MULTIBAND CORP
Form 10-Q
November 19, 2004

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

FORM 10-Q

(MARK ONE)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE PERIOD ENDING SEPTEMBER 30, 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

www.multibandusa.com Internet

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

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

Yes |X| No |_|

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

Yes |_| No |X|

On November 12, 2004 there were 25,773,767 shares outstanding of the registrant's common stock, par value $.01 per share, and 369,531 outstanding shares of the registrant's convertible preferred stock.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		
	September 30, 2004	September 30, 2003	Sept
	(unaudited)	(unaudited)	(una
REVENUES	$ 9,068,758	$ 6,283,365	$ 22
COSTS AND EXPENSES			
Cost of products and services	5,796,027	4,493,829	15
Selling, general and administrative	3,126,417	2,029,242	7
Depreciation and amortization	1,119,566	379,985	2
Impairment of goodwill	527,879	0	
Total Costs and Expenses	$ 10,569,889	$ 6,903,056	$ 26
LOSS FROM OPERATIONS	(1,501,131)	(619,691)	(3
OTHER EXPENSE			
Interest expense	(347,647)	(202,958)	
Other Income (expense)	(2,815)	(6,513)	
Total Other Expense	(350,462)	(209,471)	
MINORITY INTEREST IN JOINT VENTURE	0	(3,460)	
LOSS BEFORE INCOME TAXES	(1,851,593)	(832,622)	(4
PROVISION FOR INCOME TAXES	0	0	
NET LOSS	(1,851,593)	(832,622)	(4
Preferred Stock Dividends	(83,714)	(43,301)	
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (1,935,307)	$ (875,923)	$ (5
LOSS PER SHARE - BASIC AND DILUTED	$ (.07)	$ (.05)	$
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	25,480,007	16,981,266	22

See notes to condensed consolidated financial statements

2

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

September 3

	2004 (unaudited)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 465,88
Certificate of deposit	250,00
Accounts receivable, net	3,752,30
Inventories, net	1,363,69
Other Current Assets	78,56
TOTAL CURRENT ASSETS	5,910,44
PROPERTY AND EQUIPMENT, NET	4,269,73
OTHER ASSETS	
Goodwill	2,233,36
Intangible assets, net	17,270,53
Other	330,03
TOTAL OTHER ASSETS	19,833,93
TOTAL ASSETS	$ 30,014,11
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Checks issued in excess of cash in bank	$ 32,96
Wholesale line of credit	1,069,35
Short term debt	5,849,90
Current portion of long term debt	637,25
Current portion of note payable, stockholder	94,79
Current portion of capital lease obligations	102,36
Accounts payable	2,575,67
Accrued liabilities	3,700,03
Deferred service obligations and revenue	413,36
TOTAL CURRENT LIABILITIES	14,475,71
LONG TERM DEBT, NET	2,519,53
OTHER LONG TERM DEBT	222,70
NOTE PAYABLE, STOCKHOLDER, NET OF CURRENT PORTION	
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	636,49
TOTAL LIABILITIES	17,854,44
MINORITY INTEREST IN JOINT VENTURE	
STOCKHOLDERS' EQUITY	
Cumulative convertible preferred stock, no par value:	
8% Class A (27,931 shares issued and outstanding, $293,276 liquidation preference)	419,75
10% Class B (8,700 shares issued and outstanding, $91,350 liquidation preference)	62,00
10% Class C (125,400 shares issued and outstanding, $1,254,000 liquidation preference)	1,611,10
15% Class E (0 and 77,650 shares issued and outstanding,)	
10% Class F (200,000 and 0 shares issued and outstanding, $2,000,000 liquidation preference)	2,000,00
10% Class G (7,500 and 0 shares issued and outstanding, $75,000 liquidation	

preference)	70,67
Common stock, no par value (25,621,084 and 19,036,805 shares issued; 25,617,745 and 19,819,786 shares outstanding)	16,678,53
Stock subscriptions receivable	(368,24
Options and warrants	31,379,33
Unamortized compensation	(1,72
Accumulated deficit	(39,691,76
TOTAL STOCKHOLDERS' EQUITY	12,159,67
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 30,014,11

See notes to condensed consolidated financial statements.

