fourth quarter of 2004.

##### Revenues and Cost Recognition

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

The Company earns revenues from six sources: 1) Video and computer technology products which are sold but not installed, 2) Voice, video and data communication products which are sold and installed, 3) Service revenues related to communication products which are sold and both installed and not installed 4) Multiband user charges to multiple dwelling units 5) MB USA user charges to

## Edgar Filing: MULTIBAND CORP - Form S-1/A

timeshares, and 6) MDU earns revenue primarily through the activation of and residual fees on video programming services.

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

Customer's contract for both the purchase and installation of voice and data networking technology products and certain video technologies products on one sales agreement, as installation of the product is essential to the functionality of the product. Revenue is recognized when the products are delivered and installed and the customer has accepted the terms and has the ability to fulfill the terms. This revenue has been revenues related to

Page 16

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

technology products including consulting, training and support are recognized when the services are provided. Service revenues accounted for less than 10% of total revenues for the years ended December 31, 2004, 2003 and 2002. The Company, if the customer elects, enters into equipment maintenance agreements for products sold once the original manufacturer's warranty has expired. Revenues from all equipment maintenance agreements are recognized on a straight-line basis over the terms of each contract. Costs for services are expensed as incurred. This revenue has been included with discontinued operations.

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

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

The Company reports the aforementioned video programming revenues on a gross basis based on the following factors: the Company has the primary obligation in



## Edgar Filing: MULTIBAND CORP - Form S-1/A

the arrangement with its customers; the Company controls the pricing of its services; the Company performs customer service for the agreements; the Company approves customers; and the Company assumes the risk of payment for services provided, including chargebacks.

Multiband, Rainbow, MDU and MB USA user charges are recognized as revenues in the period the related services are provided in accordance with SAB 104.

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

### Cash and Cash Equivalents

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

### Certificate of Deposit

The Company has a certificate of deposit which matures in December 2005.

Page 17

## MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

#### Accounts Receivable

The Company reviews customers' credit history before extending unsecured credit and establishes an allowance for uncollectible accounts based upon factors surrounding the credit risk of specific customers and other information. Credit risk on accounts receivable is minimized as a result of the large and diverse nature of the Company's customer base. Invoices are due 30 days after presentation. Accounts receivable over 30 days are considered past due. The Company does not accrue interest on past due accounts receivable. Receivables are written off only after all collection attempts have failed and are based on individual credit evaluation and specific circumstances of the customer. Accounts receivable are shown net of an allowance for uncollectible accounts of \$225,000 and \$223,000 at December 31, 2004 and 2003, respectively. Accounts receivable over 90 days were \$559,000 and \$433,000 at December 31, 2004 and 2003, respectively.

#### Inventories

Inventories, included as inventories and current assets of discontinued operations on the balance sheet, consisting principally of purchased telecommunication, networking and computer equipment and parts, are stated at the lower of cost or market. Cost is determined using an average cost method for telecommunication and networking equipment and the first-in, first-out (FIFO) method for computer equipment. Nonmonetary exchanges of inventory items with third parties are recorded at the net book value of the items exchanged with no gains or losses recognized.

#### Property and Equipment

Property, equipment and leasehold improvements are recorded at cost.

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Improvements are capitalized while repairs and maintenance costs are charged to operations when incurred. Property and equipment is depreciated or amortized using the straight-line method over estimated useful lives ranging from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the assets.

### Debt Issuance Costs

Debt issuance costs are amortized over the life of the loan of approximately three years using the straight-line method, which approximates the interest method.

### Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations", effective for acquisitions initiated on or after July 1, 2001, and No. 142, "Goodwill and Other Intangible Assets", effective for fiscal years beginning after December 15, 2001. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations. SFAS No. 142 indicates that goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. The Company adopted SFAS No. 142 effective January 1, 2002. The Company performed the required goodwill impairment test during the years ended December 31, 2004, 2003 and 2002.

As part of compliance with this standard, the Company obtained an independent appraisal to assess the fair value of its business units to determine whether goodwill carried on its books was impaired and the extent of such impairment, if any for the years ended December 31, 2004 and 2003. For the quarter ended

Page 18

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

September 30, 2004 and for the year ended December 31, 2003, the independent appraisal used the discounted future returns method to measure the fair value of its business units. During the three months ended September 30, 2004, the Company completed its review of goodwill through an independent appraisal and determined it was partially impaired. The Company recorded impairment charges to goodwill of \$527,879 related to the Corporate Technologies (CTU) acquisition during the quarter ended September 30, 2004. Under the discounted future returns method, future benefits over a period of time are estimated and then discounted back to present value. The independent appraiser used a discount factor of 15.8% and 16.8% for the years ended December 31, 2004 and 2003, respectively. Based upon the 2003 independent appraisal, the Company determined that its current goodwill balances were not impaired as of December 31, 2003. As of December 31, 2004, goodwill related to discontinued operations of \$2,221,000 was entirely written off and was included in discontinued operations. Goodwill related to continuing operations was \$812,366 as of December 31, 2004.

Components of intangible assets are as follows:

Edgar Filing: MULTIBAND CORP - Form S-1/A

	December 31, 2004		December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization				
Domain name	\$ 83,750	\$ 55,833	\$ 83,750	\$ 39,000
Access contracts	\$ 60,000	\$ 33,333	60,000	13,000
Debt issuance costs	\$ 313,837	\$ 47,214	115,500	3,000
Right of entry	\$17,226,759	\$ 1,933,294	--	--
Customer cable lists	\$ 753,930	\$ 286,967	300,000	--
Total	\$18,438,276	\$ 2,356,641	\$ 559,250	\$ 55,000
Intangible assets not subject to amortization				
Goodwill	\$ 812,366	\$ 0	\$ 3,531,157	\$ 782,000

Amortization of intangible assets was \$2,301,016, \$33,291 and \$16,750 for the years ended December 31, 2004, 2003 and 2002, respectively. Estimated amortization expense of intangible assets for the years ending December 31, 2005, 2006, 2007, 2008, 2009 and 2010 is \$3,297,005, \$3,047,921, \$2,974,281, \$2,908,666, \$2,817,297 and \$1,036,464, respectively. The weighted average remaining life of the intangibles is 5.5 years with right of entry average life of 6.0 years and customer cable lists of 2.6 years

Page 19

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

The Company amortizes a domain name acquired during the year ended December 31, 2001 over its estimated useful life of five years using the straight-line method. The Company amortizes access contracts and customer cable lists, on an average, over their useful estimated lives ranging from two to five years. The Company is amortizing the right of entry contracts, on an average, over their estimated useful lives ranging from 36 to 73 months.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs were \$176,592, \$146,906, \$104,788 for the years ended December 31, 2004, 2003 and 2002, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

Shipping and Handling Costs

In accordance with Emerging Issues Task Force (EITF) Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company is including shipping and handling revenues in revenues and shipping and handling costs in cost of products and services.

# Edgar Filing: MULTIBAND CORP - Form S-1/A

## Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement and income tax reporting bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance to the extent that realization is not assured.

## Stock-Based Compensation

In accordance with Accounting Principles Board (APB) Opinion No. 25 and related interpretations, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's general policy is to grant stock options at fair value at the date of grant. Options and warrants issued to nonemployees are recorded at fair value, as required by SFAS No. 123 "Accounting for Stock-Based Compensation," (SFAS No. 123), using the Black Scholes pricing model. The Company has adopted the disclosure only provision of SFAS No. 148, "Accounting for Stock-Based Compensation."

Pursuant to APB No. 25 and related interpretations \$212,714, \$447,481, and \$482,999 of compensation cost has been recognized in the accompanying consolidated statements of operations for the years ended December 31, 2004, 2003 and 2002, respectively. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of SFAS No. 123, the Company's loss attributable to common stockholders and basic and diluted loss per common share would have increased to the following pro forma amounts for the years ended December 31:

Page 20

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

	2004	2003	
	-----	-----	-----
Loss attributable to common stockholders	\$(10,374,417)	\$ (4,613,693)	\$ (
Pro forma loss attributable to common shares	\$(10,984,354)	\$ (5,363,381)	\$ (
Basic and diluted loss attributable to common shareholders:			
As reported	\$ (.45)	\$ (0.29)	\$
Pro forma loss attributable to common shares	\$ (.47)	\$ (0.33)	\$
Stock-based compensation:			
As reported	\$ 212,714	\$ 447,481	\$
Pro forma	\$ 609,937	\$ 749,688	\$

In determining the compensation cost of the options granted during fiscal 2004, 2003, and 2002, as specified by SFAS No. 123, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model and the weighted average assumptions used in these calculations are summarized as follows:

## Edgar Filing: MULTIBAND CORP - Form S-1/A

	2004	2003
Risk-free interest rate	3.31%	3.00%
Expected life of options granted	10 years	10 years
Expected volatility range	184%	170%
Expected dividend yield	0%	0%

### Net Loss per Common Share

Basic net loss per common share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted net loss per common share is computed by dividing loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to common share equivalents (stock options, stock warrants, convertible preferred shares, and issued but not outstanding restricted stock) had been issued. All options, warrants, convertible preferred shares, and restricted stock outstanding during the years ended December 31, 2004, 2003 and 2002 were anti-dilutive.

### Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. The Company's segments have similar economic characteristics and are similar in the nature of the services provided, type of customers, methods used to distribute the Company's services and regulatory environment. Management believes that the Company meets the criteria for aggregating its operating segments into a single reporting segment.

### Recently Issued Accounting Pronouncements

In November 2004, FASB issued SFAS No. 151 "Inventory Costs" which amends the guidance in ARB No. 43, Chapter 4 "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. SFAS No. 151 requires that those items be

Page 21

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, SFAS No, 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after the date SFAS No. 151 was issued. SFAS No. 151 shall be applied prospectively. The Company does not expect the adoption of SFAS No. 151

## Edgar Filing: MULTIBAND CORP - Form S-1/A

to have a material effect on its consolidated financial statements.

In December 2004, FASB issued SFAS No. 153 "Exchanges of Nonmonetary Assets" which amends APB Opinion No. 29, "Accounting for Nonmonetary Transactions." APB No. 29 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 shall be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date SFAS No. 153 was issued. SFAS No. 153 shall be applied prospectively. The Company does not expect the adoption of SFAS No. 153 to have a material effect on its consolidated financial statements.

In December 2004, FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment", which focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." Beginning with the quarterly period that begins July 1, 2005, the Company will be required to expense the fair value of employee stock options and similar awards. As a public company, the Company is allowed to select from two alternative transition methods, each having different reporting implications. The impact of SFAS No. 123R for the year ending December 31, 2005 is estimated to range from approximately \$150,000 and \$200,000 based on the value of the options outstanding as of December 31, 2004 that will vest during the third and fourth quarters of 2005. This estimate does not include any expenses for options that may be granted and vested during 2005.

In December 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (Revised December 2003), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46R). This standard replaces FIN 46, "Consolidation of Variable Interest Entities" that was issued in January 2003. FIN 46R modifies or clarifies various provisions of FIN 46. FIN 46R addresses the consolidation of business enterprises of variable interest entities (VIEs), as defined by FIN 46R. FIN 46R exempts certain entities from its requirements and provides for special effective dates for entities that have fully or partially applied FIN 46 prior to issuance of FIN 46R. Otherwise, application of FIN 46R is required in financial statements of public entities that have interest in structures commonly referred to as special purpose entities for periods ending after December 15, 2003. Application by the Company for all other types of VIEs is required in financial statements for periods ending no later than the quarter ended January 31, 2005. The adoption of FIN 46R did not have a material effect on the Company's consolidated financial statements.

### Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates relate to the allowances for doubtful accounts, inventory obsolescence, and stock subscriptions and interest receivable, property and equipment estimated useful lives, goodwill carrying value and the

# Edgar Filing: MULTIBAND CORP - Form S-1/A

valuation of deferred income tax assets.

Page 22

## MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

#### Financial Instruments

The carrying amounts for all financial instruments approximate fair value. The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term debt approximate fair value because of the short maturity of these instruments. The fair value of capital lease obligations, note payable-stockholder and long-term debt approximates the carrying amounts based upon the Company's expected borrowing rate for debt with similar remaining maturities and comparable risk.

#### Reclassifications

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

-----  
NOTE 2 - BUSINESS ACQUISITIONS  
-----

During February 2003, the Company incorporated a new subsidiary, MB USA. This subsidiary was formed as a 50% owned joint venture agreement with PACE (Note 1). The reason for the joint venture with PACE is to continue to expand the Company's services related to multi-users of voice, data and video services. The remaining 50% ownership was purchased January 1, 2004.

On April 25, 2003, the Company, through MB USA, purchased certain video equipment assets, related rights to video subscribers and rights of access agreements from Suncoast Automation, Inc. (Suncoast). The purchase price was allocated to the acquired assets and assumed certain liabilities based on the estimated fair values as of the acquisition date. The purchase price was allocated to assets and liabilities acquired as follows:

Property and equipment	\$	504,224
Access contracts		60,000
Capital lease obligations		(54,224)
		-----
Net purchase price	\$	510,000
		=====

The net purchase price of \$510,000 consisted entirely of cash paid. The consolidated results of operations on an unaudited pro forma basis are not presented separately as the results do not differ significantly from historical amounts presented herein.

On December 31, 2003, the Company purchased certain customer lists from Florida Cable, Inc. (Florida Cable) for \$300,000 which was paid to Florida Cable on January 2, 2004. In addition, the Company agreed to lease from Florida Cable equipment used in the operation of the cable television systems for six months

## Edgar Filing: MULTIBAND CORP - Form S-1/A

for \$1.00. After the six month lease period has expired, the Company has agreed to purchase the equipment for \$165,000. If the Company fails to pay the \$165,000 in full, all rights and title of the customer lists mentioned above will revert back to Florida Cable. At December 31, 2003, the Company has recorded the \$165,000 liability associated with the contingent purchase of equipment.

On January 1, 2004, the Company entered into a stock purchase agreement with URON, Inc. (URON) to purchase all of the outstanding capital stock of URON for a total purchase price of 350,000 shares of the Company's common stock to be issued in installments as follows: a) 180,000 shares issued at closing, b) 170,000 shares held in escrow. The common shares were valued at fair market value on the date of agreement which was \$1.31 per share for a purchase price of \$458,500. The terms of the escrow are as follows: 50,000 shares to be released upon URON providing the Company with documentation satisfactory to the Company

Page 23

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

of a release from a certain vendor or any related entity of all liabilities incurred to a certain vendor by URON; 120,000 shares to be released in 40,000 share increments upon the Company's receipt of distributable gross profits, generated by certain customers, in increments of \$75,000 cash. The escrow shall be terminated 24 months after the date of the agreement and any shares not released will be rescinded to the Company. The Company must register all shares issued within one year from the date of issuance. The reason for the purchase of URON is to continue to expand the Company's services related to voice, data, and video services. The purchase price of \$458,500 was allocated to customer list of \$453,930 and property and equipment of \$4,570. The customer list will be amortized over its estimated useful lives of two years and the property and equipment for fifteen months. At December 31, 2004, the Company was not obligated to issue any of the contingent shares of common stock.

In April 2004, the Company purchased certain assets consisting of data and video subscribers and systems from Satellite Broadcasting Corporation and affiliates (SBC). The total purchase price for said assets was approximately \$679,200.

On April 2, 2004, Multiband Corporation and subsidiaries (the Company), (fka Vicom, Incorporated and subsidiaries), completed its acquisition of Minnesota Digital Universe, Inc. (MDU) for approximately 7.7 million dollars, half of which was paid for in Multiband Corporation common stock, valued at \$1.75 per share, (\$3,850,000), \$1.1 million paid in cash and the balance in promissory notes due by January 2005. Included in the purchase price is \$700,000 related to a finder's fee. In December 2004, the notes with an outstanding balance of \$990,000 were extended through May 2005; with \$200,000 of the outstanding note balance being extended to July 2006. These notes are unsecured and bear no interest. The stock value was a negotiated price between the Seller and the Buyer. The consideration paid was based on the Company's analysis of likely future net income to be generated over a six year period by the acquired company. The cash was provided by funds the Company had previously raised in a private placement. The assets were acquired from Pace Electronics. Prior to the transaction, there was no material relationship between the owners of MDU and the Company other than the fact that Pace Electronics previously owned a 50% interest in a company subsidiary, Multiband USA, Inc., which Multiband bought out the remaining 50% of ownership from Pace Electronics in January 2004 for 30,000 shares of the Company's common stock valued at \$39,000.



