

Edgar Filing: MULTIBAND CORP - Form 10-K/A

MULTIBAND CORP
Form 10-K/A
May 25, 2005

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

AMENDMENT NO. 2 TO
FORM 10-K

(Mark One)

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

FOR THE PERIOD ENDED DECEMBER 31, 2004
OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0 - 1325

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

MINNESOTA
(State or other jurisdiction of incorporation or organization)

41 - 1255001
(IRS Employer Identification No.)

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

Telephone (763) 504-3000 Fax (763) 504-3060
The Company's Internet Address: www.multibandusa.com
(Registrant's telephone number, facsimile number, and Internet address)

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock (no par value)

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by references in Part III of this Form 10-K or any amendment to this Form 10-K / /

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

As of June 30, 2004 (the most recently completed fiscal second quarter), the aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average high and low prices on such date as reported by the Nasdaq Smallcap was approximately \$50,361,036.

As of April 13, 2005, there were 28,479,578 outstanding shares of the registrant's common stock, no par value stock.

Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement to be filed within 120 days after the end of the fiscal year covered by this report are incorporated by reference into Part III hereof.

Table of Contents

Part I	Item 1. Business
	Item 2. Properties
	Item 3. Legal Proceedings
	Item 4. Submission of Matters to a Vote of Security Holders
Part II	
	Item 5. Market for the Registrant's Common Equity Related Shareholder Matters and Issuer Purchases of Equity Securities
	Item 6. Selected Consolidated Financial Data
	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
	Item 7A. Quantitative and Qualitative Disclosures About Market Risk
	Item 8. Consolidated Financial Statements and Supplementary Data
	Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
	Item 9A. Controls and Procedures
	Item 9B. None

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Part III

- Item 10. Directors, Executive Officers, Promoters and Control Persons of the Registrant
- Item 11. Executive Compensation
- Item 12. Security Ownership of Certain Beneficial Owners and Management
- Item 13. Certain Relationships and Related Transactions
- Item 14. Principal Accountant Fees and Services
- Item 15. Exhibits and Financial Statement Schedules.

Signatures

Item 1 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 the Company's name change from Vicom, Incorporated to Multiband Corporation.

Multiband's website is located at: www.multibandusa.com.

From its inception until December 31, 1998, Multiband operated as a telephone interconnect company only. Effective December 31, 1998, Multiband acquired the assets of the Midwest region of Enstar Networking Corporation (ENC), a data cabling and networking company. In late 1999, in the context of a forward triangular merger, Multiband to expand its range of computer products and related services, purchased the stock of Ekman, Inc. d/b/a Corporate Technologies, and merged Ekman, Inc. into the newly formed surviving corporation, Corporate Technologies, USA, Inc. (MBS). MBS provided voice, data and video systems and services to business and government. The MBS business segment was sold effective March 31, 2005. All 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 (MDUs), including apartment buildings, condominiums and time share resorts. During 2004 the Company purchased video subscribers in a number of separate transactions, the largest one being Rainbow Satellite Group, LLC. During 2004 the Company also purchased the stock of Minnesota Digital Universe, Inc., which made the Company the largest master service operator in MDU's for DirecTV satellite television in the United States.

Multiband Consumer Services

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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

When taken as a whole, and based on Multiband 's interpretations of U.S. Census Bureau statistics, cable television, telephone and internet services currently generate over \$170 billion of revenues annually in the U.S, with an estimated 26 million households living in MDUs. 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.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 (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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 and related support, and two in management.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 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 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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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

Attraction and Retention of Employees

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

Intellectual Property Rights

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

Variability of Quarterly Operating Results; Seasonality

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

results, with a larger proportion of its revenues and operating income occurring during the third quarter of the fiscal year.

Certain Anti-Takeover Effects

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

Volatility of Multiband's Common Stock

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

Future Sales of Our Common Stock May Lower Our Stock Price

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

Competition

We face competition from others who are competing for a share of the MDU market, including other satellite companies 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."

Item 2:

Properties

Multiband and its subsidiaries lease principal offices located at 2000

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

Item 3:

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.

Item 4:

Submission of Matters to a Vote of Security Holders

The Company did not submit matters to a vote of security holders during the last quarter of the fiscal year covered by this report.

PART II

Item 5:

Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Through May 17, 2000, Multiband's common stock was traded and quoted on the OTC Bulletin Board(R) ("OTCBB") under the symbol "VICM." From May 18, 2000 until August 21, 2000, the common stock was quoted under the VICM symbol on the Pink Sheets(R) operated by Pink Sheets LLC. From August 21, 2000, to December 12, 2000, Multiband's common stock was traded and quoted on the OTCBB under the VICM symbol. Since then, the stock has been traded and quoted on the Nasdaq Smallcap market system. In July 2004, the symbol was changed to MBND to coincide with the Company's name change to Multiband Corporation. The table below sets forth the high and low bid prices for the common stock during each quarter in the two years ended December 31, 2003 and December 31, 2004 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

Recent Sales of Unregistered Securities

In 2004, the Company, via accredited investor purchasers of common stock, exercise of warrants, or other conversion into common stock, issued 2.3 million common shares at various prices, netting proceeds of approximately \$3.2 million.

The Company in 2004 issued \$212,110 worth of its common stock to Pyramid Trading LP in connection with conversion of a note payable and accrued interest. The common stock was issued at various prices pursuant to a formula tied to the trading price of the Company's common stock.

The Company in 2004 issued \$230,909 worth of its common stock to Laurus Master Fund Ltd in connection with conversion of a note payable. The common stock was issued at a conversion rate of \$1.40.

At various other times in 2004, the Company issued \$194,575 worth of common stock in connection with conversion of interest and notes payable. The common stock was issued at various prices pursuant to a formula tied to the trading price of the Company's common stock.