3

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003 (Unaudited)

	NINE M SEPTEMBER
	2004
OPERATING ACTIVITIES	
Net loss	$(4,819,931
Adjustments to reconcile net loss to net cash flows from operating activities	
Depreciation and amortization	2,344,853
Amortization of deferred compensation	212,935
Amortization of original issue discount	541,873
Common stock issued for services	291,220
Impairment of goodwill	527,879
Loss on sales of property and equipment	26,217
Reduction of note payable in connection with reimbursement of seller expenses	(273,900
Interest receivable on stock subscription receivable	0
Minority interest in joint venture	0
Changes in operating assets and liabilities:	
Accounts receivable, net	(2,134,902
Inventories, net	610,119
Other current assets	17,987
Other assets	(87,135
Wholesale line of credit	93,045
Accounts payable and accrued liabilities	620,817
Deferred service obligations and revenue	98,133
Net cash flows from operating activities	(1,930,790
INVESTING ACTIVITIES	
Purchases of property and equipment	(483,810
Purchase of Satellite Broadcasting Corporation	(187,424
Purchase of Minnesota Digital Universe, Inc.	(1,100,000
Purchase of Rainbow Satellite Group, LLC	(1,000,000
Purchase of 21st Century Satellite Communications Inc	(250,000

Payment for investment in joint venture	0
Proceeds from sale of property and equipment	649
Collections on notes receivable	3,172
Net cash flows from investing activities	(3,017,413
FINANCING ACTIVITIES	
Checks issued in excess of cash in bank	(74,068
Payments on long term debt	(1,215,788
Payments on capital lease obligations	(63,066
Proceeds from issuance of long term debt	750,021
Payments on note payable to stockholder	(19,598
Proceeds from issuance of stock and warrants	2,888,836
Redemption of common stock	(62,975
Exercise of warrants	390,279
Redemption of preferred stock	0
Preferred stock dividends	(125,513
Net cash flows from financing activities	(2,468,128
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,480,075
CASH AND CASH EQUIVALENTS	
Beginning of period	2,945,960
End of period	465,885
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest, net of amortization of original issue discount	447,548
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES	
Issuance of preferred stock for acquisition of assets	0
Issuance of common stock for acquisition of assets, MBUSA and URON	274,800
Warrants issued with debt	0
Conversion of preferred stock and accrued dividends into common stock	776,500
Current liabilities converted to stock	136,581
Conversion of notes payable into common stock	510,908
Conversion of dividend into common stock	78,591
Reduction of stock subscription receivable	0
Issuance of common stock for acquisition of 21st Century	364,583
Issuance of preferred stock and notes payable for acquisition of assets, Rainbow	6,519,999
Purchase of property and equipment as a reduction of accounts receivable	40,714
Capitalized construction costs in accrued expenses	20,000
Issuance of common stock of $3,850,000 and notes payable of $2,750,000 for acquisition of assets, MDU	6,600,000
Stock subscription receivable for issuance of common stock	0
Capital lease assumed in acquisition of equipment from 21st Century	416,666

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
SEPTEMBER 30, 2004 and 2003

NOTE 1 - UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in this report is unaudited and reflects all adjustments which are normal recurring adjustments and, which in the opinion of management, are necessary to fairly present the operating results for the interim periods. The operating results for the interim periods presented are not necessarily indicative of the operating results to be expected for the full fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and Cost Recognition

Multiband Corporation and subsidiaries (the Company) earns revenues from 6 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, 6) DirecTV fees.

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.

Customer contracts 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.

Service revenues related to technology products including consulting, training and support are recognized when the services are provided. Service revenues are expected to account for approximately 20% of total revenues for the year ending December 31, 2004. Service revenues were less than 10% of total revenues for the year ended December 31, 2003. 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.

MultiBand and MBUSA user charges are recognized as revenues in the period the related services are provided.

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

Intangible Assets

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 which usually range from two to six years. The Company is also amortizing the value of its DirecTV agent agreement obtained via MDU over a 73 month period beginning April 2004. The Rainbow Satellite amortization of cable lists is over a period of 73 months, beginning June, 2004.

