

LINDSAY JOHN W  
 Form 4  
 December 30, 2009

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**LINDSAY JOHN W**

(Last) (First) (Middle)

1437 SOUTH BOULDER AVE.,  
 SUITE 1400

(Street)

TULSA, OK 74119

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

**HELMERICH & PAYNE INC [HP]**

3. Date of Earliest Transaction (Month/Day/Year)

12/29/2009

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 Exec. VP - Drilling Subsidiary

6. Individual or Joint/Group Filing (Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)		
			Code	V	Amount	(A) or (D)	Price		
Common Stock	12/29/2009		M		10,000	A	\$ 13.87	75,000	D <sup>(1)</sup>
Common Stock	12/29/2009		S		200	D	\$ 41.74	74,800	D <sup>(1)</sup>
Common Stock	12/29/2009		S		1,400	D	\$ 41.73	73,400	D <sup>(1)</sup>
Common Stock	12/29/2009		S		2,800	D	\$ 41.72	70,600	D <sup>(1)</sup>
Common Stock	12/29/2009		S		100	D	\$ 41.7104	70,500	D <sup>(1)</sup>



## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Includes 9,347 shares held indirectly in the reporting person's 401(k) account, which shares have been adjusted to account for the issuer's 2-for-1 stock split in fiscal 2006.  
The options were granted under the Helmerich & Payne, Inc. 2000 Stock Incentive Plan on 12/04/02 at an exercise price of \$27.74,
- (2) becoming \$13.87 post stock-split in July of 2006. The options vested over 4 years in 25% increments. The noted date represents the first date options vested and became exercisable.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. : times new roman">- (314,692) (314,692)

Other comprehensive income – unrealized gain on securities available for sale	-	-	-	45,594	-	-	45,594
Net income	-	-	-	944,931	-	-	944,931
BALANCES, December 31, 2008	\$	(84,071)	\$	46,038,402	\$-	\$	45,594
	\$	(81,314,483)	\$	5,642,247			

See accompanying notes to the consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

	2008	2007	2006
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 944,931	\$ (6,088,353)	\$ (10,183,723)
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Depreciation and amortization	3,025,478	3,638,543	5,347,251
Minority interest in net income of consolidated subsidiary	652,167	-	-
Amortization of deferred compensation	-	-	29,480
Amortization of original issue discount	-	30,413	436,108
Amortization of imputed interest discount	282,100	-	-
Gain on debt extinguishment	(29,965)	(131,529)	-
Impairment of goodwill, intangibles and property and equipment	132,209	-	2,261,500
Loss (gain) on sale of property and equipment	77,115	192,234	(105,139)
Gain on sale of URON Inc. subsidiary	-	-	(26,669)
Change in allowance for doubtful accounts on accounts receivable	(15,000)	(154,400)	(155,130)
Change in reserve for stock subscriptions and interest receivable	22,484	60,000	61,434
Management consulting income from DirecTECH	(1,946,000)	-	-
Warrants issued for services	1,641	67,540	12,085
Stock issued for future services	47,435	164,337	58,756
Compensation expense of restricted stock awards	23,625	-	-
Stock based compensation expense	164,797	711,423	821,757
Reduction in interest receivable by increase in note receivable	(2,257)	-	-
Changes in operating assets and liabilities:			
Accounts receivable	776,630	615,241	502,942
Other receivable – related party	(2,364,995)	-	-
Inventories	455,867	208,388	(102,800)
Prepaid expenses and other	(520,507)	82,133	34,924
Other assets	(419,813)	(81,778)	33,798
Accounts payable and accrued liabilities	211,798	27,236	707,265
Accrued income taxes	499,153	-	-
Customer deposits	-	(750)	(2,829)
Liabilities of discontinued operations	-	(125,000)	(500,000)
Deferred service obligations and revenue	1,283,868	(606,674)	119,004
Net cash flows from operating activities	3,302,761	(1,390,996)	(649,986)
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(171,133)	(383,834)	(993,108)
Cash acquired via purchase of Michigan Microtech, Inc.	4,043,942	-	-
Cash collected on other receivables – related party acquired via the purchase of Michigan Microtech, Inc.	2,815,488	-	-
Purchase of US Install	(101,000)	-	-
Purchases of intangible assets	-	-	(31,159)
Proceeds from sale of URON Inc. subsidiary	-	-	75,000
Issuance of other receivable-related party	(5,843,942)	-	-
Proceeds from sale of intangible assets and related equipment	40,019	2,651,239	611,094
Collections on notes receivable	6,716	9,995	2,801
Net cash flows from investing activities	790,090	2,277,400	(335,372)