In 2004 the Company repurchased 27,500 shares of common stock for \$62,975 from a former officer of the Company.

The Company, during 2004, issued \$452,450 worth of Class G Preferred Stock and \$1,083,341 worth of Class H Preferred Stock to various accredited investors.

In connection with these sales, we relied on the exemption from registration provided by Sections 4(2) and 4(6) of the Securities Act of 1933, as well as Rule 506 of Regulation D based on (i) our belief that the issuances did not involve a public offering, (ii) the transactions involved fewer than 35 purchasers, and (iii) because we had a reasonable basis to believe that each of the shareholders were either accredited or otherwise had sufficient knowledge and sophistication, either alone or with a purchaser representative, to appreciate and evaluate the risks and merits associated with their investment decision.

Common Stock

Holder 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 and Class E 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.

The Company's Board of Directors has not declared any dividends on our common stock since our inception, and does not intend to pay out any cash dividends on our common stock in the foreseeable future. We presently intend to retain all earnings, if any, to provide for our growth. The payment of cash dividends in the future, if any, will be at the discretion of the Board of Directors and will depend upon such factors as earnings levels, capital requirements, our financial condition and other factors deemed relevant by our Board of Directors.

Preferred Stock

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

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

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

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 \$1,083,341 worth of Class H Preferred Stock was issued.

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

The holders of the Class A Preferred, Class B Preferred, Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred, Class G Preferred 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 and six percent (6%) for the Class H 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 Preferred are payable monthly on the first day of each calendar month. Dividends on the Class H Preferred are payable semiannually on June 30 and December 31 of each year. Dividends on the Preferred Stock accrue cumulatively on a daily basis until the Preferred Stock is redeemed or converted.

In the event of any liquidation, dissolution or winding up of Multiband, the holders of the Class A Preferred and Class B Preferred will be entitled to receive a liquidation preference of \$10.50 per share, and the holders of the Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred and Class G Preferred will be entitled to receive a liquidation preference of \$10.00 per share, each subject to adjustment. Holders of the Class H Preferred will be entitled to receive a liquidation preference of \$100,000 per share. 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

Item 6:

Selected Consolidated Financial Data

The following selected financial data should be read in conjunction with our consolidated financial statements including the accompanying notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations". The data for each of the fiscal years in the three year period ended December 31, 2004, have been derived from our consolidated financial statements and accompanying notes contained in this prospectus. The Statement of Operations Data for the year ended December 31, 2001 and 2000 and the Balance Sheet data at December 31, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements which are not contained in this filing.

Statement of Operations Data	2004	2003	2002	2001
-----	-----	-----	-----	-----
Revenues	\$ 11,067,834	\$ 1,441,118	\$ 577,221	\$ 2,000,000
Cost of products and services (exclusive of depreciation and amortization listed separately below)...	\$ 5,943,395	\$ 884,536	\$ 418,093	\$ 2,000,000
Selling, general and administrative expenses ...	\$ 5,960,050	\$ 2,647,870	\$ 1,971,584	\$ 2,500,000
% of revenues	53.9%	183.0%	641.6%	
Depreciation and amortization	\$ 3,432,779	\$ 1,065,650	\$ 1,193,306	1,100,000
Loss from Operations	\$ (4,268,390)	\$ (3,156,938)	\$ (3,005,762)	\$ (3,600,000)
Other expense net	\$ (1,058,252)	\$ (548,476)	\$ (1,439,069)	\$ (1,000,000)
Minority interest in subsidiary	\$ 0	\$ 33,366	\$ 0	\$ 0
Loss before income taxes	\$ (5,326,642)	\$ (3,672,048)	\$ (4,444,831)	\$ (4,700,000)
Income tax provision	\$ 0	\$ 0	\$ 0	\$ 0
Net Loss from Continuing Operations	\$ (5,326,642)	\$ (3,672,048)	\$ (4,444,831)	\$ (4,700,000)
Discontinued operations	\$ (4,457,320)	\$ (692,956)	6,772	\$ (5,000,000)
Net Loss	\$ (9,783,962)	\$ (4,365,004)	\$ (4,438,059)	\$ (5,300,000)
Loss attributable to common stockholders	\$ (10,374,417)	\$ (4,613,693)	\$ (4,591,637)	\$ (5,700,000)
Loss per common share-basic and diluted	\$ (.42)	\$ (.27)	\$ (.38)	\$ 0
Weighted average shares outstanding	23,307,594	16,112,231	11,735,095	8,700,000

Balance Sheet Data	2004	2003	2002	2001
--------------------	------	------	------	------

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Working capital				
(deficiency)	\$ (8,931,414)	\$ 1,118,792	\$ (252,870)	\$ 4
Total assets	\$ 26,633,712	\$ 13,902,885	\$ 10,347,316	\$ 12,2
Long-term debt	\$ 3,498,657	\$ 2,262,891	\$ 3,273,350	\$ 3,3
Stockholders' equity	\$ 8,549,431	\$ 5,807,711	\$ 2,642,285	\$ 4,1

Item 7:

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

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

Years Ended December 31, 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 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.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

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%
	=====	=====
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%

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	=====	=====
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.

Cost 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.

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.

Unaudited Quarterly Results

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. The Company has historically experienced a seasonal fluctuation in its operating results, with a larger proportion of its revenues in the third quarter of the fiscal year.