Amortization of intangible assets was $810,097 and $19,188 for the three months ended September 30, 2004 and 2003, respectively. For the nine month period ended September 30, 2004 and 2003, amortization of intangible assets was $1,489,242 and $36,652 respectively. Estimated amortization expense on intangible assets for the quarter ending December 31, 2004 and years ending December 31, 2005, 2006, 2007 and 2008 is $1,554,749, $3,335,904, $3,086,818, $3,028,678, and $3,013,672 respectively.

AMORTIZATION -INTANGIBLE ASSETS

	SEPTEMBER 30, 2004		DECEMBER 31, 20	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accum Amorti
Intangible assets subject to amortization				
Florida Cable	300,000	45,000	300,000	
URON	453,930	170,225	0	
Satellite Broadcasting	457,576	38,131	0	
Minnesota Digital Universe	9,551,831	785,082	0	
Rainbow Satellite	7,043,641	391,313	0	
Multiband Domain Name	83,750	51,645	83,750	3
MDU Subscriber Rights	60,042	10,008	0	
Access Contracts	60,000	28,333	60,000	1
21st Century	708,334	19,675	0	
Debt Issuance Costs	130,333	39,489	115,500	
Total	18,849,437	1,578,901	559,250	5
Intangible assets not subject to amortization				
Goodwill	3,543,523	1,310,157	3,531,157	78

Goodwill

Goodwill represents the excess of acquisition costs over the fair value of identifiable net assets acquired and was originally amortized using the straight-line method over ten years. Due to changes in accounting standards, the carrying value of goodwill is now reviewed at least annually to see if the facts and circumstances suggest that it may be impaired. If the review indicates that goodwill will not be recoverable, as determined based on the undiscounted cash flows of the assets acquired over the remaining amortization period, the Company's carrying value of goodwill is reduced by the estimated shortfall of cash flows. During the three months ended September 30, 2004, the Company completed its review of goodwill and determined it was partially impaired. The Company recorded impairment charges to goodwill of $527,879 related to the Corporate Technologies acquisition during the three and nine months ended September, 2004 and $0 during the three and nine months ended September 30, 2003.

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.

Pursuant to APB No. 25 and related interpretations, $15,448 and $100,191 of compensation cost has been recognized in the accompanying consolidated statements of operations for the three months ended September 30, 2004 and 2003, respectively. For the nine months ended September 30, 2004 and 2003, $212,935 and $340,572 of compensation cost has been recognized. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of Statements of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation", the Company's net loss and loss attributable to common stockholders and basic and diluted loss per common share would have been increased to the pro forma amounts:

	Three Months Ended September 30		Nine Months September	
	2004	2003	2004	
Loss attributable to common stockholders	$(1,935,307)	$ (875,923)	$(5,361,571)	$(
Pro forma loss attributable to common shares	$(1,965,795)	$(1,013,109)	$(5,887,093)	$(
Basic and diluted net loss per share:				
As reported	$ (.08)	$ (0.05)	$ (.24)	$
Pro forma loss attributable to common shares	$ (.08)	$ (0.06)	$ (.26)	$
Stock-based compensation:				
As reported	$ 15,448	$ 100,191	$ 212,935	$
Proforma	$ 30,488	$ 137,186	$ 525,522	$

In determining the compensation cost of the options granted during the three months ended September 30, 2004 and 2003, 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 for September 30:

	Three Months Ended September 30		Nine Months September
	2004	2003	2004
Risk-free interest rate	3.50%	3.62%	3.50%
Expected life of options granted	10 years	10 years	10 years
Expected volatility range	184%	170%	184%
Expected dividend yield	0%	0%	0%

Net Loss per 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 issued but not outstanding restricted stock during the three and nine months ended September 30, 2004 and 2003 were anti-dilutive.

Reclassifications

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

NOTE 3 - LIQUIDITY

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 nine months ended September 30, 2004 and 2003, the Company incurred net losses of $4,819,931 and $2,733,406, respectively. At September 30, 2004, the Company had an accumulated deficit of $39,691,763. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability and/or raising additional capital. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and fund commitments on planned MultiBand projects however, there can be no assurance that the sources will be available or available on terms favorable to the Company. Management anticipates that the impact of the actions listed below, will generate sufficient cash flows to pay current liabilities, long-term debt and capital lease obligations and fund the Company's future operations:

1. Continued reduction of operating expenses by controlling payroll, professional fees and other general and administrative expenses.