## Edgar Filing: MULTIBAND CORP - Form S-1/A

With the MDU acquisition, the Company became a nationwide agent for DirecTV. MDU services nearly 40,000 video subscribers through a network of private cable operators located throughout the United States. The purchase also permits the Company to receive ongoing residual payments from DirecTV, during the term of the master system operator agreement with DirecTV, which initially had approximately 25 months remaining at the time of purchase.

On July 9, 2004, Multiband (the Company) completed its acquisition, which had an acquisition date of June 1, 2004, of the outstanding membership interests of Rainbow Satellite Group, LLC (Rainbow), a provider of Satellite television services to multi dwelling units, for approximately 7.5 million dollars, two million of which was paid for in Multiband Preferred Stock, valued at \$2.00 per share on a conversion formula to Multiband common stock, one million dollars of which was paid for in cash and the balance in promissory notes due by January 2005. In December 2004 these notes were extended to May 1, 2005. Included in the purchase price is \$321,850 related to a finders fee. These notes are collateralized by Rainbow assets and bear interest at the prime rate (5.25% at December 31, 2004.) In connection with the debt extension, the Company issued 75,000 two year warrants with an exercise price of \$1.35 valued at \$68,652 using the Black Scholes pricing model. The stock value was a negotiated price between the Buyer and Seller. In the event Multiband defaults in the payment of said promissory notes, the former owners of Rainbow have certain rights to repurchase the aforementioned membership interests for 20% less than any sums Multiband has paid prior to the date of the default. The consideration paid was based on the Company's analysis of likely future net incomes to be generated over a six year period by the acquired Company. The cash was provided by funds Multiband had

Page 24

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

previously raised in a private placement. The aforementioned purchase price is subject to adjustment pursuant to the parties agreement if the number of Rainbow subscribers increases or decreases as of an adjustment date. The assets were acquired from the members/owners of Rainbow. Prior to the transaction, there was no material relationship between the owners of sellers and the Company. With this acquisition, the Company acquired over 16,000 video subscribers which are primarily located in California, Colorado, Texas, Florida, Illinois and New York.

On August 9, 2004, Multiband Corporation (the Company) completed its acquisition of certain assets of 21st Century Satellite Communications, Inc. (21st Century) for \$1,080,754, \$333,333 of which was paid for in Company stock, valued at \$1.60 per share, \$250,000 of which was paid for in cash and the balance in equipment lease payments due by August 2007. The stock value was a negotiated price between the Buyer and Seller. Included in the purchase price is \$86,750 related to a finders fee. The consideration paid was based on the Company's analysis of the value of the acquired video equipment and related video subscribers totaling approximately 5,000. The cash was provided by funds Multiband had previously raised in a private placement. In connection with the acquisition, the Company incurred a \$125,000 finder's fee which was paid for in Company stock, valued at \$1.42 for a total of \$31,250, and the remaining \$93,750 was paid by December 31, 2004.

With these acquisitions, the Company has substantially increased its subscriber

Edgar Filing: MULTIBAND CORP - Form S-1/A

base.

	MDU	RAINBOW	21ST CENTURY
	-----	-----	-----
Allocation of Purchase Price:			
Total Cash/Stock Consideration	\$7,000,000	\$7,219,999	\$ 987,000
Add: Transaction Costs	726,550	361,850	93,754
Add: Liabilities assumed	2,030,373	319,921	
	-----	-----	-----
Total Consideration	9,756,923	7,901,770	1,080,754
Less: Cash and accounts receivable	59,044	--	--
Less: Tangible assets	--	773,000	372,420
Less: Goodwill	--	800,000	--
	-----	-----	-----
Intangible assets, net	\$9,697,879	\$6,328,770	\$ 708,334
	=====	=====	=====

Goodwill was recorded on the Rainbow transaction based on a six year future projection of cash flows which indicated that those future cash flows would not equal or exceed total consideration paid for all intangible Rainbow assets. The goodwill is anticipated to be deductible for tax purposes.

The following unaudited pro forma condensed results of operations for the years ended December 31, 2004 and 2003 give effect to the acquisition of URON, MDU, Rainbow, and 21st Century as if such transactions had occurred on January 1, 2003.

Page 25

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

The unaudited pro forma information does not purport to represent what the Company's results of operations would actually have been if such transactions in fact had occurred at such date or to project the Company's results of future operations.

	2004		2003
	-----	-----	-----
	CONSOLIDATED AS REPORTED PER I/S	PRO FORMA DISCLOSED	CONSOLIDATED AS REPORTED PER I/S
	-----	-----	-----
Revenues	\$ 11,067,834	\$ 14,562,983	\$ 1,441,118
Loss from continuing operations	(5,326,642)	(5,292,789)	(3,672,048)
Loss from discontinued operations	(4,457,320)	(4,457,320)	(692,956)
Net loss	\$ (9,783,962)	\$ (9,750,109)	\$ (4,365,004)
Basic and diluted loss per share:			
Loss from continuing operations	\$ (.23)	\$ (.23)	\$ (.23)

## Edgar Filing: MULTIBAND CORP - Form S-1/A

Loss from discontinued operations	\$	(.19)	\$	(.19)	\$	(.04)
Net loss	\$	(.42)	\$	(.42)	\$	(.27)

Weighted average shares outstanding - basic and diluted	23,307,594	23,307,594	16,112,231
---	------------	------------	------------

The unaudited pro forma results of operations for the years ended December 31, 2004 and 2003 as a result of the SBC and Florida Cable acquisitions of video subscribers and video equipment is not material to the historical financial statements.

Page 26

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

-----  
NOTE 3 - PROPERTY AND EQUIPMENT  
-----

Property and equipment consisted of the following at December 31:

	2004	2003
	-----	-----
Leasehold improvements	\$ 767,146	\$ 764,064
Property and equipment - owned	7,035,911	5,100,984
Property and equipment under capital lease obligations	428,749	428,749
	-----	-----
	8,231,806	6,293,797
Less accumulated depreciation and amortization	(3,859,332)	(2,755,382)
	-----	-----
	\$ 4,372,474	\$ 3,538,415
	=====	=====

Depreciation and amortization expense on property and equipment for continuing operations was \$959,447, \$516,432, and \$499,598 for the years ended December 31, 2004, 2003 and 2002, respectively.

Depreciation and amortization expense on property and equipment for the discontinued operations was \$345,985, \$432,366 and \$482,387 for the years ended December 31, 2004, 2003 and 2002, respectively.

-----  
NOTE 4 - OTHER ASSETS  
-----

Other assets consisted of the following at December 31:

	2004	2003
	-----	-----
Other current assets:		
Current portion of notes receivable	\$ --	\$ 2,983
Prepaid expenses and other	146,334	93,567
	-----	-----
Total other current assets	\$146,334	\$ 96,550

Edgar Filing: MULTIBAND CORP - Form S-1/A

	=====	
Noncurrent assets:		
Prepaid expenses and other	\$146,301	136,236
	-----	-----
Total other assets	\$146,301	\$136,236
	=====	=====

At December 31, 2004 and 2003, the Company had notes receivable of \$0 and \$2,983, respectively. The remaining note was due in December 2003 with interest of 12% was unsecured and was paid during 2004.

-----  
NOTE 5 - ACCRUED LIABILITIES  
-----

Accrued liabilities consisted of the following at December 31:

	2004	2003
	-----	-----
Payroll and related taxes	\$ 389,394	\$ 363,649
Accrued preferred stock dividends	415,120	277,928
Payable - Florida Cable	--	465,000
Accrued liability - Vendor		
Chargeback	1,901,972	--
Other	323,538	202,261
	-----	-----
	\$3,030,024	\$1,308,838
	=====	=====

Page 27

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

-----  
NOTE 6 - WHOLESALE LINE OF CREDIT  
-----

At December 31, 2004 and 2003, the Company had a \$1,750,000 wholesale line of credit agreement with a financial institution, for the purchase of certain resale merchandise from certain suppliers. Interest is generally at 0% (if paid within certain terms of up to 45 days), and the wholesale line of credit is collateralized by the accounts receivable up to \$300,000 as well as all of the inventory financed and the \$1,450,000 letters of credit which expire through April 2006. The wholesale line of credit agreement is an agreement between the Company, financial institution, and certain vendors of the Company. The Company receives no funds from the financial institution, but pays the financial institution rather than certain vendors. The balance outstanding was \$926,201 and \$976,314 at December 31, 2004 and 2003, respectively. The line of credit was paid off in full on March 31, 2005 (see Note 16).