	Dec.31,	Sept. 30,	June 30,	March 31,	Dec. 31,	Sept. 30,
--	---------	-----------	----------	-----------	----------	-----------

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	2004	2004	2004	2004	2003	2003
Revenues:						
Vicom	0	0	0	0	0	0
MCS	3,475,576	3,918,342	2,911,261	762,655	429,141	418,897
Total Revenues	3,475,576	3,918,342	2,911,261	762,655	429,141	418,897
Cost of Products and Services (exclusive of depreciation and amortization listed separately below)	1,889,980	1,952,631	1,712,280	410,962	290,391	238,336
SG&A Expense	2,148,570	1,845,547	1,137,780	828,153	931,304	592,868
Depreciation & Amortization	881,826	1,048,031	1,150,677	352,245	295,131	279,812
Operating Loss	(1,444,800)	(927,867)	(1,089,476)	(828,705)	(1,087,685)	(692,119)
Interest Expense	(382,854)	(254,314)	(188,986)	(229,334)	(135,411)	(97,977)
Other Income (Expenses)	13,403	(15,423)	6,851	14,863	(12,136)	323
Minority Interest					38,170	(3,460)
Net Loss Before Taxes	(1,814,251)	(1,197,604)	(1,271,611)	(1,043,176)	(1,197,062)	(793,233)
Income Tax (Benefit) Provision	0	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)	(793,233)
Discontinued Operations	(3,149,780)	(653,989)	(179,863)	(473,688)	(434,537)	(39,389)
Net Loss	(4,964,031)	(1,851,593)	(1,451,474)	(1,516,864)	(1,631,599)	(832,622)
Net Loss Per Common Share Basic and Diluted	(.20)	(.07)	(.06)	(.08)	(.09)	(.05)

Liquidity and Capital Resources

Year Ended December 31, 2004

Available working capital for 2004 decreased to \$8,931,414 primarily due to

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 of 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 less inventory in its consumer services division versus its discontinued business services division.

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 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.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	Three Months Ended December 31, 2004	2003	Twelve Months Ended 2004	
	-----	-----	-----	-----
EBITDA	\$ (549,569)	\$ (792,446)	\$ (838,373)	\$ (2,111,188)
Interest Expense, other	(102,203)	23,862	(211,669)	(1,000,000)
Depreciation and Amortization	(881,828)	(295,129)	(3,432,779)	(1,000,000)
Loss from discontinued operations	(3,149,780)	(434,537)	(4,457,320)	(1,000,000)
Other Non Cash Expense associated with common stock issuance	(280,651)	(133,349)	(843,818)	(1,000,000)
	-----	-----	-----	-----
Net Loss	\$ (4,964,031)	\$ (1,631,599)	\$ (9,783,962)	\$ (4,000,000)
	=====	=====	=====	=====

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 \$1,371,662 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 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

Critical Accounting Policies

Impairment of Long-Lived Assets

The Company's long-lived assets include property, equipment and leasehold improvement. At December 31, 2004, the Company had net property and equipment of \$4,372,474 , which represents approximately 16% of the Company's total assets. The estimated fair value of these assets is dependent on the Company's future performance. In assessing for potential impairment for these assets, the Company considers future performance. If these forecasts are not met, the Company may have to record an impairment charge not previously recognized, which may be material. In 2004 and 2003, the Company did not record any impairment. In 2002 the Company recorded impairment of \$119,480 on property, plant and equipment.

Impairment of Goodwill

We periodically evaluate acquired businesses for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses, which amounts to \$812,366, as of December 31, 2004, may be impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. In 2004, the Company recorded an impairment charge of \$527,879 related to Multiband Business Services. In 2004, the Company wrote off \$2,221,000 worth of goodwill from discontinued operations. During the years ended December 31, 2003 and 2002 , the Company did not record any impairment losses related to goodwill.

Inventories

We value our inventory at the lower of the actual cost or the current estimated market value of the inventory. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory. Rapid technological change, frequent new product development, and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand characterize our industry.

Recent 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 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 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", that focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." Beginning with the quarterly period that begins July 1, 2006, the Company will be required to expense the fair value of employee stock options and similar awards. As a public company, the Company is allowed to select from two alternative transition methods, each having different reporting implications. The impact of SFAS No. 123R for the year ending December 31, 2006 is estimated to 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 2006. 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.

Disclosures about Contractual Obligations and Commercial Commitments

The following summarizes our contractual obligations at December 31, 2004, and the effect these contractual obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	Total	1 Year or Less	1-3 Years	Over 3 Years
	-----	-----	-----	-----
Operating Leases	\$ 6,684,000	\$ 530,000	\$ 1,644,000	\$ 4,510,000
Capital Leases	778,640	247,531	508,841	22,268
Long Term Debt	6,532,081	1,524,527	4,881,391	126,163
Wholesale Line of Credit	926,201	926,201	--	--
Short Term Debt	4,481,099	4,481,099	--	--
Note Payable Stockholder	84,801	84,801	--	--
	-----	-----	-----	-----
Total	\$19,486,822	\$ 7,794,159	\$ 7,034,232	\$ 4,658,431
	=====	=====	=====	=====

Forward Looking Statements

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

Item 7A

Quantitative and Qualitative Disclosure About Market Risk

Multiband is not subject to any material interest rate risk as any current lending agreements are at a fixed rate of interest except for the notes payable to Laurus Master Fund, Ltd., which is three percent over the prime interest rate, and the note payable to the Sellers of Rainbow Satellite Group, LLC, which is at prime.

Item 8.

Consolidated Financial Statements and Supplementary Data

MULTIBAND CORPORATION AND SUBSIDIARIES
 FKA: VICOM, INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 - 12
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	14 - 39
Supplemental Information	
Report of Independent Registered Public Accounting Firm on Supplementary Information	40
Valuation and Qualifying Accounts	41

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

Minneapolis, Minnesota

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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

CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

	2004

ASSETS	
CURRENT ASSETS	
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

PROPERTY AND EQUIPMENT, NET	4,372,474

OTHER ASSETS	
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

TOTAL ASSETS	\$ 26,633,712
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
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
LONG-TERM LIABILITIES	
Long-term debt, net	3,498,657
Note payable - stockholder, net of current portion	--
Capital lease obligations, net of current portion	481,249

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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
Unamortized compensation	(1,724)
Accumulated deficit	(44,704,609)

Total Stockholders' Equity	8,549,431

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 26,633,712
	=====

See accompanying notes to consolidated financial statements.