2. Solicit additional debt or equity investment in the Company by either issuing notes payable or preferred or common stock (on November 12, 2004 Multiband obtained a secured debt financing of approximately $2.1 million and on November 16, 2004 Multiband finalized a private placement of the Company's Series H Preferred stock of approximately $1 million.)

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.

7

NOTE 4 - STOCK WARRANTS

Stock warrants activity is as follows for the nine months ended September 30, 2004.

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Warrants outstanding - December 31, 2003		

	7,421,874	1.87
Granted	814,799	1.98
Canceled or expired	0	0
Exercised		
	(475,503)	1.52
Warrants outstanding - SEPTEMBER 30, 2004	7,761,170	1.86

The warrants granted during the nine months ended September 30, 2004 were awarded with common stock and for services rendered.

NOTE 5 - BUSINESS SEGMENTS

Following is Company business segment information for the three months ended September 30, 2004 and 2003:

	Multiband	Multiband Business Services	Multiband Consumer Services	Tota
Quarter ended September 30, 2004				
Revenues	$ 0	$ 5,203,269	$ 3,865,489	$ 9,068
Income (Loss) from operations	(936,075)	62,682	(627,738)	(1,501
Identifiable assets	2,402,401	4,946,792	22,664,925	30,014
Depreciation and amortization	7,636	71,537	1,040,393	1,119
Capital expenditures	3,083	37,201	203,113	243
Quarter ended September 30, 2003				
Revenues	$ 0	$ 5,864,468	$ 418,897	$ 6,283
Income (Loss) from operations	(370,645)	72,428	(321,474)	(619
Identifiable assets	4,543,772	5,601,468	2,803,524	12,948
Depreciation and amortization	129,950	100,173	149,862	379
Capital expenditures	0	41,698	6,611	48

Following is Company business segment information for the nine months ended September 30, 2004 and 2003:

	Multiband	Multiband Business Services	Multiband Consumer Services	Tota
Nine months ended September 30, 2004				
Revenues	$ 0	$ 15,345,871	$ 7,388,723	$ 22,734
Loss from operations	(2,068,241)	(401,172)	(1,392,366)	(3,861
Identifiable assets	2,402,401	4,946,792	22,664,925	30,014
Depreciation and amortization	236,882	278,405	2,042,501	2,557
Capital expenditures	9,773	135,842	338,195	483
Nine months ended September 30, 2003				
Revenues	$ 0	$ 16,831,531	$ 1,011,977	$ 17,843
Loss from operations	(1,279,925)	45,997	(789,480)	(2,023
Identifiable assets	4,543,772	5,601,468	2,803,524	12,948
Depreciation and amortization	373,662	318,839	357,475	1,049
Capital expenditures	0	272,466	83,825	356

NOTE 6 - RELATED PARTIES

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 and $17,000 for the nine months ended September 30, 2004 and 2003, respectively. In addition, the Company had accounts receivable outstanding from these companies of approximately $140,000 and $142,000 at September 30, 2004 and 2003, respectively.

NOTE 7- ACQUISITIONS

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 6.9 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. These notes are secured by Rainbow Company assets and bear interest at the prime rate. The stock value was a negotiated price between Buyer and Seller. In the event Multiband defaults in the payment of said promissory notes, the former owners of Rainbow have certain rights to repurchase the aforementioned membership interests for 20% less than any sums Multiband has paid prior to the date of 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. In connection with the acquisition, the Company incurred a $300,000 finder's fee.

On August 9, 2004, Multiband Corporation (the Company) completed its acquisition of certain assets of 21st Century Satellite Communications, Inc. (21st Century) for one million dollars, $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 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 Vicom 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 is included in accrued liabilities at September 30, 2004.

With these acquisitions, the Company has substantially increased its subscriber base.