Explanation of Responses:

FINANCING ACTIVITIES			
Checks issued in excess of cash in bank	-	(319,244)	226,239
Payments on long-term debt	(145,734)	(139,209)	(871,076)
Payments on capital lease obligations	(212,734)	(251,057)	(235,517)
Payments on note payable to stockholder	-	(24,739)	(8,098)
Payment on mandatory redeemable preferred stock	(70,256)	(59,744)	(53,334)
Payments for stock issuance costs	(30,379)	(24,208)	(23,840)
Proceeds from issuance of long-term debt	100,000	-	-
Payments received on stock subscriptions and interest receivables	3,000	62	5,938
Redemption of preferred stock	(179,270)	(95,100)	(31,130)
Preferred stock dividends	(155,557)	(49,684)	(121,276)
Exercise of stock options	-	-	18,000
Net cash flows from financing activities	(690,930)	(962,923)	(1,094,094)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,401,921</b>	<b>(76,519)</b>	<b>(2,079,452)</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	944,456	1,020,975	3,100,427
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,346,377</b>	<b>\$ 944,456</b>	<b>\$ 1,020,975</b>

See accompanying notes to the consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008, 2007 and 2006

NOTE 1 - Summary of Significant Accounting Policies

Nature of Business

Multiband Corporation and subsidiaries (the Company) was incorporated in Minnesota in September 1975. The Company provides voice, data and video services to multi-dwelling unit and single family home 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 year ended December 31, 2008, the Company earned net income of \$944,931 versus the years ended December 31, 2007 and 2006 in which the Company incurred net losses of \$6,088,353 and \$10,183,723, respectively. At December 31, 2008, the Company had an accumulated deficit of \$81,314,483. The Company's ability to continue as a going concern is dependent on it maintaining profitability and/or raising additional capital. Management may sell, if prudent, certain assets on a strategic basis for prices agreeable to the Company and/or 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 and operating lease obligations and fund the Company's operations through 2009:

- 1.Reduction of operating expenses by controlling payroll, professional fees and other general and administrative expenses.
- 2.Delivery of video services to residents of single family homes. Effective March 1, 2008 the Company purchased 51% of the outstanding stock of Michigan Microtech, Inc. (MMT), formerly a wholly owned subsidiary of DirecTECH Holding Company, Inc. (DTHC). MMT installs DirecTV video services in single family homes. Historically, MMT has been profitable. In 2008, by combining MMT operations with Multiband operations, Multiband achieved a beneficial impact to its consolidated cash flows and operating results. In January 2009, Multiband significantly expanded its single family home video installation business by purchasing the former operations of DTHC (see Note 17). However, there is no guarantee that the results of the HSP business segment will be favorable to the Company in future periods. While the profitability of all the former operating subsidiaries of DTHC (excluding MMT) has been inconsistent in prior periods and while the DTHC operating subsidiaries as a whole (excluding MMT) were unprofitable in 2008, Multiband management, through management services agreements conducted throughout 2008 helped, in conjunction with legacy DTHC management, enact significant changes to those subsidiaries' expense structure, management and operating practices. These aforementioned changes had a material improvement in the operating results of the DTHC operating subsidiaries (excluding MMT) during the second half of 2008 as selling, general and administrative expenses (as adjusted for certain one time expenses such as legal accruals and transaction expenses related to the Multiband acquisition) dropped significantly. The Company believes the changes made to the former DTHC operating subsidiaries throughout 2008, combined with stay at home consumers robust entertainment demands, will continue to lead to materially improved operating results for those subsidiaries during 2009.
3. Solicit additional equity investment in the Company by either issuing preferred or common stock.
4. Continue to market Multiband services and acquire additional multi-dwelling unit customers.
- 5.

Explanation of Responses:

Control capital expenditures by contracting Multiband services and equipment through a landlord-owned equipment program.