-----  
NOTE 7 - LONG-TERM DEBT  
-----

Edgar Filing: MULTIBAND CORP - Form S-1/A

Long-term debt consisted of the following at December 31:

	2004 -----
Note payable - Pyramid Trading Limited Partnership, LLC. This note was converted to stock in 2004.	\$ --
Debenture payable - Convergent Capital Partners I, L.P., net of original issue discount of \$269,714 and \$432,504 at December 31, 2004 and 2003, respectively, monthly interest only payments through July 2005, monthly installments of \$102,273 including interest at 14% (effective interest rate 18.4%) thereafter, due May 2007, collateralized by substantially all of the assets of the Company.	2,130,286
Demand debenture payable - Convergent Capital Partners I, L.P., monthly interest only payments at 14% through May 2007, due on demand or May 2007, collateralized by substantially all of the assets of the Company.	100,000
Note payable - Lexus Tower Limited Partnership, monthly installments of \$5,987 including interest at 8.4%, due November 2010, collateralized by certain assets of the Company.	336,486
Note payable - Laurus Master Fund LTD, net of unamortized original issue discount and beneficial conversion of note payable into common stock of \$794,391 and \$1,208,847 at December 31, 2004 and 2003, monthly installments of \$45,455 beginning in March 2004, including interest at prime rate plus 3% but not less than 7% (8.25% and 7% at December 31, 2004 and 2003) (effective interest rate of 174.6%), due through November 2006, collateralized by certain assets of the Company.	226,518

Page 28

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

Notes payable, net of original issue discount and beneficial conversion of note payable into common stock of \$444,792 at December 31, 2004. Interest is 6% payable semi-annually in cash or common stock at the Company's election, due in November 2007, collateralized by certain assets of the Company and subordinated.	1,721,875
Note payable - Dell Marketing C.P., monthly installments of \$10,000 beginning in September 2004 through August 2006, with a final payment of \$65,021. This note does not bear interest and is unsecured.	--
Note payable - Vern Swedin, Note payable in 18 monthly installments, beginning January 30, 2005 with an interest rate of 6%, unsecured and due in July 2006.	200,000

Edgar Filing: MULTIBAND CORP - Form S-1/A

Notes payable, interest at 5.25% to 20% due through May 2007, collateralized by certain assets of the Company.	42,998
	-----
Total long-term debt	5,023,184
Less: current portion	(1,524,527)
	-----
Long-term debt, net	\$ 3,498,657
	=====

Future maturities of long-term debt are as follows for the years ending December 31:

2005	\$ 1,524,527
2006	2,036,024
2007	2,786,295
2008	59,072
2009	64,011
Thereafter	62,152
	-----
Total future minimum payments	6,532,081
Less: original issue discounts and beneficial conversion feature	(1,508,897)
	-----
Total long-term debt	5,023,184
Less: current portion	(1,524,527)
	-----
Long-term debt, net	\$ 3,498,657
	=====

Page 29

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

In 2000, the Company entered into a \$2,250,000 debenture agreement with Convergent Capital Partners I, L.P., with interest at 14% payable monthly and monthly payments of \$102,273 from August 1, 2003 through June 1, 2005. The timing of repayment was changed to August 2005 through May 2007 as part of the amendment made in 2002. The debenture is collateralized by substantially all Company assets. In connection with this debenture, the Company issued 150,000 five-year warrants to purchase common stock at prices ranging from \$1.50 to \$5.20 per share. The proceeds of \$2,250,000 were allocated between the debenture and the warrant based on the relative fair values of the securities at the time of issuance. The warrants were valued using the Black Scholes pricing model. The resulting original issue discount, the fair value of the warrants, is being amortized over the life of the debenture using the straight-line method, which approximates the interest method.

In 2002, the Company amended the debenture agreement with Convergent Capital Partners I, L.P., and borrowed an additional \$150,000 with interest at 14% payable monthly and monthly principal payments from August 2005 through May 2007. In connection with this debenture, the Company issued an additional 500,000 seven-year warrants to purchase common stock at \$1.10 per share. The additional warrants were valued using the Black Scholes pricing model. The resulting original issue discount, the fair value of the warrants, is being

## Edgar Filing: MULTIBAND CORP - Form S-1/A

amortized over the life of the debenture using the straight-line method, which approximates the interest method. The Company was in violation of certain covenants of this debt agreement. A waiver was obtained from the lender. The debenture payable may be redeemed at the Company's option at a premium declining ratably thereafter to par value in April 2005.

In January 2001, the Company borrowed \$1,500,000 from Pyramid Trading Limited Partnership and issued a five-year warrant to the lender to purchase 375,000 common shares at \$4.00 per share through January 2003. The debt was also convertible into common stock of the Company at a conversion rate of \$4.75 per share through January 2003. The proceeds of \$1,500,000 were allocated between the note and the fair value of the warrants using the Black Scholes pricing model. An additional 375,000 five-year warrants were issued in April 2002 and the fair value of the warrants was expensed as additional interest expense as of December 31, 2002. The resulting original issue discount, the fair value of the warrants, and the beneficial conversion of the note payable into common stock as defined in EITF 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments"(EITF 00-27), is being amortized over the life of the note using the straight-line method, which approximates the interest method. This note was converted into stock during 2004.

In February 2003, the Company reached an agreement to convert \$962,000 of its note payable with Pyramid Trading Limited Partnership to equity and to extend the due date to May 2004. Terms of the conversion state that the note will be converted to equity over a 14 month period at a price generally equivalent to a 10% discount to market price. The Company issued an additional 253,000 five-year warrants at an exercise price of \$1.00 with the note payable extension. These warrants, valued at \$208,447 using the Black Scholes pricing model, are being expensed over the remaining term of the note agreement. During the year ended December 31, 2003, the Company converted principal and accrued interest totaling \$828,172 into 717,741 shares of common stock. During the year ended December 31, 2004, the Company converted principal and accrued interest totaling \$212,111 into 153,034 shares of common stock.

In November 2003, the Company borrowed \$1,500,000 and issued a three-year warrant to the lender to purchase 535,000 common shares at \$2.21 per share through November 2006. The debt is also convertible into common stock of the Company at a conversion rate of \$1.40 per share through November 2006. The proceeds of \$1,500,000 were allocated between the note, the intrinsic value of the conversion option, and the fair value of the warrants using the Black Scholes pricing model. The resulting original issue discount, the fair value of the warrant, and the beneficial conversion of the note payable into common stock as defined in EITF 00-27 is being amortized over the life of the note using the straight-line method, which approximates the interest method. During the year ended December 31, 2004, the Company converted principal of \$230,909 into 164,836 shares of common stock.

Page 30

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

In November 2004, the Company borrowed \$2,166,667 from a group of accredited institutional investors. The notes are convertible into shares of common stock at a conversion rate of \$1.00 per share through November 2007. The notes accrue interest at the rate of 6% per annum, which interest is payable semi-annually in cash or common stock at the Company's election. The proceeds of \$2,166,667 were

## Edgar Filing: MULTIBAND CORP - Form S-1/A

allocated between the notes and the intrinsic value of the conversion option. The resulting original issue discount and the beneficial conversion of the note payable into common stock as defined in EITF 00-27 is being amortized over the life of the note using the straight-line method, which approximates the interest method. These notes are collateralized by certain assets and are subordinated.

---

### NOTE 8 - CAPITAL LEASE OBLIGATIONS

---

The Company has lease financing facilities for property, equipment and leasehold improvements. Leases outstanding under these agreements bear interest at an average rate of 7.67% and expire through June 2009. The obligations are secured by the property under lease. Total cost and accumulated amortization of the leased equipment was \$988,593 and \$349,647 at December 31, 2004 and \$428,749 and \$221,432 at December 31, 2003. Amortization expense related to these obligations is included in depreciation expense.

Future minimum capital lease payments are as follows for the years ending December 31:

2005	\$	247,531
2006		151,099
2007		313,210
2008		44,532
2009		22,268
		-----
Total		778,640
Less: amounts representing interest		(95,861)
		-----
Present value of future minimum lease payments		682,779
Less: current portion		(201,530)
		-----
Capital lease obligations, net of current portion	\$	481,249
		=====

---

### NOTE 9 - NOTE PAYABLE - STOCKHOLDER

---

On June 30, 2003, the Company borrowed \$124,000 from a stockholder of the Company with monthly payments of \$5,600 including interest at 7.85%, due in June 2005, and unsecured. The balance due at December 31, 2004 and 2003 is \$84,801 and \$114,391, respectively. Interest expense related to this note payable was \$4,709 and \$1,592 for the years ended December 31, 2004 and 2003, respectively.