ALLOCATION OF PURCHASE PRICE

	21St Century	Rainbow
Total cash/stock consideration	1,000,000	7,219,999
Add: Transaction costs	125,000	300,000
Add: Liabilities assumed	0	0

Total Consideration	1,125,000	7,519,999
Less Tangible assets	(416,666)	(476,358)
Intangible assets, net	708,334	7,043,641

9

The following unaudited pro forma condensed results of operations for the three and nine months ended September 30, 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 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		200
	CONSOLIDATED AS REPORTED PER I/S	PRO FORMA DISCLOSED	CONSOLIDATED AS REPORTED PER I/S
THREE MONTHS - JULY TO SEPTEMBER			
Revenues	$ 9,068,758	$ 9,134,591	$ 6,283,365
Loss from operations	$ (1,501,131)	$ (1,501,425)	$ (619,691)
Net loss	$ (1,851,593)	$ (1,851,887)	$ (832,622)
Net loss per share - basic and diluted	$ (.07)	$ (.07)	$ (.05)
Weighted average shares outstanding - basic and diluted	25,480,007	25,480,007	16,981,266

	2004		200
	CONSOLIDATED AS REPORTED PER I/S	PRO FORMA DISCLOSED	CONSOLIDATED AS REPORTED PER I/S
NINE MONTHS - JANUARY TO SEPTEMBER			
Revenues	$ 22,734,594	$ 26,229,743	$ 17,843,508
Loss from operations	$ (3,861,799)	$ (3,827,946)	$ (2,023,408)
Net loss	$ (4,819,931)	$ (4,821,889)	$ (2,733,406)
Net loss per share - basic and diluted	$ (.21)	$ (.21)	$ (.19)
Weighted average shares outstanding - basic and diluted	22,494,250	22,494,250	15,168,069

The unaudited pro forma results of operations for the three and nine months ended September 30, 2004 and 2003 as a result of the SBC acquisition of video subscribers and video equipment is not material to the historical financial statements.

NOTE 8 - LEGAL PROCEEDINGS

In the third quarter of 2004, the Company was named as a defendant in an action brought by Private Investor's Equity Group (PIEG) who is seeking damages in excess of $75,000 over an alleged financing fee owed. The Company has raised numerous defenses to said action including a release executed by PIEG related to said financing fee.

NOTE 9 - SUBSEQUENT EVENTS

a) On November 12, 2004, Multiband Corporation finalized a secured convertible debt financing.

The offering was funded by a group of institutional and accredited investors. Multiband intends on utilizing the new long-term debt facility to restructure existing short-term debt obtained through the firm's extensive acquisition activities and for general working capital purposes.

Under the terms of the debt offering, the Company will issue junior secured thirty-six month term convertible promissory notes in the aggregate principal amount of approximately $2,100,000. The Company assets secure the notes via junior lien. The convertible notes accrue interest at the rate of 6% per annum, are payable semi-annually at the option of the Company in cash or shares of the Company's common stock, and are convertible into shares of common stock at the rate of $1.00 per share. The Company also is required to file a registration statement providing for the resale of the shares issuable upon the conversion of the notes.

b) On November 16, 2004, Multiband Corporation finalized a private placement of the company's Series H Convertible Preferred Stock. The Series H Preferred Stock offering was funded by a group of institutional and accredited investors. Multiband intends on utilizing the proceeds received from the offering to retire short-term debt and for general working capital purposes.

Under the terms of the preferred stock offering, the Company will issue shares of its Series H Convertible Preferred Stock in the aggregate offering amount of approximately $1,050,000. The shares of Series H Convertible Preferred Stock accrue dividends at the rate of 6% per annum, are payable semi-annually at the option of the Company in cash or shares of the Company's common stock, and are convertible into shares of common stock at the rate of $1.00 per share (one million fifty thousand shares). In addition, the investors will also receive five-year warrants to purchase an aggregate of approximately 3,150,000 shares of Common Stock at an exercise price of $1.25 per share. The Company also is required to file a registration statement providing for the resale of the shares issuable upon the conversion of the Series H Convertible Preferred Stock and upon exercise of the warrants.

FORWARD-LOOKING STATEMENTS

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, product pricing, management for growth, integration of acquisitions, technological developments, new products, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements including those made in this statement. In order to comply with the terms of the Private Securities Litigation Reform Act, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or Company's forward-looking statements.

The risks and uncertainties that may affect the operations, performance, developments and results of the Company's business include the following: national and regional economic conditions; pending and future legislation affecting IT and telecommunications industries; market acceptance of the Company's products and services; the Company's products and services; the Company's continued ability to provide integrated communication solutions for customers in a dynamic industry; and other competitive factors.