MULTIBAND CORPORATION AND SUBSIDIARIES
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2004, 2003 and 2002

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	-----	-----	-----
Total costs and expenses	15,336,224	4,598,056	
	-----	-----	
LOSS FROM OPERATIONS	(4,268,390)	(3,156,938)	
	-----	-----	
OTHER INCOME (EXPENSE)			
Interest expense	(1,055,488)	(488,156)	
Interest income	8,805	10,406	
Loss on sale of assets	(26,217)	0	
Other income	14,648	(70,726)	
	-----	-----	
Total Other Expense	(1,058,252)	(548,476)	
	-----	-----	
LOSS BEFORE MINORITY INTEREST IN SUBSIDIARY	(5,326,642)	(3,705,414)	
	-----	-----	
Minority interest in subsidiary	0	33,366	
	-----	-----	
LOSS FROM CONTINUING OPERATIONS	(5,326,642)	(3,672,048)	
LOSS FROM DISCONTINUED OPERATIONS	(4,457,320)	(692,956)	
	-----	-----	
NET LOSS	(9,783,962)	(4,365,004)	
	-----	-----	
Preferred stock dividends	590,455	248,689	
	-----	-----	
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (10,374,417)	\$ (4,613,693)	\$
	=====	=====	=====
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	
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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

8% Class A

10% Class B

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	Shares	Amount	Shares	Amount	Sh
BALANCES, December 31, 2001	28,872	\$433,867	8,700	\$87,000	1
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	-	-	-	-	
Conversion of accrued interest	-	-	-	-	
Conversion of preferred stock	-	-	(2,500)	(25,000)	(
Redemption of preferred stock	(2,900)	(29,000)	-	-	(
Discount on preferred stock related to warrants issued	-	(5,205)	-	-	
Interest receivable on stock subscription receivable	-	-	-	-	
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	27,831	418,252	6,200	62,000	1
Stock issued:					
Cash	100	1,000	2,500	25,000	
Exercise of warrants	-	-	-	-	
Cashless exercise of warrants	-	-	-	-	
Exercise of stock options	-	-	-	-	
Reduction of stock subscriptions receivable for fees related to equity transactions	-	-	-	-	
Acquisition of assets	-	-	-	-	
Conversion of accounts payable	-	-	-	-	
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	-	500	-	-	
Discount on preferred stock related to warrants issued	-	-	-	(25,000)	
Stock subscriptions receivable:					
Cash payments	-	-	-	-	
Increase reserve	-	-	-	-	
Interest collected	-	-	-	-	

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Net loss	-	-	-	-

BALANCES, December 31, 2004	27,931	\$ 419,752	8,700	\$ 62,000
=====				
Cumulative Convertible Preferred Stock				
	14% Class D		15% Class E	
	Shares	Amount	Shares	Amount

BALANCES, December 31, 2001	40,000	\$417,500	-	-
Stock issued:				
Cash	-	-	10,000	100,000
Reduction of stock subscriptions receivable 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	(30,000)	(300,000)	60,000	600,000
Conversion of accrued interest	-	-	-	-
Conversion of preferred stock	(10,000)	(100,000)	-	-
Redemption of preferred stock	-	-	-	-
Discount on preferred stock related to warrants issued	-	(17,500)	-	(304,222)
Interest receivable on stock subscription receivable	-	-	-	-
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	70,000	395,778
Stock issued:				
Cash	-	-	-	-
Exercise of warrants	-	-	-	-
Cashless exercise of warrants	-	-	-	-
Exercise of stock options	-	-	-	-
Reduction of stock subscriptions receivable for fees related to equity transactions	-	-	-	-
Acquisition of assets	-	-	7,650	76,500
Conversion of accounts payable	-	-	-	-
Conversion of notes payable	-	-	-	-
Conversion of accrued interest	-	-	-	-
Conversion of preferred stock	-	-	-	-

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Conversion of dividends payable	-	-	-	-
Redemption of preferred stock	-	-	-	-
Intrinsic value of convertible feature	-	-	-	-
Discount on preferred stock related to warrants issued	-	-	-	(33,314)
Stock subscriptions receivable:				
Cash payments	-	-	-	-
Increase reserve	-	-	-	-
Interest collected	-	-	-	-
Warrants issued:				
Preferred stock	-	-	-	-
Common stock	-	-	-	-
Debt	-	-	-	-
Services rendered	-	-	-	-
Deferred compensation expense related to stock options issued below fair market value	-	-	-	-
Deferred compensation expense	-	-	-	-
Restricted stock:				
Forfeited	-	-	-	-
Amortization expense	-	-	-	-
Embedded value with Laurus warrants	-	-	-	-
Preferred stock dividends	-	-	-	-
Net loss	-	-	-	-

BALANCES, December 31, 2003	0	0	77,650	438,964
Stock issued:	-	-	-	-
Cash	-	-	-	-
Exercise of warrants	-	-	-	-
Cashless exercise of warrants	-	-	-	-
Reduction of stock subscriptions receivable for fees related to equity transactions	-	-	-	-
Acquisition of assets - remaining 50% ownership of MBUSA	-	-	-	-
Acquisition of assets - URON, Inc.	-	-	-	-
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	-	-	-	-
Acquisition of assets - Minnesota Digital Universe, Inc.	-	-	-	-
Acquisition of assets - Rainbow Satellite Group, LLC.	-	-	-	-
Acquisition of assets - 21st Century Satellite Communications	-	-	-	-
Property and equipment	-	-	-	-
Conversion of notes payable	-	-	-	-
Conversion of accrued interest	-	-	-	-
Conversion of preferred stock	-	-	(77,650)	(438,964)
Conversion of dividends payable	-	-	-	-
In lieu of cash for services	-	-	-	-
In lieu of cash for other current assets	-	-	-	-
Stock repurchase	-	-	-	-
Conversion of preferred stock into note payable	-	-	-	-
Intrinsic value of convertible feature	-	-	-	-
Discount on preferred stock related to warrants issued	-	-	-	-
Stock subscriptions receivable:	-	-	-	-
Cash payments	-	-	-	-
Interest collected	-	-	-	-
Warrants issued for debt modification	-	-	-	-