---

### NOTE 10 - STOCKHOLDERS' EQUITY

---

#### Capital Stock Authorized

The articles of incorporation authorize the Company to issue 100,000,000 shares of no par capital stock. Authorization to individual classes of stock is determined by a Board of Directors resolution. The authorized classes of stock



## Edgar Filing: MULTIBAND CORP - Form S-1/A

(FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004, 2003 and 2002

are the following: 275,000 shares of Class A cumulative convertible preferred stock, 60,000 shares of Class B cumulative convertible preferred stock, 250,000 shares of Class C cumulative convertible preferred stock, 250,000 shares of Class D cumulative convertible preferred stock, and 400,000 shares of Class E cumulative convertible preferred stock, 500,000 shares of Class F cumulative convertible preferred stock, 600,000 shares of Class G cumulative convertible preferred stock, 15 Shares of Class H cumulative convertible preferred stock and 100 shares of Class I cumulative convertible preferred stock.

#### Cumulative Convertible Preferred Stock

Dividends on Class A, Class B, Class C, Class D, Class E, Class F, Class G and Class H cumulative convertible preferred stock are cumulative and payable quarterly at 8%, 10%, 10%, 14%, 15%, 10%, 8%, and 6% per annum, respectively. Cumulative convertible preferred stock can be converted into common shares at any time as follows: Class A and Class B - five shares, Class C - two shares, Class D - two and one-half shares, Class E - eight shares, Class F- five shares, Class G- six and one quarter shares, and Class H is convertible at \$1.00 per share. The intrinsic value of any beneficial conversion option is recorded as preferred stock dividends at the time of preferred stock issuance. Dividends on Class B preferred are cumulative and payable monthly at 10% per annum. The dividends are based on \$10 per share for all preferred shares. The Class B preferred was offered to certain note payable holders at a conversion of \$10 per Class B preferred share. All preferred stock is non-voting. Warrants to purchase shares of the Company's common stock were given with the issuance of Class A, Class B, Class D, Class E, Class G and Class H preferred stock and were valued at fair value using the Black Scholes pricing model. The Company may, but is not obligated to, redeem the preferred stock at \$10.50 per share for Class A and Class B and \$10.00 per share for Class C, Class D, Class E, Class F, and Class G whenever the Company's common stock price exceeds certain defined criteria as defined in the preferred stock agreements. The Class H shares can be redeemed for \$100,000 per share. Upon the Company's call for redemption, the holders of the preferred stock called for redemption have the option to convert each preferred share into shares of the Company's common stock. Holders of preferred stock cannot require the Company to redeem their shares. The liquidation preference is the same as the redemption price for each class of preferred stock.

#### Stock Compensation Plans

The Company has a 1999 Stock Compensation Plan, which permits the issuance of restricted stock and stock options to key employees and agents. All outstanding incentive stock options granted under the prior 1997 Stock Options Plan continues until all agreements have expired. There are 4,300,000 shares of common stock reserved for issuance through restricted stock, non-qualified stock option awards and incentive stock option awards. The Plans also provide that the term of each award be determined by the Board of Directors. Under the Plans, the exercise price of incentive stock options may not be less than the fair market value of the stock on the award date, and the options are exercisable for a period not to exceed ten years from award date.

The Company also has a 2000 Non-employee Director Stock Compensation Plan, which permits the issuance of stock options for 800,000 shares of common stock to non-employee directors. The exercise price of the stock options is the fair market value of the stock on the award date, and the options are exercisable for a period not to exceed ten years from award date.

## Edgar Filing: MULTIBAND CORP - Form S-1/A

### Employee Stock Purchase Plan

The Company has a 2000 Employee Stock Purchase Plan, which allows for the sale of 400,000 shares of Company common stock to qualified employees. At December 31, 2004 and 2003, no shares were issued under the Plan.

Page 32

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

#### Stock Subscriptions Receivable

The Company has stock subscriptions receivable including interest receivable totaling \$391,264 and \$418,085 due to the Company at December 31, 2004 and 2003, respectively, from the issuance of common stock. Monthly interest only payments at interest ranging from 9% to 10% were required through December 2003, with one note being extended until March 2006, at which time any unpaid stock subscription receivable was due. The receivables are secured by the common stock issued. At both December 31, 2004 and 2003, the Company has reserved \$71,000 related to stock subscriptions and interest receivable deemed to be uncollectible. The Company does not record interest receivable on the outstanding receivable balance once they have determined it to be uncollectible.

#### Restricted Stock

The Company awards restricted common shares to selected employees. Recipients are not required to provide any consideration other than services. Company share awards are subject to certain restrictions on transfer, and all or part of the shares awarded may be subject to forfeiture upon the occurrence of certain events, including employment termination. The intrinsic value at the date of grant related to the shares awarded is generally amortized over three years, the vesting term of the awards. Compensation expense recorded during the years ended December 31, 2004, 2003, and 2002 in connection with the amortization of the award cost was \$8,404, \$47,119, and \$78,292 respectively.

Restricted stock activity is as follows for the years ended December 31:

	2004	2003	2002
	-----	-----	-----
Outstanding, January 1	17,019	45,066	75,337
Issued	--	--	22,434
Vested	(12,128)	(17,204)	(33,107)
Forfeited	(2,219)	(10,843)	(19,598)
	-----	-----	-----
Outstanding, December 31	2,672	17,019	45,066
	=====	=====	=====

#### Stock Options

Stock option activity is as follows for the years ended December 31:

Options			Weighted-Average Exercise Price		
	-----	-----	-----	-----	-----
	2004	2003	2002	2004	2003

Edgar Filing: MULTIBAND CORP - Form S-1/A

Outstanding, January 1	1,657,432	1,093,157	1,050,024	\$ 1.81	\$ 2.45	\$ 2.00
Granted	621,500	747,775	249,300	1.48	1.35	0.86
Exercised	--	(3,000)	--	--	1.25	--
Forfeited	(90,500)	(180,500)	(206,167)	2.21	4.49	1.71
Outstanding, December 31	2,188,432	1,657,432	1,093,157	\$ 1.71	\$ 1.81	\$ 2.00

The weighted-average grant-date fair value of options granted during the years ended December 31, 2004, 2003, and 2002 was \$1.48, \$1.20 and \$0.86 respectively.

Options outstanding and exercisable as of December 31, 2004, are as follows:

Page 33

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

Range of Exercise Prices	Options	Outstanding		Options
		Exercise Price	Remaining Contractual Life-Years	
\$ .60	255,000	\$ 0.60	5.43	255,000
\$ .93 to \$1.38	588,500	1.21	8.58	456,500
\$1.43 to \$2.08	1,076,266	1.64	7.83	880,580
\$2.50 to \$2.88	118,000	2.64	5.93	118,000
\$3.98 to \$5.38	99,666	4.52	5.48	92,910
\$6.00 to \$6.75	51,000	6.59	5.21	51,000
\$ .60 to \$6.75	2,188,432	\$ 1.71	7.48	1,853,990

Page 34

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

Stock Warrants

Stock warrants activity is as follows for the years ended December 31:

Edgar Filing: MULTIBAND CORP - Form S-1/A

	Outstanding			Weighted - Average	
	2004	2003	2002	2004	
Outstanding, January 1	7,421,874	4,327,396	9,564,450	\$ 1.83	\$
Granted	4,902,658	3,687,447	2,546,690	1.35	
Exercised	(528,891)	(556,881)	-	1.46	
Forfeited	-	(36,088)	(7,783,744)	-	
Outstanding, December 31	11,795,641	7,421,874	4,327,396	\$ 1.64	\$

The weighted-average grant-date fair value of warrants granted during the years ended December 31, 2004, 2003 and 2002 was \$1.16, \$1.10 and \$1.00, respectively.