Because these and other factors could affect the Company's operating results, past financial performance should not necessarily be considered as a reliable indicator of future performance and anticipated future period results.

11

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

GENERAL

Multiband Corporation (formerly named Vicom, Inc.) is a Minnesota corporation formed in September 1975. Multiband has two operating divisions: 1) Multiband Business Services (MBS, legally known as Corporate Technologies, USA, Inc dba Multiband), and Multiband Consumer Services (MCS), 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, concurrent with the name change to Multiband Corporation, the Company's NASDAQ symbol changed to MBND.

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

As of September 30, 2004, MBS was providing telephone equipment and service to approximately 600 customers, with approximately 10,000 telephones in service. In addition, MBS provided computer products and services to approximately 1,800 customers. Telecommunications systems distributed by MBS are intended to provide users with flexible, cost-effective alternatives as compared to systems available from major telephone companies, including those formerly comprising the Bell System and from other interconnect telephone companies.

MBS provides a full range of voice, data and video communications systems and service, system integrations, training and related communication sales and support activities for commercial, professional and institutional customers, most of which are located in Minnesota and North Dakota. MBS purchases products and equipment from NEC America, Inc. (NEC), Cisco Systems, Inc. (Cisco), Nortel Networks Corp (Nortel), Tadiran Telecommunications, Inc. (Tadiran), and other manufacturers of communications and electronic products and equipment. MBS uses these products to design telecommunications and computer systems to fit its customers' specific needs and demands.

MCS provides satellite television, local and long distance services and internet services to residents of multi-dwelling units (MDUs), such as apartment buildings and time share resorts. The Company obtains access agreements with the owners of MDU properties permitting us the rights to provide the aforementioned services.

At September 30, 2004, MCS had 32,336 subscribers using its services (3,299 using voice services, 25,357 using video services and 3,680 using internet services).

12

SELECTED CONSOLIDATED FINANCIAL DATA

	DOLLAR AMOUNTS AS A PERCENTAGE OF REVENUES THREE MONTHS ENDED		DOLLAR A PERCENTAE NINE MO
	September 30, 2004 (unaudited)	September 30, 2003 (unaudited)	September 30, 200 (unaudited)
REVENUES	100%	100%	100.%
COST OF PRODUCTS & SERVICES	63.9%	71.5%	68.5%
GROSS MARGIN	36.1%	28.5%	31.5%
SELLING, GENERAL & ADMINISTRATIVE INCLUDING DEPRECIATION AND AMORTIZATION	46.8%	38.4%	46.1%
OPERATING LOSS	-16.6%	-9.9%	-17.0%
INTEREST EXPENSE & OTHER, NET	-3.9%	-3.4%	-423%
LOSS BEFORE TAXES	-20.4%	-13.3%	-21.2%
INCOME TAX	0	0	0
NET LOSS	-20.4%	-13.3%	-21.2%

The following table sets forth, for the period indicated, the gross margin percentages for Corporate Technologies USA, Inc. and MultiBand, Inc.

	THREE MONTHS ENDED		NINE M
	SEPTEMBER 30, 2004	SEPTEMBER 30, 2003	SEPTEMBER 30, 20
GROSS MARGIN PERCENTAGES:			
MBS	25.3%	27.4%	24.2%
MCS	50.3%	43.1%	46.1%

RESULTS OF OPERATIONS

Revenues

Revenues increased 44.3% to $9,068,758 in the quarter ended September

30, 2004, as compared to $6,283,365 for the quarter ended September 30, 2003.

Revenues for MBS decreased 11.2% in the third quarter of fiscal 2004 to $5,203,269 as compared to $5,864,468 in the third quarter of fiscal 2003 primarily as a result of reduced spending by a few larger MBS customers. The Company is diversifying its customer base to add medium and small businesses and as a result the Company hopes revenues will stabilize in future quarters.

Revenues for MCS increased 822.8% to $3,865,489 as compared to $418,897 in the third quarter of fiscal 2003. This increase is due to expansion of MCS as a result of the acquisitions of MDU, Rainbow and 21st Century.

Revenues for the nine month period ended September 30, 2004 increased 27.4% to $22,734,594 from $17,843,508 for the same period in 2003, due to the aforementioned increase in MCS revenues obtained as a result of the acquisitions noted above.