6. Expansion of call center support via sales of call center services to both existing and future system operators and to buyers of the Company's video subscribers.
7. Sale of video assets on a strategic basis. The Company, based on recent transactions, believes there is an active market for its video subscriber assets. The Company believes it can sell these assets, under certain circumstances, at prices at or above their current carrying value. However, there is no guarantee these sales will ultimately be favorable to the Company.

#### Principles of Consolidation

As of December 31, 2008, the consolidated financial statements include the accounts of Multiband Corporation (MB) and its wholly owned subsidiaries, Minnesota Digital Universe, Inc. (MDU), Multiband Subscriber Services, Inc. (MBSS), Multiband USA, Inc. (MBUSA), and its majority owned subsidiary, Michigan Microtech, Inc. (MMT) (see Note 2). All significant intercompany transactions and balances have been eliminated in consolidation.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008, 2007 and 2006

Effective March 1, 2008, the Company acquired 51% of the outstanding shares of Michigan Microtech, Inc. (MMT) (see Note 2). The minority interest on the consolidated balance sheet and statement of operations represents DTHC's 49% ownership of MMT. The consolidated financial statements include the accounts of MMT.

#### Revenue 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) collectability is reasonably assured; and (iv) product delivery has occurred or services have been rendered. The Company recognizes revenue as services are performed and complete.

The Company earns revenues from four sources: 1) Voice, video and data communications products which are sold and installed, 2) MBSS user charges to multiple dwelling units, 3) MDU earns revenue primarily through the activation of, enhancement of, and residual fees on video programming services provided to residents of multiple dwelling units; and 4) MMT earns revenue primarily through the installation and service of DirecTV video programming for residents of single family homes.

Customers contract for both the purchase and installation of voice and data networking technology products and certain video technologies products. Revenue is recognized when the products are delivered and installed and the customer has accepted and has the ability to fulfill the terms of the contract.

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

MMT has a home services provider (HSP) agreement with DirecTV which allows MMT to install and activate DirecTV video programming services for residents of single family homes. As a DirecTV HSP, MMT earns revenue for installing and servicing DirecTV video customers pursuant to predetermined rates set by DirecTV which may vary from time to time. Revenue is recognized upon completion of the delivery and installation of equipment.

The Company reports the aforementioned voice, data, and video 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.



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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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We offer some products and services that are provided by third party vendors. We review the relationship between us, the vendor and the end customer on an individual basis to assess whether revenue should be reported on a gross or net basis. As an example, our resold satellite digital television revenue is reported on a net basis.

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 applies Emerging Issues Task Force Issue No. 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)” (EITF 06-3). EITF 06-3 concluded that the presentation of taxes imposed on revenue-producing transactions (sales, use, value added and excise taxes) on either a gross (included in revenues and costs) or a net (excluded from revenues) basis is an accounting policy that should be disclosed. The Company’s policy is to present taxes imposed on revenue-producing transactions on a net basis.

Revenue generated by the support center to service third party subscribers by providing billing and call center support services is recognized in the period the related services are provided.

MBSS, MDU and MBUSA user charges are recognized as revenues in the period the related services are provided in accordance with SAB 104. Any amounts billed prior to services being provided are reported as deferred service obligations and revenues. MMT installation and services revenues are recognized in the period the related services are provided in accordance with SAB 104. DirecTV reimburses the Company for substantially all DirecTV equipment used for customer installation related to the HSP segment.

#### 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.

#### 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 for the MCS segment. For the MDU and HSP segments the Company does have credit risk due to over 50% of accounts receivable is with one customer (see Note 15). 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 approximately \$60,000 and \$75,000 at December 31, 2008 and 2007, respectively.



MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008, 2007 and 2006

#### Inventories

The Company's inventories are segregated into three major categories. Serialized DirecTV inventories consists primarily of satellite receivers and similar devices. Non-serialized DirecTV inventories consist primarily of satellite dishes, poles and similar devices which are supplied by DirecTV. Other inventory consists primarily of cable, switches and various small parts used in the installation of DirecTV satellite dishes. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method for such equipment.

#### 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.

The Company reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

#### Deferred Revenue

The Company invoices for certain installation upgrade projects upon order of project equipment. Revenue is deferred on these projects until the equipment is installed.

#### Goodwill and Other Intangible Assets

The Company applies the Financial Accounting Standards Board Statement (FASB) of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which sets forth financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill no longer be amortized but tested for impairment on an annual basis, or more frequently if indications of impairment are present.