Warrants outstanding and exercisable as of December 31, 2004, are as follows:

Range of Exercise Prices	Warrants	Weighted - Average	
		Exercise Price	Remaining Contractual Life-Years
\$.85 to \$1.25	6,170,185	\$ 1.17	4.30
\$1.35 to \$2.00	2,545,341	1.63	1.59
\$2.20 to \$3.00	2,521,695	2.25	1.85
\$3.56 to \$5.20	558,420	4.11	1.51
\$.85 to \$5.20	11,795,641	\$ 1.64	3.06

Stock warrants issued for the years ended December 31 were awarded for:

	2004	2003	2002
Common stock	579,799	1,812,259	728,357
Services rendered	828,278	941,288	103,333
Preferred stock	3,419,581	145,900	420,000
Debt issuance and guarantees	75,000	788,000	1,295,000
	4,902,658	3,687,447	2,546,690

During the year ended December 31, 2004, the Company issued to common stock investors 579,799 two to five year warrants with a weighted average exercise price of \$2.21.

During the year ended December 31, 2004, The Company issued 828,278 three to five year warrants for services related to equity financing with a weighted average exercise price of \$1.11.

During the year ended December 31, 2004, the Company issued to preferred stock investors 3,419,581 two to five year warrants with a weighted average exercise price of \$1.26.

During the year ended December 31, 2003, 298,091 warrants were exercised with a weighted average exercise price of \$1.05. Based on the warrant agreements, these warrants were exercised in lieu of cash with the warrant holder receiving

Edgar Filing: MULTIBAND CORP - Form S-1/A

141,529 shares of common stock.

Page 35

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

During the year ended December 31, 2003, the Company issued 400,000 five-year warrants with a weighted-average exercise price of \$0.85 for services related to investor relations. These warrants were valued at \$321,920 using the Black Scholes pricing model. During 2003, the Company issued 541,288 five-year warrants with a weighted-average exercise price of \$1.02 for services related to equity financing.

During the year ended December 31, 2002, the Company issued 103,333 three-to five-year warrants with a weighted-average exercise price of \$1.56 for services related to equity financing.

All warrants were recorded at fair value using the Black Scholes pricing model.

The fair value of stock warrants is the estimated present value at grant date using the Black Scholes pricing model with the following weighted-average assumptions:

	2004	2003	2002
Risk-free interest rate	2.96%	2.37%	3.90%
Expected life	3.35 years	3.4 years	4.5 years
Expected volatility	184%	170%	151.3%
Expected dividend rate	0%	0%	0%

NOTE 11 - INCOME TAXES

The Company has generated federal and state net operating losses of approximately \$27,857,000 and \$10,827,000, respectively, which, if not used, will begin to expire in 2005. Future changes in the ownership of the Company may place limitations on the use of these net operating loss carryforwards.

The Company has recorded a full valuation allowance against its deferred tax asset due to the uncertainty of realizing the related benefits. The change in the valuation allowance was \$3,329,000, \$1,722,000 and \$402,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

Components of net deferred income taxes are as follows at December 31:

	2004	2003
Deferred income tax assets:		
Net operating loss carryforwards	\$ 11,143,000	\$ 9,387,000
Goodwill, including impairment	1,145,000	65,000
Amortization of intangibles	559,000	-
Asset valuation reserves	577,000	285,000
Accrued liabilities	69,000	55,000
	13,493,000	9,792,000

**Edgar Filing: MULTIBAND CORP - Form S-1/A**

Less valuation allowance	(13,203,000)	(9,674,000)
	-----	-----
	290,000	118,000
Deferred income tax liabilities - depreciation	(290,000)	(118,000)
	-----	-----
Net deferred income tax assets	\$ -	\$ -
	=====	=====

Income tax computed at the federal statutory rate reconciled to the effective tax rate is as follows for the years ended December 31:

	2004	2003	2002
	-----	-----	-----
Federal statutory tax rate benefits	(35.0)%	(35.0)%	(35.0)%
State tax, net of federal benefit	(5.0)	(5.0)	(5.0)
Change in valuation allowance	36.1	39.6	36.1
Other	3.9	0.4	3.9
	-----	-----	-----
Effective tax rate	0.0%	0.0%	0.0%
	=====	=====	=====

Page 36

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

The Company has the following net operating loss carryforwards at December 31, 2004, for income tax purposes:

Year of Expiration	Federal Net Operating Loss	State Net Operating Loss
-----	-----	-----
2005	599,000	599,000
2007	501,000	501,000
2008	59,000	57,000
2009	22,000	22,000
2011	595,000	575,000
2012	25,000	-
2018	1,122,000	1,096,000
2019	1,585,000	992,000
2020	4,839,000	1,587,000
2021	4,726,000	1,435,000
2022	4,353,000	1,230,000
2023	4,275,000	1,239,000
2024	5,156,000	1,494,000
	\$ 27,857,000	\$ 10,827,000
	=====	=====

Under Internal Revenue Code Section 382, utilization of federal losses expiring prior to 2019 are limited to approximately \$375,000 each year.

-----  
NOTE 12 - SUPPLEMENTAL CASH FLOWS INFORMATION  
-----

Edgar Filing: MULTIBAND CORP - Form S-1/A

	2004	2003	2002
	-----	-----	-----
Cash paid for interest	\$1,409,095	\$ 436,061	\$ 512,167
Noncash investing and financing transactions:			
Property and equipment in lieu of cash for accounts receivable	61,312	--	--
Stock options issued for commissions earned	--	--	53,745
Issuance of preferred and common stock for acquisition of assets	57,650	76,500	18,590
Current liabilities converted to stock	--	192,690	59,755
Common stock issued for guarantee of debt	--	--	14,750
Purchase of customer lists and equipment through payable to Florida Cable	--	465,000	--
Notes payable and accrued interest converted to common and preferred stock	637,596	828,172	1,164,882
Capitalized lease equipment purchases	--	--	174,986
Conversion of preferred stock to common stock	776,500	40,000	150,000
Conversion of preferred stock into note payable	--	--	400,000

Page 37

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004, 2003 and 2002

	2004	2003	2002
	-----	-----	-----
Conversion of note payable into preferred stock	50,000	--	--
Conversion of preferred stock into short-term debt	500,000	--	--
Reduction of stock subscription receivable related to commission earned on equity transactions	17,320	36,977	40,563
Warrants issued related to modifications of long-term debt	--	208,447	528,650
Warrants issued for modification of short-term debt	68,652	--	--
Conversion of preferred stock dividends into common stock	124,618	113,209	--
Issuance of common stock for acquisition of assets - SBC	270,152	--	--
Capital lease assumed in acquisition of equipment from SBC	187,424	--	--
Issuance of common stock, short-term debt, and long-term debt for acquisition of MDU	6,660,000	--	--
Issuance of preferred stock, short-term debt and accrued expenses for acquisition of Rainbow	6,541,849	--	--
Issuance of common stock and accrued expenses for acquisition of assets - 21st Century	364,584	--	--
Capital lease assumed in acquisition of equipment from 21st Century	372,420	--	--
Issuance of common stock and contingent liability for acquisition of assets - URON, Inc.	458,500	--	--
Issuance of common stock for remaining 50% ownership of MBUSA	39,000	--	--

-----  
 NOTE 13 - RETIREMENT SAVINGS PLAN  
 -----

The Company has 401(k) profit sharing plan covering substantially all full-time employees. Employee contributions are limited to the maximum amount allowable by the Internal Revenue Code. The Company made no discretionary contributions for any of the years presented.

Page 38

MULTIBAND CORPORATION AND SUBSIDIARIES  
 (FKA VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2004, 2003 and 2002

-----  
 NOTE 14 - COMMITMENTS AND CONTINGENCIES  
 -----

Operating leases

Office space was leased from an LLC which an officer of the Company was partial owner of through August 2003. In addition to basic monthly rents ranging from \$16,640 to \$17,653, the Company paid building maintenance costs, real estate taxes and assessments. During 2003, the Company converted \$72,000 of accrued rent into 7,200 shares of Class C preferred stock. At December 31, 2004 and 2003, accrued rent of \$19,500 and \$56,560, respectively, was owed to this related party. In August 2003, the Company signed a new lease agreement with an unrelated party.

The Company has various other operating leases for its corporate office space, vehicles and various equipment with lease terms expiring in August 2017. The monthly base rents range from \$84,321 to \$97,910, net of payments received from subleases. In July 2003, the Company entered into an agreement to sublease a portion of their office space through August 2008 for approximately \$5,000 per month. The leases contain provisions for payments of real estate taxes, insurance and common area costs.

Total rent expense for the years ended December 31, 2004, 2003 and 2002 including common area costs and real estate taxes was approximately \$634,000, \$578,000 and \$566,000, respectively. Rent expense with related parties for December 31, 2004, 2003, 2002 was approximately \$0, \$59,000 and \$462,000, respectively.