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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	0	\$ 0	0	\$ 0
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

MULTIBAND CORPORATION AND SUBSIDIARIES
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY Years
Ended December 31, 2004, 2003, and 2002

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

--	--			
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
0	0			
Stock issued:				
Cash	--	--	--	--
Exercise of warrants	--	--	--	--
--	--			
Cashless exercise of warrants	--	--	--	--
--	--			
Exercise of stock options	--	--	--	--
--	--			
Reduction of stock subscriptions receivable for fees related to equity transactions	--	--	--	--
--	--			
Acquisition of assets	--	--	--	--
--	--			
Conversion of accounts payable	--	--	--	--
--	--			
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	--	--	--	--
--	--			

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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	
Stock issued:				
Cash	--	--	40,245	353,
Exercise of warrants	--	--	--	
Cashless exercise of warrants	--	--	--	
Reduction of stock subscriptions receivable for fees related to equity transactions	--	--	--	
Acquisition of assets - remaining 50% ownership of MBUSA	--	--	--	
Acquisition of assets - URON, Inc.	--	--	--	
Acquisition of assets - Satellite Broadcasting Corporation and affiliates	--	--	--	
Acquisition of assets - Minnesota Digital Universe, Inc.	--	--	--	
Acquisition of assets - Rainbow Satellite Group, LLC	200,000	2,000,000	--	
Acquisition of assets - 21st Century Satellite Communications	--	--	--	

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Property and equipment				
Conversion of notes payable	--	--	5,000	50,
--	--			
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,
--	--			
Discount on preferred stock related to warrants issued	--	--	--	(169,
(984,173)				
Stock subscriptions receivable:	--	--	--	
--	--			
Cash payments	--	--	--	
--	--			
Interest collected	--	--	--	
--	--			
Warrants issued for debt modification	--	--	--	
--	--			
Deferred compensation expense related to stock options issued below fair market value	--	--	--	
--	--			
Deferred compensation expense	--	--	--	
--	--			
Restricted stock:	--	--	--	
--	--			
Forfeited	--	--	--	
--	--			
Amortization expense	--	--	--	
--	--			
Preferred stock dividends	--	--	--	
--	--			
Net loss	--	--	--	
--	--			
	-----	-----	-----	-----
BALANCES, December 31, 2004	150,000	\$ 1,500,000	45,245	\$ 179,
\$ 0				
	=====	=====	=====	=====
=====				

See accompanying notes to consolidated financial statements.

MULTIBAND CORPORATION AND SUBSIDIARIES
(FKA: VICOM, INCORPORATED AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY Years
Ended December 31, 2004, 2003, and 2002

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	Common Stock		Stock Subscription Receivable
	Shares	Amount	
BALANCES, December 31, 2001	10,679,450	\$ 3,443,104	\$ (631,61)
Stock issued:			
Cash	1,548,120	274,414	7,85
Reduction of stock subscriptions receivable for fees related to equity transactions	--	(40,563)	40,56
Acquisition of assets	--	--	--
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	--	--	(49,98)
Warrants issued:	--	--	--
Preferred stock	--	--	--
Common stock	--	--	--
Debt	--	--	--
Deferred compensation expense related to stock options issued below fair market value	--	53,745	--
Deferred compensation expense	--	--	--
Restricted stock:			
Issued and outstanding	22,434	21,255	--
Forfeited	(19,597)	(65,710)	--
Amortization expense	--	--	--
Embedded value with Pyramid Trading warrants	--	--	--
Preferred stock dividends	--	--	--
Net loss	--	--	--
BALANCES, December 31, 2002	13,110,477	4,465,832	(633,19)
Stock issued:			
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)	36,97
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	--
Redemption of preferred stock	--	--	--
Intrinsic value of convertible feature	--	--	--
Discount on preferred stock			

Edgar Filing: MULTIBAND CORP - Form 10-K/A

related to warrants issued	--	--	--
Stock subscriptions receivable:			
Cash payments	--	--	105,80
Increase reserve	--	--	71,00
Interest collected	--	--	1,32
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	(10,841)	(17,398)	--
Amortization expense	--	--	--
Embedded value with Laurus warrants	--	--	--
Preferred stock dividends	--	--	--
Net loss	--	--	--
BALANCES, December 31, 2003	19,036,805	7,726,505	(418,08)
Stock issued:			
Cash	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)	17,32
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	--
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	--	--	--
Discount on preferred stock related to warrants issued	--	--	--
Stock subscriptions receivable:			
Cash payments	--	--	6,73
Interest collected	--	--	2,77
Warrants issued for debt modification	--	--	--
Deferred compensation expense related to stock options issued below fair market value	--	--	--
Deferred compensation expense	--	--	--
Restricted stock:	--	--	--

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Forfeited	(2,219)	(2,772)	--
Amortization expense	--	--	--
Preferred stock dividends	--	--	--
Net loss	--	--	--
	-----	-----	-----
BALANCES, December 31, 2004	25,784,490	\$ 16,888,291	\$ (391,266)
	=====	=====	=====