We periodically evaluate goodwill and other intangible and long-lived assets for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our business segments. Future events could cause us to conclude that impairment indicators exist and that goodwill and other intangible and long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Goodwill was \$1,095,166 and \$16,757 at December 31, 2008 and 2007, respectively. The goodwill recorded as part of our Multiband Corp. segment was \$1,045,166 and \$16,757 at December 31, 2008 and 2007, respectively, and the goodwill in the MCS segment was \$50,000 at December 31, 2008. The increase in goodwill during 2008 is due to the purchase of MMT (see Note 2) and US Install (see Note 2). For the year ended December 31, 2008, the Company

recorded an impairment to goodwill relating to the partial impairment of US Install goodwill of \$50,000 and the impairment of the remaining goodwill recorded from a previous acquisition of \$16,757. Also, pursuant to the abandonment of a right of entry intangible asset, the Company recorded an impairment charge of \$65,452 for the year ended December 31, 2008. In 2007, the Company did not record any impairment to goodwill or intangible assets. Pursuant to the sale of video assets to Consolidated Smart Broadband Systems, LLC., (CSBS) (see Note 2), the Company recorded an impairment charge of \$2,261,500 for the year ended December 31, 2006. This charge was determined based upon the excess net book value of assets sold over the known proceeds from the sale as of March 1, 2007. The impairment charge was allocated in the amount of \$417,465 to goodwill, \$1,539,633 to intangible assets and \$304,402 to fixed assets.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Components of intangible assets are as follows:

	December 31, 2008		December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Intangible assets subject to amortization</b>				
Right of entry contracts	\$ 800,751	\$ 526,133	\$ 993,393	\$ 618,027
Contracts with DirecTV	11,501,800	8,060,186	9,697,879	6,001,169
Customer contracts	102,516	85,430	-	-
<b>Total</b>	<b>12,405,067</b>	<b>8,671,749</b>	<b>10,691,272</b>	<b>6,619,196</b>
Impairment of intangibles	-	65,452	-	-
<b>Total including impairment</b>	<b>\$ 12,405,067</b>	<b>\$ 8,737,201</b>	<b>\$ 10,691,272</b>	<b>\$ 6,619,196</b>

Amortization of intangible assets was \$2,245,195, \$2,352,243, and \$3,419,150 for the years ended December 31, 2008, 2007 and 2006, respectively. Estimated amortization expense of intangible assets for the years ending December 31, 2009, 2010, 2011, 2012, 2013 and thereafter is \$2,207,312, \$1,134,028, \$226,154, \$36,267, \$36,267 and \$27,838, respectively. The weighted average remaining life of the intangibles is 1.94 years with right of entry average life of 5.77 years, contracts with DirecTV of 1.72 years and customer contracts of .17 years. The increase in intangible value during 2008 is due to the purchase of MMT (see Note 2) and US Install (see Note 2). The weighted average contractual life of the purchased intangibles is 3.05 years (see Note 2). The reduction in intangible value during 2007 is due to a sale of subscribers to Directech MDU "Directech" and MDU Communications "MDUC" (see Note 2).

The Company amortizes the right of entry contracts, contracts with DirecTV, and customer contracts, over their estimated useful lives ranging from 12 to 108 months.

#### Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs were \$58,934, \$76,993, and \$101,295, for the years ended December 31, 2008, 2007 and 2006, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

#### 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.



MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008, 2007 and 2006

### Stock-Based Compensation

The Company applies SFAS No. 123R "Share-Based Payment" ("SFAS 123R"), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS 123R is being applied on the modified prospective transition method and therefore the Company has not restated results for prior periods. The financial statements for the years ended December 31, 2008, 2007 and 2006 recognize compensation cost for the portion of outstanding awards which have vested during the year. The Company recognizes stock-based compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. For the years ended December 31, 2008, 2007 and 2006, total stock-based compensation expense of \$164,797 (\$0.02 per share), \$711,423 (\$0.10 per share) and \$821,757 (\$0.12 per share) was included in selling, general and administrative expenses, respectively. As of December 31, 2008, there was \$56,048 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan (see Note 10). That cost is expected to be recognized over a weighted-average period of 1.69 years. This is an estimate based on options currently outstanding and therefore this projected expense could be more in the future.