Future minimum rental payments, net of payments received from subleases, are as follows for the years ending December 31:

Year	Amount
2005	\$ 530,000
2006	\$ 516,000
2007	\$ 541,000
2008	\$ 587,000
2009	\$ 638,000
Thereafter	\$ 3,872,000
	-----
	\$ 6,684,000



## Edgar Filing: MULTIBAND CORP - Form S-1/A

### Legal proceedings

The Company is involved in legal actions in the ordinary course of its business, including an action brought by Private Investor's Equity Group (PIEG) brought in the third quarter of 2004, Although the outcome of any such legal actions cannot be predicted, management believes that there is no pending legal proceedings against or involving the Company for which the outcome is likely to have a material adverse effect upon the Company's consolidated financial position, results of operations, or cash flows.

### Significant Relationship

The Company is master agent for DirecTV pursuant to a system operator agreement with DirecTV dated May 22, 2003. The initial term of the agreement is for three years and provides for two additional two-year renewals if the Company has a minimum number of paying video subscribers in its system operator network. Termination of the Company's DirecTV agreement would have a material adverse impact on the Company's on-going operations. Revenues generated from DirecTV amounted to 44.3% of total revenue in 2004.

Page 39

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

---

#### NOTE 15 - RELATED PARTY

---

The Company had revenues from companies that are associated with a director, who was elected to the board of directors during 2003, of approximately \$0, \$1,124,000 and \$636,000 for the years ended December 31, 2004, 2003, and 2002, respectively. In addition, the Company had accounts receivable outstanding from these companies of approximately \$140,000, \$142,000, and \$171,000 at December 31, 2004, 2003, and 2002, respectively.

---

#### NOTE 16 - SUBSEQUENT EVENTS

---

### Private Placement

On February 3, 2005, Multiband Corporation completed a \$10 million private placement of the company's Series I Convertible Preferred Stock.

The offering was made by Mercator Advisor Group, LLC of Los Angeles, California, through its designated funds, Monarch Pointe Fund, Ltd, Mercator Momentum Fund, LP, Mercator Momentum Fund III, LP., and certain investors.

Under the terms of the preferred stock offering, the Company issued 100,000 shares of its Series I Convertible Preferred Stock in the aggregate offering amount of \$10 million. The shares of Series I Convertible Preferred Stock contain a monthly dividend that is payable at prime plus 10% through August 31, 2005, at prime rate from September 1, 2005 through August 31, 2006, and at prime

## Edgar Filing: MULTIBAND CORP - Form S-1/A

rate plus 1% thereafter. The preferred shares are convertible into 7,142,858 shares of common stock at the fixed rate of \$1.50 per share. In addition, the investors received three-year warrants to purchase shares of Common Stock at exercise prices of \$1.57 and \$1.73 per share. The Company is also required to file a registration statement providing for the resale of shares issuable upon the conversion of the Series I Convertible Preferred Stock and upon exercise of the warrants.

### Acquisition of Assets

Effective April 1, 2005, the Company purchased certain video assets (equipment and video subscribers) from Ultravision, Inc. for \$275,000.

Page 40

### MULTIBAND CORPORATION AND SUBSIDIARIES (FKA VICOM INCORPORATED AND SUBSIDIARIES)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004, 2003 and 2002

### Sale of Multiband Business Services segment

Effective April 1, 2005, the Company completed the sale of certain assets and liabilities relating to its Multiband Business Services (MBS, a/k/a Corporate Technologies USA) division. The buyer was North Central Equity, LLC ("Buyer").

The purchase price paid by the Buyer was \$2,650,000 which consisted of \$1,683,184 in cash at closing, \$366,816 in assumed vacation pay and warranty liabilities, and the balance of \$600,000 in a note receivable at 7% interest due on December 31, 2005. The amount of the note receivable is subject to adjustment based on certain representations and warranties provided by the Company in the purchase agreement. The Company anticipates a reserve of \$300,000 against this note receivable due to uncertainty of collectibility of the note.

In connection with the purchase agreement, the Company entered into an interim services agreement whereby the Buyer is able to sublease space at no charge at Seller's Minneapolis and Fargo locations and obtain access to certain aspects of Seller's information technology resources for one year. Services provided will be charged by either party at fair value and is estimated by management to be insignificant. In addition the services agreement is explicit that the Company has no control over the buyer's operations. The buyer may receive additional free rent for part or all of a second year depending on the results of a post closing inventory appraisal. It is indeterminable at this time the results of this appraisal, however, the Company estimates the second year option will be exercised and will be accruing the liability as part of the sale transaction.

In conjunction with the sale, the Company reduced its indebtedness to Convergent Capital \$2,000,000. Estimated gain on sale of MBS Business:

#### SALE PRICE

Cash proceeds	\$ 1,700,183
Note receivable, net of reserve of \$300,000	300,000
Assumed liabilities	349,817
	-----
Total sale price	2,350,000

#### ASSETS SOLD

Inventory, net of reserve	1,053,661
Property and equipment	60,120
	-----

Edgar Filing: MULTIBAND CORP - Form S-1/A

Net assets sold	1,113,781
LESS COSTS AND EXPENSES	
Broker's fee	100,000
Sublease for one year at no charge	500,000
Additional estimated free rent related to potential inventory adjustment	500,000
Legal and accounting costs	30,000
	-----
Total costs	1,130,000
	-----
NET GAIN ON SALE	\$ 106,219
	=====

The following are condensed statements of operations of the discontinued operations:

STATEMENT OF OPERATIONS	2004	2003	2002
	-----	-----	-----
Revenues	\$ 18,604,855	\$ 21,199,303	\$ 23,963,748
Cost of products and services (exclusive of depreciation and amortization shown below)	14,564,286	15,067,483	17,618,617
Selling, general and administrative	5,092,867	6,038,823	5,690,015
Depreciation and amortization	345,985	432,366	482,387
Income (loss) from operations	(1,398,283)	(399,369)	172,689
Impairment of goodwill	(2,748,879)	--	--
Other income (expense)	(310,158)	(353,587)	(165,917)
	-----	-----	-----
Net Loss	\$ (4,457,320)	\$ (692,956)	\$ 6,772
	=====	=====	=====

Page 41

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON SUPPLEMENTARY INFORMATION

To Stockholders, Board of Directors, and Audit Committee  
 Multiband Corporation and Subsidiaries (formerly known as Vicom, Incorporated and subsidiaries)  
 New Hope, Minnesota

Our report on our audits of the basic consolidated financial statements of Multiband Corporation and Subsidiaries (formerly known as Vicom, Incorporated and subsidiaries) for the years ended December 31, 2004, 2003 and 2002 appears on page 1. The audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

/s/ VIRCHOW, KRAUSE & COMPANY, LLP

Minneapolis, Minnesota

Edgar Filing: MULTIBAND CORP - Form S-1/A

March 8, 2005 (except as to Note 16 as to which the date is April 8, 2005)

Page 42

MULTIBAND CORPORATION AND SUBSIDIARIES  
(FKA VICOM INCORPORATED AND SUBSIDIARIES)

VALUATION AND QUALIFYING ACCOUNTS  
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

Column A	Column B	Column C
Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses
-----		
ALLOWANCE DEDUCTED FROM ASSET TO WHICH IT APPLIES		
Allowance for doubtful accounts receivable:		
2004	\$ 223,000	\$ 2,
2003	236,000	
2002	178,000	58,
Notes receivable:		
2004	-	
2003	30,000	
2002	-	30,
Stock subscriptions and interest receivable		
2004	71,000	
2003	-	71,
2002	-	

-----  
(A) Write-off uncollectible receivables

Page 43

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth expenses and costs payable by the Registrant expected to be incurred in connection with the issuance and distribution of the securities described in this registration statement. All amounts are estimated except for the Securities and Exchange Commission's registration fee.

	AMOUNT
	-----
Registration fee under Securities Act.....	\$ 2,658.00
Selling Agent's commissions.....	\$ 0.00
Legal fees and expenses.....	\$10,062.00

Edgar Filing: MULTIBAND CORP - Form S-1/A

Accounting fees and expenses.....	\$ 4,410.00
Printing expenses.....	\$ 1,870.00
Registrar and transfer agent fees.....	\$ 0.00
Miscellaneous expenses.....	\$ 1,000.00
	-----
Total.....	\$20,000.00

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 302A.521 of the Minnesota Statutes empowers a Minnesota corporation to indemnify its officers and directors and certain other persons to the extent and under the circumstances set forth therein.