Gross Margin

The Company's gross margin increased 82.8% or $1,483,195 to $3,272,731 for the quarter ended September 30, 2004 as compared to $1,789,536 for the similar quarter last year. For the quarter ended September30, 2004, as a percent of total revenues, gross margin was 36.0% as compared to 28.5% for the similar period last year.

Gross margin for MBS decreased by 18.1% to $1,318,270 for the quarter ended September 30, 2004, as compared to $1,608,975 in the third quarter of fiscal 2003 due to lower MBS sales and lower profits on those sales.

Gross margin for MCS for the quarter ended September 30, 2004 increased 977.2% to $1,945,065 as compared to $180,561 in the second quarter of fiscal 2003 reflecting on the increase of revenue being billed.

For the nine month period ended September 30, 2004, as a percent of total revenues, gross margin was 31.5% as compared to 28.7% for the same period in 2003. For the remainder of fiscal year 2004, gross margin percentages are expected to remain constant as the Company continues to enhance recurring subscriber revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses including depreciation and amortization increased 76.2% to $4,245,983 in the quarter ended September 30, 2004, compared to $2,409,227 in the prior year quarter. This increase is primarily a result of increased operating and amortization expenses related to the purchase and addition of new MDU property assets in the MCS division. Selling, general and administrative expenses were, as a percentage of revenues, 46.8% for the quarter ended September 30, 2004 and 38.4.1% for the similar period a year ago.

For the nine month period ended September 30, 2004 these expenses increased 46.1% to $10,488,032 as compared to $7,147,965 for the nine months ended September 30, 2003. As a percentage of revenues, selling, general and administrative expenses are 46.1% for the period ended September 30, 2004 as compared to 40.0% for the same period 2003.

Interest Expense

Interest expense was $347,647 for the quarter ended September 30, 2004, versus $202,958 for the similar period a year ago, reflecting an increase in the Company's long term debt as a result of financing the acquisitions noted above. Amortization of original issue discount was $171,773 and $85,364 for the three months ended September 30, 2004 and 2003, respectively.

Interest expense was $949,129 for the nine months ended September 30, 2004 and $648,368 for the same period last year. For the nine months ended September 30, 2004 amortization of original issue discount was $483,787 and $285,345 in the same period last year, respectively.

Net Loss

In the third quarter of fiscal 2004, the Company incurred a net loss of $1,851,593 compared to a net loss of $832,622 for the third fiscal quarter of 2003. This includes a goodwill impairment charge of $527,879 and amortization primarily related to identifiable intangible assets obtained in acquisitions of $754,971.

For the nine months ended September 30, 2004, the Company recorded a net loss of $4,819,931 as compared to $2,733,406 for the nine months ended September 30, 2003.

Liquidity and Capital Resources

Available working capital, at September 30, 2004 decreased significantly over the similar period last year primarily due to short term notes payable issued during the third quarter and in the course of the second quarter acquisitions.

The Company continues to face a very competitive environment in its MBS division which in the second quarter of 2004 produced both declining revenues and margins versus the same period a year ago. The Company's MCS division continues to experience significant growth, primarily due to increased subscriber related recurring revenues acquired via various transactions previously mentioned herein.

The Company, between September 30, 2004 and January 1, 2005, is obligated to pay approximately $5.8 million to retire the notes payable related to its MDU Inc. and Rainbow acquisitions. The Company as of September 30, 2004 did not have available cash on hand sufficient to retire said notes payable. Nonetheless, management of Multiband believes that, for the near future, cash generated by sales of stock, and existing credit facilities, in aggregate, are adequate to meet the anticipated liquidity and capital resource requirements of its business. The Company also believes, although it cannot guarantee, that it will continue to be able to raise money for the purposes of financing acquisitions. During the nine months ended September 30, 2004, the Company raised approximately $3.2 million via sales of its common stock to accredited investors primarily for such purposes. In addition, for the quarter ended September 30, 2004, the Company achieved positive earnings before interest, taxes, depreciation, amortization and a non cash goodwill impairment charge ("EBITDA") of $146,314.