The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of variables. These variables include, but are not limited to the Company's expected stock price volatility, and actual and projected stock option exercise behaviors and forfeitures. An option's expected term is the estimated period between the grant date and the exercise date of the option. As the expected-term period increases, the fair value of the option and the compensation cost will also increase. The expected-term assumption is generally calculated using historical stock option exercise data. The Company does not have historical exercise data to develop such an assumption. In cases where companies do not have historical data and where the options meet certain criteria, SEC Staff Accounting Bulletin 107 ("SAB 107") provides the use of a simplified expected-term calculation. Accordingly, the Company calculated the expected terms using the SAB 107 simplified method. During the year ended December 31, 2008, the Company evaluated the variables used in calculating its option values. The Company has applied these revised assumptions in the third quarter of 2008 noting an immaterial effect to compensation expense recognized on options granted during the first six months of 2008.

The Company calculates expected volatility for stock options and awards using historical volatility, as the Company believes the expected volatility will approximate historical volatility. The starting point for the historical period used is July 1, 2001. The Company estimates the forfeiture rate for stock options using 5% for all employees.

The risk-free rates for the expected terms of the stock options and awards and the employee stock purchase plan is based on the U.S. Treasury yield curve in effect at the time of grant.

In determining the compensation cost of the options granted during fiscal 2008, 2007 and 2006, 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:

	2008	2007	2006
Risk-free interest rate	3.02%	4.56%	4.72%
Expected life of options granted	6.5 years	10 years	10 years
Expected volatility range	94%	242%	216%
Expected dividend yield	0%	0%	0%

Explanation of Responses:



Net Income (Loss) per Common Share

Basic net income(loss) per common share is computed by dividing the income(loss) attributable to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted net income(loss) per common share is computed by dividing income(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 and convertible preferred shares) had been issued. All options, warrants and convertible preferred shares outstanding during the years ended December 31, 2008, 2007 and 2006 were anti-dilutive due to loss attributable to common stockholders for each of the years then ended.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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### 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. Management believes that the Company has three operating segments, MCS, where the Company bills voice, data and video subscribers as a principal; MDU where the Company, as a master service operator for DirecTV, receives net cash payments for managing video subscribers through its network of system operators and HSP (Home Service Provider), where the Company receives net cash payments for the installation and service of DirecTV video programming for residents of single family homes. These video subscribers are billed by DirecTV.

### Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007; however, during February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2 which deferred the effective date of certain provisions of SFAS 157 until fiscal years beginning after November 15, 2008. We adopted the provisions of SFAS 157 that were not deferred under FSP No. 157-2 effective January 1, 2008.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 on January 1, 2008 had no impact on our consolidated financial statements.

During December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51" ("SFAS 160"). This statement establishes accounting and reporting standards for noncontrolling interests in subsidiaries and for the deconsolidation of subsidiaries and clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement also requires expanded disclosures that clearly identify and distinguish between the interests of the parent owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does believe that the adoption of SFAS 160 will have a material effect on its consolidated results of operations or financial position due to our acquisition of majority ownership of the operating entities of DTHC.

During December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS 141 (Revised 2007)"). While this statement retains the fundamental requirement of SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations, SFAS 141 (Revised 2007) now establishes the principles and requirements for how an acquirer in a business combination: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree; recognizes and measures the goodwill acquired in the business combination or the gain from a bargain purchase; and determines what information should be disclosed in the financial statements to enable the users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141 (Revised 2007) is effective for fiscal years beginning on or after December 15, 2008. The

Company has adopted SFAS 141 (Revised 2007) and used this to account for the acquisition described in Note 18.

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During March 2008, the FASB issued the SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133," ("SFAS 161") which required enhanced disclosures about an entity's derivative and hedging activities. The Standard requires entities to disclose the fair values of derivative instruments and their gains and losses in a tabular format to provide financial statement users with a more complete picture of the location in the entities financial statements of both the derivative positions existing at years-end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's statements issued for fiscal years beginning after November 15, 2008. The Company does not believe the adoption of SFAS 161 will have a material effect on its consolidated statement of operations, financial positions or cash flows.

#### 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, charge back of DirecTV activation fees, inventory obsolescence, stock subscriptions and interest receivable, stock based compensation, property and equipment estimated useful lives, goodwill and intangible assets carrying value and the valuation of deferred income tax assets.