Article VII of the Registrant's Articles of Incorporation eliminates the liability of directors of the Registrant to the Registrant or its shareholders for monetary damages for breach of fiduciary duty except for any breach of a director's duty of loyalty to the Registrant or its shareholders, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, under Sections 302A.559 of the Minnesota Statutes (relating to illegal distributions) or Section 80A.23 of the Minnesota Statutes (relating to securities law violations), for any transaction from which the director derived an improper personal benefit; or for any act or omission occurring prior to May 22, 1987, which is the date that this provision in the Registrant's Articles became effective.

The above discussion of Section 302A.521 and of the Registrant's Articles of Incorporation is not intended to be exhaustive and is respectively qualified in its entirety by such statute and the Articles of Incorporation. The Registrant has insurance in the amount of \$1,000,000 per occurrence insuring its directors and officers and those of its subsidiaries against certain liabilities they may incur in their capacity as directors and officers.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the last three years the registrant has issued various securities, described in more detail in the Company's forms 10Q and 10K filed during those periods 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 in which contain restrictions on the transfer of the Securities sold.

ITEM 16. EXHIBITS

The following documents are filed as exhibits to this registration statement:

EXHIBIT NO.	DESCRIPTION
-----	-----
2.1	Asset Purchase Agreement and related documents with Enstar Networking Corporation dated December 31, 1998(1)
2.2	Agreement and Plan of Merger with Ekman, Inc. dated December

## Edgar Filing: MULTIBAND CORP - Form S-1/A

	29, 1999(1)
2.3	Asset Purchase Agreement with Vicom Systems (14)
3.1	Amended and Restated Articles of Incorporation of Vicom, Inc.(1)
3.2	Restated Bylaws of Vicom, Incorporated(1)
3.3	Articles of Incorporation of Corporate Technologies, USA, Inc.(1)
3.5	Audit Committee Charter (9)
4.1	Certificate of Designation of the Relative Rights, Restrictions and Preferences of 8% Class A Cumulative Convertible Preferred Stock and 10% Class B Cumulative Convertible Preferred Stock dated December 9, 1998(1)
4.2	Form of Warrant Agreement(1)
4.3	Warrant Agreement with James Mandel dated December 29, 1999(1)
4.4	Warrant Agreement with Marvin Frieman dated December 29, 1999(1)
4.5	Warrant Agreement with Pierce McNally dated December 29, 1999(1)
4.6	Warrant Agreement with Enstar, Inc. dated December 29, 1999(1)
4.7	Warrant Agreement with David Ekman dated December 29, 1999(1)
4.8	Certificate of Designation of the Relative Rights, Restrictions and Preferences of 10% Class C Cumulative Convertible Stock(2)
4.9	Certificate of Designation of the Relative Rights, Restrictions and Preferences of 14% Class D Cumulative Convertible Stock(2)
4.10	Certificate of Designation of the Relative Rights, Restrictions and Preferences of 15% Class E Cumulative Convertible Stock(2)
4.11	Securities Purchase Agreement Dated September 18, 2003 (6)
4.12	Secured Convertible Note Agreement (7)
4.13	Wholesale Services Agreement Dated March 4, 2004 (8)
4.14	Note Purchase Agreement (11)
4.15	Series H Preferred Documents (12)
4.16	Series I Preferred Documents (13)
5.1	Opinion of Steven M. Bell, Esq.(6)
10.1	Vicom Lease with Marbell Realty dated June 20, 1996(1)
10.2	Employment Agreement with Marvin Frieman dated October 1, 1996(1)
10.3	Employment Agreement with Steven Bell dated October 1, 1996(1)
10.4	Employment Agreement with James Mandel dated August 14, 1998(1)
10.5	Vicom Associate Agreement with NEC America, Inc. dated June 1999(1)
10.6	Loan Agreement with Wells Fargo dated June 17, 1999(1)
10.7	Employment Agreement with David Ekman dated December 29, 1999(1)
10.8	Debenture Loan Agreement with Convergent Capital dated March 9, 2000(1)
10.9	Corporate Technologies, USA, Inc. lease with David Ekman dated January 19, 2000(1)
10.10	Amendment dated July 11, 2000 to debenture loan agreement with Convergent Capital dated March 9, 2000.(2)
10.11	Corporate Technologies agreement with Siemens dated December 14, 2001(4)
10.12	Note with Pyramid Trading, L.P. (4)
10.14	Employment Agreement of Steven M. Bell dated January, 1, 2002(5)
10.15	Employment Agreement of James Mandel dated January 1, 2002(5)

## Edgar Filing: MULTIBAND CORP - Form S-1/A

10.16	Acquisition Agreement of Minnesota Digital Universe (9)
10.17	Acquisition of Rainbow Satellite Group, LLC (10)
14	Vicom Code of Ethics for Senior Officers (9)
19.1	2000 Non-Employee Director Stock Compensation Plan (3)
19.2	2000 Employee Stock Purchase Plan (3)
21.1	List of subsidiaries of the registrant(1)
23	Consent of Virchow, Krause & Company, LLP (15)
24.1	Power of Attorney (included on signature page of original registration statement)
31.1	Rule 13a-14 (s) Certification of Chief Executive Officer - James Mandel (15)
31.2	Rule 13a-14 (s) Certification of Chief Financial Officer - Steven Bell (15)
32.1	Section 1350 of Sarbanes-Oxley Act of 2002 - James Mandel (15)
32.2	Section 1350of Sarbanes-Oxley Act of 2002 - Steven Bell (15)

Page 45

- 
- (1) Previously filed as the same exhibit to the Registrant's Registration Statement on Form 10, as amended.
  - (2) Previously filed as the same exhibit to the original Registration Statement on Form S-1 filed on August 11, 2000 and declared effective on August 18, 2000.
  - (3) Previously filed as the same exhibit to Registrant's Proxy Statement on Form 14A, filed on July 31, 2000.
  - (4) Previously filed as the same exhibit to the original Registration Statement on Form S-1 filed on August 15, 2001 and declared effective on August 20, 2001.
  - (5) Previously filed as the same exhibit to Registrant's Form 10-Q filed May 15, 2002
  - (6) Previously filed as the same exhibit to Registrant's Form 8-K filed September 24, 2003.
  - (7) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANT'S FORM 8-K FILED DECEMBER 16, 2003.
  - (8) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANT'S FORM 8-K FILED MARCH 17, 2004.
  - (9) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANTS FORM 8-K FILED JUNE 9, 2004.
  - (10) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANTS FORM 8-K FILED JULY 9, 2004.
  - (11) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANTS FORM 8-K FILED NOVEMBER 19, 2004.
  - (12) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANTS FORM 8-K FILED NOVEMBER 24, 2004.
  - (13) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANTS FORM 8-K FILED FEBRUARY 3, 2005.
  - (14) PREVIOUSLY FILED AS THE SAME EXHIBIT TO REGISTRANTS FORM 8K FILED APRIL 6, 2005
  - (15) FILED HEREWITH

Page 46

## Edgar Filing: MULTIBAND CORP - Form S-1/A

### ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.
  - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual reports pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter



Edgar Filing: MULTIBAND CORP - Form S-1/A

has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1993, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
(2) For purposes of determining any liability under the Securities Act of 1993, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Page 47

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this amendment number two registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New Hope, State of Minnesota, on May 26, 2005.

MULTIBAND CORPORATION

By: /s/ Steven M. Bell

Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Act, this amendment number one registration statement on Form S-1 has been signed by the following persons in their capacities indicated as of May 26, 2005.

Table with 2 columns: SIGNATURE and TITLE. Row 1: Steven M. Bell, President, Chief Financial Officer and Director (Principal Financial and Accounting Officer). Row 2: Frank Bennett, Director.

Edgar Filing: MULTIBAND CORP - Form S-1/A

Jonathan Dodge  
-----

/s/ Jonathan Dodge          Director

David Ekman  
-----

/s/ David Ekman          Director

Eugene Harris  
-----

/s/ Eugene Harris          Director

James L. Mandel  
-----

/s/ James L. Mandel          Chief Executive Officer and Director  
(Principal Executive Officer)

Donald Miller  
-----

/s/ Donald Miller          Director and Chairman

David Weiss  
-----

/s/ David Weiss          Director

\*By: Steven M. Bell  
-----

Attorney-in-Fact