	Unamortized Compensation	Accumulated Deficit	Total
	-----	-----	-----
BALANCES, December 31, 2001	\$ (1,209,143)	\$ (25,115,067)	\$ 4,184,000
Stock issued:			
Cash	--	--	382,000
Reduction of stock subscriptions receivable for fees related to equity transactions	--	--	--
Acquisition of assets	--	--	--
Guarantee of debt financing	--	--	14,000
Services rendered	--	--	27,000
Conversion of accounts payable	--	--	7,000
Conversion of notes payable and accrued interest	--	--	760,000
Conversion of accrued interest	--	--	119,000
Conversion of preferred stock	--	--	--
Redemption of preferred stock	--	--	(84,000)
Discount on preferred stock related to warrants issued	--	(9,295)	(357,000)
Interest receivable on stock subscription receivable	--	--	(49,000)
Warrants issued:	--	--	
Preferred stock	--	--	324,000
Common stock	--	--	575,000
Debt	--	--	879,000
Deferred compensation expense related to stock options issued below fair market value	4,307	--	4,307
Deferred compensation expense	78,292	--	78,292
Restricted stock:			
Issued and outstanding	(21,255)	--	(21,255)
Forfeited	65,710	--	65,710
Amortization expense	400,000	--	400,000
Embedded value with Pyramid Trading warrants	--	--	(32,000)
Preferred stock dividends	--	(153,578)	(153,578)
Net loss	--	(4,438,059)	(4,438,059)
BALANCES, December 31, 2002	(682,089)	(29,715,999)	2,642,000
Stock issued:			
Cash	--	--	1,973,000
Exercise of warrants	--	--	262,000
Cashless exercise of warrants	--	--	--
Exercise of stock options	--	--	3,000
Reduction of stock subscriptions receivable for fees related to equity transactions	--	--	--
Acquisition of assets	--	--	76,000
Conversion of accounts payable	--	--	192,000
Conversion of notes payable	--	--	762,000
Conversion of accrued interest	--	--	66,000

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Conversion of preferred stock	--	--	
Conversion of dividends payable	--	--	113,
Redemption of preferred stock	--	--	(93,
Intrinsic value of convertible feature	--	(500)	(27,
Discount on preferred stock			
related to warrants issued	--	--	(58,
Stock subscriptions receivable:			
Cash payments	--	--	105,
Increase reserve	--	--	71,
Interest collected	--	--	1,
Warrants issued:			
Preferred stock	--	--	58,
Common stock	--	--	2,050,
Debt	--	--	883,
Services rendered	--	--	321,
Deferred compensation expense related			
to stock options issued below fair			
market value	367	--	
Deferred compensation expense	47,114	--	47,
Restricted stock:			
Forfeited	17,398	--	
Amortization expense	400,000	--	400,
Embedded value with Laurus warrants	--	--	568,
Preferred stock dividends	--	(248,689)	(248,
Net loss	--	(4,365,004)	(4,365,
BALANCES, December 31, 2003	(217,210)	(34,330,192)	5,807,
Stock issued:			
Cash	--	--	4,188,
Exercise of warrants	--	--	390,
Cashless exercise of warrants	--	--	
Reduction of stock subscriptions			
receivable for fees related to			
equity transactions	--	--	
Acquisition of assets - remaining			
50% ownership of MBUSA	--	--	39,
Acquisition of assets - URON, Inc.	--	--	235,
Acquisition of assets - Satellite			
Broadcasting Corporation and			
affiliates	--	--	270,
Acquisition of assets - Minnesota			
Digital Universe, Inc.	--	--	3,960,
Acquisition of assets - Rainbow			
Satellite Group, LLC	--	--	2,000,
Acquisition of assets - 21st Century			
Satellite Communications	--	--	364,
Property and equipment	--	--	15,
Conversion of notes payable	--	--	630,
Conversion of accrued interest	--	--	56,
Conversion of preferred stock	--	(337,536)	
Conversion of dividends payable	--	--	124,
In lieu of cash for services	--	--	329,
In lieu of cash for other current assets	--	--	42,
Conversion of preferred stock into notes payable	--	--	(500,
Stock repurchase	--	--	(62,
Intrinsic value of convertible feature	--	54,182	457,
Discount on preferred stock related to			
warrants issued	--	--	
Stock subscriptions receivable:			
Cash payments	--	--	6,
Interest collected	--	--	2,
Warrants issued for debt modification	--	--	68,

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Deferred compensation expense related to stock options issued below fair market value	115	--	
Deferred compensation expense	12,599	--	12,
Restricted stock:	--	--	
Forfeited	2,772	--	
Amortization expense	200,000	--	200,
Preferred stock dividends	--	(307,101)	(307,
Net loss	--	(9,783,962)	(9,783,
	-----	-----	-----
BALANCES, December 31, 2004	\$ (1,724)	\$ (44,704,609)	\$ 8,549,
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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

See accompanying notes to consolidated financial statements.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

statements have 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 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.

Customers 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. Revenues are recognized when the products are delivered and installed and the customer has accepted the terms and has the ability to fulfill the terms. This revenue has been included with discontinued operations.

Service revenues related to technology products including consulting, training and support are recognized when the services are provided. Service revenues accounted for less than 10% of total revenues for the 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

percentage based on net cash received by DirectTV 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 DirectTV also permits the Company to earn revenues through its control of other system operators who are unable to provide DirectTV 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 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.

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.

MULTIBAND CORPORATION AND SUBSIDIARIES
(fka VICOM INCORPORATED AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002

Inventories

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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. 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.