The Company, as is common in the cable and telecommunications industries, uses EBITDA as a measure of performance to demonstrate earnings exclusive of interest and non cash events. 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 principles generally accepted in the United States. The most directly comparable GAAP reference in the Company's case is the removal of interest, depreciation, amortization and other non cash charges. The following table reconciles Company EBITDA to our consolidated net loss as computed under GAAP.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30	
	2004	2003	2004	2003
EBITDA	$ 146,314	$ (239,706)	$ (504,564)	$(1,035,062)
Interest Expense, other	(350,462)	(212,931)	(958,132)	(648,368)
Depreciation and Amortization	(1,119,566)	(379,985)	(2,557,788)	(1,049,976)
Goodwill Impairment	(527,879)	0	(527,879)	0
Other Non Cash Expense associated with Common stock issuance	0	0	(271,568)	0
Net Loss	$(1,851,593)	$ (832,622)	$(4,819,931)	$(2,733,406)

Capital Expenditures

The Company used $483,810 for capital expenditures during the nine months ended September 30, 2004, as compared to $356,291 in the similar period last year. Capital expenditures consisted of equipment acquired for internal use. The Company anticipates future capital purchases will remain consistent with current year expenditures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Impairment of Long-Lived Assets

The Company's long-lived assets include property, equipment and leasehold improvements. The estimated fair value of these assets is dependent on the Company's future performance. In assessing for potential impairment for these assets, the Company considers future performance. If these forecasts are not met, the Company may have to record an impairment charge not previously recognized, which may be material. During the three and nine months ended September 30, 2004 and 2003, the Company did not record impairment losses related to long-lived assets.

Impairment of Goodwill

We periodically evaluate acquired businesses for potential impairment indicators. Our judgements regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. During the three and nine months ended September 30, 2004 and 2003, the Company recorded impairment losses related to goodwill of $527,879 and $0, respectively.

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.

ITEM 3. QUANTITIVE AND QUALITIVE DISCLOSURE ABOUT MARKET RISK

Multiband is subject to interest rate variations related to its notes payable with Rainbow and Laurus Master Fund Ltd., both of which have interest tied to the prime lending rate.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, and its President and Chief Financial Officer, of the effectiveness of the Company's "disclosure controls and procedures" as of the end of the period covered by this report, pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act. Based upon that evaluation, the Company's Chief Executive Officer and its President and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings. However, due to the limited number of Company employees engaged in the authorization, recording, processing and reporting of transactions, there is inherently a lack of segregation of duties. The Company periodically assesses the cost versus benefit of adding the resources that would remedy or mitigate this situation and currently, does not consider the benefits to outweigh the costs of adding additional staff in light of the limited number of transactions related to the Company's operations.

Internal Control Over Financial Reporting

There have been no significant changes in internal control over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in legal actions in the ordinary course of business including, in the third quarter of 2004, the Company was named as a defendant in an action brought by Private Investor's Equity Group (PIEG) who is seeking damages in excess of $75,000 over an alleged financing fee owed. The Company has raised numerous defenses to said action including a release executed by PIEG related to said financing fee.

ITEM 2. ISSUANCE OF COMMON STOCK

The Company, during the third quarter, issued 106,832 common shares to various accredited investors for net proceeds of approximately $106,250 mainly due to a pre-existing preferred stock conversion right. The securities were offered and sold by the Company in reliance upon the exemptions provided under Section 4(2) of the Securities Act relating to sales not involving any public offering, and/or Rule 506 of Regulation D under the Securities Act.

In the third quarter of 2004, the Company issued common stock in connection with the acquisitions as itemized in Note 7 in the condensed footnotes herein.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Rule 13a-14(s) Certification of Chief Executive Officer - James Mandel

31.2 Rule 13a-14(s) Certification of Chief Financial Officer - Steven Bell

32.1 Section 1350 of Sarbanes-Oxley Act of 2002 - James Mandel and Steven Bell

(b) Reports on Form 8-K.
Filed July 9, 2004
Filed August 6, 2004
Filed August 20, 2004

SIGNATURES

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

MULTIBAND CORPORATION
Registrant

Date: November 19, 2004 By: /s/ James L. Mandel

Chief Executive Officer

Date: November 19, 2004 By: /s/ Steven M. Bell

Chief Executive Officer
(Principal Financial and Accounting Officer)