MULTIBAND CORPORATION AND SUBSIDIARIES (fka VICOM INCORPORATED AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 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 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%

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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:

	December 31, 2004		December 31,	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accu Amor
Intangible assets subject to amortization				
Domain name	\$ 83,750	\$ 55,833	\$ 83,750	\$
Access contracts	\$ 60,000	\$ 33,333	60,000	
Debt issuance costs	\$ 313,837	\$ 47,214	115,500	
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	\$
Intangible assets not subject to amortization				
Goodwill	\$ 812,366	\$ 0	\$ 3,531,157	\$

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

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

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:

	2004 -----	2003 -----	2002 -----
Loss attributable to common stockholders	\$(10,374,417)	\$ (4,613,693)	\$ (4,591,637)
Pro forma loss attributable to common shares	\$(10,984,354)	\$ (5,363,381)	\$ (4,915,649)
Basic and diluted loss attributable to common shareholders:			
As reported	\$ (.45)	\$ (0.29)	\$ (0.39)
Pro forma loss attributable to common shares	\$ (.47)	\$ (0.33)	\$ (0.42)
Stock-based compensation:			
As reported	\$ 212,714	\$ 447,481	\$ 482,999
Pro forma	\$ 609,937	\$ 749,688	\$ 324,012

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 10-K/A

	2004 -----	2003 -----	2002 -----
Risk-free interest rate	3.31%	3.00%	4.40%
Expected life of options granted	10 years	10 years	10 years
Expected volatility range	184%	170%	170%
Expected dividend yield	0%	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 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 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 valuation of deferred income tax assets.

Financial Instruments

The carrying amounts for all financial instruments approximates 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

MULTIBAND CORPORATION AND SUBSIDIARIES (fka VICOM INCORPORATED AND SUBSIDIARIES)

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

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 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

upon URON providing the Company with documentation satisfactory to the Company 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 finders 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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 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 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.

The unaudited pro forma information does not purport to represent what the

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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		
	Consolidated as reported per I/S	Pro Forma Disclosed	Consolidated as reported per I/S
Revenues	\$ 11,067,834	\$ 14,562,983	\$ 1,441,1
Loss from continuing operations	(5,326,642)	(5,292,789)	(3,672,0
Loss from discontinued operations	(4,457,320)	(4,457,320)	(692,9
Net loss	\$ (9,783,962)	\$ (9,750,109)	\$ (4,365,0
Basic and diluted loss per share:			
Loss from continuing operations	\$ (.23)	\$ (.23)	\$ (.
Loss from discontinued operations	\$ (.19)	\$ (.19)	\$ (.
Net loss	\$ (.42)	\$ (.42)	\$ (.
Weighted average shares outstanding - basic and diluted	23,307,594	23,307,594	16,112,2

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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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
	=====	=====
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.

MULTIBAND CORPORATION AND SUBSIDIARIES
(fka VICOM INCORPORATED AND SUBSIDIARIES)

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

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
	=====	=====

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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

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

	200 -----
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	2,13
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	10
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	33
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	22
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	1,72
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	26
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	20
Notes payable, interest at 5.25% to 20% due through May 2007,	

Edgar Filing: MULTIBAND CORP - Form 10-K/A

collateralized by certain assets of the Company

Total long-term debt	5,023,184
Less: current portion	(1,524,527)
(998,813)	
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
		=====

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 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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.

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 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 expires 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.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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

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 are determined by a Board of Directors resolution. The authorized classes of stock 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.

MULTIBAND CORPORATION AND SUBSIDIARIES (fka VICOM INCORPORATED AND SUBSIDIARIES)

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

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.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 continue 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.

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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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	
	2004	2003	2002	2004	2003
	-----	-----	-----	-----	-----
Outstanding, January 1	1,657,432	1,093,157	1,050,024	\$ 1.81	\$ 1.81
Granted	621,500	747,775	249,300	1.48	
Exercised	--	(3,000)	--	--	
Forfeited	(90,500)	(180,500)	(206,167)	2.21	
	-----	-----	-----	-----	-----
Outstanding, December 31	2,188,432	1,657,432	1,093,157	\$ 1.71	\$ 1.71
	=====	=====	=====	=====	=====

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:

	Outstanding		Weighted - Average	
	-----	-----	-----	-----
				Exe

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Range of Exercise Prices	Options	Exercise Price	Remaining Contractual Life-Years	Options
\$.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

Stock Warrants

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

	Outstanding			Weighted
	2004	2003	2002	2004
Outstanding, January 1	7,421,874	4,327,396	9,564,450	\$ 1.83
2.37 Granted	4,902,658	3,687,447	2,546,690	1.35
1.46 Exercised	(528,891)	(556,881)	--	1.46
-- Forfeited	--	(36,088)	(7,783,744)	--
2.25				
Outstanding, December 31	11,795,641	7,421,874	4,327,396	\$ 1.64
2.05				

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	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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

\$.85 to	\$5.20	----- 11,795,641 =====	\$ 1.64 ----- =====	----- 3.06 =====
-----------	--------	------------------------------	---------------------------	------------------------

MULTIBAND CORPORATION AND SUBSIDIARIES
(fka VICOM INCORPORATED AND SUBSIDIARIES)

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

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 141,529 shares of common stock.

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:

Edgar Filing: MULTIBAND CORP - Form 10-K/A

	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%

MULTIBAND CORPORATION AND SUBSIDIARIES
(fka VICOM INCORPORATED AND SUBSIDIARIES)

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

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
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%

Edgar Filing: MULTIBAND CORP - Form 10-K/A

=====

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

	2004 -----	2003 -----	2002 -----
Cash paid for interest	\$1,409,095	\$ 436,061	\$ 512,1
Noncash investing and financing transactions:			
Property and equipment in lieu of cash for accounts receivable	61,312	--	
Stock options issued for commissions earned	--	--	53,7
Issuance of preferred and common stock for acquisition of assets	57,650	76,500	18,5
Current liabilities converted to stock	--	192,690	59,7
Common stock issued for guarantee of debt	--	--	14,7
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	1,164,8
Capitalized lease equipment purchases	--	--	174,9
Conversion of preferred stock to common stock	776,500	40,000	150,0
Conversion of preferred stock into note payable	--	--	400,0
Conversion of note payable into preferred stock	50,000	--	
Conversion of preferred stock into short-term debt	500,000	--	
Reduction of stock subscription receivable			

Edgar Filing: MULTIBAND CORP - Form 10-K/A

related to commission earned on equity transactions	17,320	36,977	40,5
Warrants issued related to modifications of long-term debt	--	208,447	528,6
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.

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,

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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
	=====

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.

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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 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.

Sale of Multiband Business Services segment

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

The 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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Total sale price	2,350,000
Assets sold:	
Inventory, net of reserve	1,053,661
Property and equipment	60,120

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 sales	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
	=====	=====	=====

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

Edgar Filing: MULTIBAND CORP - Form 10-K/A

taken as a whole.

/s/ VIRCHOW, KRAUSE & COMPANY, LLP

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

MULTIBAND CORPORATION AND SUBSIDIARIES
(fka VICOM INCORPORATED AND SUBSIDIARIES)

VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2004, 2003 and 2002

Column E	Column A	Column B	Column C	Column D
Balance at Year	Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	De
ALLOWANCE DEDUCTED FROM ASSET TO WHICH IT APPLIES				
Allowance for doubtful accounts receivable:				
225,000	2004	\$ 223,000	\$ 2,000	\$
223,000	2003	236,000	--	
236,000	2002	178,000	58,000	
Notes receivable:				
--	2004	--	--	
(A)	2003	30,000	--	
30,000	2002	--	30,000	
Stock subscriptions and interest receivable				
71,000	2004	71,000		
71,000	2003	--	71,000	
--	2002	--	--	

(A) Write-off uncollectible receivables

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Item 9A.

Controls and Procedures.

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely making known to him material information relating to the Company and the Company's consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the Exchange Act. There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general administrative and financial matters. However, management has decided that considering the employees involved and the control procedures in place, risks associated with such lack of segregation are insignificant and the potential benefits of adding employees to clearly segregate duties do not justify the expenses associated with such increases.

Item 9B. None

PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons of the Registrant

Information with respect to the directors and executive officers of the Company set forth under "Information Concerning Directors, Nominees and Executive Officers" and under "Compliance with Section 16 (a) "in the Company's definitive proxy statement for the annual meeting of shareholders to be held on or about June 30, 2005, is incorporated herein by reference.

Item 11. Executive Compensation

Information with respect to Executive Compensation set forth under "Executive Compensation" in the Company's definitive proxy statement for the annual meeting of shareholders to be held on or about June 30, 2005 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to security ownership of certain beneficial owners and management, set forth under "Beneficial Ownership of Principal Shareholders and Management" in the Company's definitive proxy statement for the annual meeting of shareholders to be held on or about June 30, 2005, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information with respect to certain relationships and related transactions, set forth under "Information Concerning Directors, Nominees and Executive Officers" in the Company's definitive proxy statement for the annual meeting of shareholders to be held on or about June 30, 2005, is incorporated herein by reference.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

Item 14. Principal Accountant Fees and Services

The Audit Committee of the Company selected Virchow, Krause & Company, LLP ("Virchow Krause"), certified public accountants with offices in Minneapolis, Minnesota, to audit the Company's financial statements for the years ended December 31, 2004, 2003 and 2002. The following table details the fees paid to Virchow Krause for the years ended December 31, 2004 and 2003.

	2004 ----	2003 ----
Audit Fees	\$135,390	\$100,929
Audit-Related Fees	38,950 (3)	2,150 (1)
Tax Fees	15,540	15,000
All Other Fees	0	1,705 (2)
	-----	-----
 Total	 \$188,880 =====	 \$119,784 =====

- (1) Fees related to review of Form S-3 Filings
- (2) Fees related to miscellaneous research projects
- (3) Fees related to review of Form S-1 filings, audits of acquisition and proforma required by Form 8-K rules.

The Company's Audit committee consists of Frank Bennett, Jonathan Dodge and Donald Miller. All three are considered audit committee financial experts independent from managers. The Company's current audit committee charter has been filed previously as exhibit 3.5. The audit committee is responsible for engaging the audit firm and fees related to their services.

The policy of the Company's audit committee is to review and pre-approve both audit and non-audit services to be provided by the independent auditors (other than with de minimis exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the audit committee with such approval reported to the committee at its next regularly scheduled meeting. Approval of non-audit services shall be disclosed to investors in periodic reports required by section 13(a) of the Securities Exchange Act of 1934. Approximately 95 % of the fees paid to Virchow Krause were pre-approved by the audit committee.

No services in connection with appraisal or valuations services, fairness opinions or contribution-in-kind reports were rendered by Virchow Krause. Furthermore, no work of Virchow Krause with respect to its services rendered to the Company was performed by anyone other than Virchow Krause.

Item 15. Exhibits and Financial Statement Schedules.

A. Exhibits

Exhibit 3.5 states Multiband's code of ethics for its senior officers. A copy of said code will be provided upon written request. Any waivers or amendments to said code will be posted to Multiband's website or disclosed in an 8K filing.

Exhibit 3.6 provides Multiband's Audit committee charter

Exhibits

See Index to Exhibits on page 51 of this report.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 10-K Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Multiband Corporation
Registrant

Date: May 25, 2005

By: /s/ James L. Mandel
Chief Executive Officer

Date: May 25, 2005

By: /s/ Steven M. Bell
Chief Executive Officer
(Principal Financial and
Accounting Officer)

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

INDEX TO EXHIBITS

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 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)

Edgar Filing: MULTIBAND CORP - Form 10-K/A

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)
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)

Edgar Filing: MULTIBAND CORP - Form 10-K/A

- 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)
- (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.

Edgar Filing: MULTIBAND CORP - Form 10-K/A

- (14) Previously filed as the same exhibit to registrants form 8K filed April 6, 2005 Filed herewith.
- (15) Filed herewith.