#### Financial Instruments

The carrying amounts for all financial instruments approximate fair value. The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value because of the short maturity of these instruments. The fair value of capital lease obligations 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.

#### NOTE 2 – Business Acquisitions/Sales Transactions

Effective July 1, 2006, the Company acquired the video assets and rights of entry of Extreme Video Enterprise, LLC for a total purchase price of \$578,125 which includes imputed interest of \$95,066. The assets included 5,567 homes under rights of entry and 928 subscribers. The reason for the purchase is to continue to expand the Company's services related to multi-users of voice, data and video services. 162,500 shares (pre-split) of restricted common stock valued at \$1.00 per share (fair value at the date of the agreement) were issued to the Seller as part of the consideration for the purchase. The balance of the purchase of \$415,625 is to be paid in 48 equal payments and is collateralized by the assets purchased. The first payment of \$8,659 was paid at closing. The note bears an imputed interest rate of 14.0%. The agreement allows for a reduction of the purchase price if the annual cash flow generated is less than \$94,000 in the first 3 years and less than \$7,844 per month in the final year of the repayment of the note payable. Any shortfall will be deducted from the payment dollar for dollar. The purchase price was allocated to the acquired assets based on the estimated fair values as of the acquisition date. The rights of entry will be amortized over its estimated

useful life of 36 months. The expected life of the cable systems will also be 36 months.

Effective September 20, 2006, the Company acquired the video assets and rights of entry of Rand'M for a total purchase price of \$146,500 which includes imputed interest of \$30,470. The assets included approximately 2,350 homes under rights of entry. The reason for the purchase is to continue to expand the Company's services related to multi-users of voice, data, and video services. The purchase price of \$146,500 was paid in 42 equal monthly payments of \$3,250 and one payment of \$10,000 on September 20, 2007, and was collateralized by the assets purchased. This note bears an imputed interest rate of 14.0%. The purchase price was allocated to the acquired assets based on the estimated fair values as of the acquisition date. The Company recorded \$166,760 for equipment and \$432,329 for the value of the rights of entry. The rights of entry were being amortized over its estimated useful life of 18 months. The expected life of the cable systems were also being amortized over 18 months. Substantially all of the Rand'M acquisition assets were sold March 1, 2007 to Consolidated Smart Broadband Systems, LLC (complete description provided later in this footnote).

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Effective March 1, 2008, the Company purchased, pursuant to a Supplemental Agreement and Plan of Share Exchange, 51% of the outstanding shares of Michigan Microtech, Inc. (MMT), previously a wholly owned subsidiary of DirecTECH Holding Company, Inc. (DTHC) which equaled 1,020,000 MMT common shares. The consideration paid for the shares was 1,490,000 shares of restricted Multiband common stock valued at \$3,854,000 and a promissory note for \$2,246,000. The note is secured by the aforementioned MMT common shares, which carries a stated interest rate of 5% per annum and is due February 2013. The Multiband shares, via negotiation and mutual agreement between buyer and seller, were valued at \$2.59 per share. The seller received certain piggyback registration rights with regards to the Multiband shares. The note payable was recorded net of a discount for imputed interest of 3% which amortizes monthly as part of interest expense. The total discount for imputed interest amounted to \$317,310. The Company purchased MMT to enter the market of installing video services in single family homes. The Company allocated the purchase price to the fair values of MMT assets and liabilities. As part of the acquisition, the Company recognized an intangible asset of \$1,803,921 related to MMT's HSP agreement with DirecTV, and goodwill of \$1,045,166. The Company will amortize this intangible over the remaining 38 month term of MMT's home services provided contract with DirecTV. The term of the contract will automatically renew as of April 30, 2011 for additional one year periods unless either MMT or DirecTV gives written notice of termination at least 90 days in advance of expiration of the then current term. The goodwill will not be deductible for tax purposes. The balance sheet as of the March 1, 2008 acquisition date is as follows:

	Condensed Balance Sheet 3/1/08
Cash	\$ 4,043,942
Accounts receivable	2,626,866
Inventory	2,209,567
Other current assets	2,827,135
Property and equipment, net	73,995
Other assets	420,708
<b>Total assets</b>	<b>\$ 12,202,213</b>
Accounts payable and accrued liabilities	\$ 6,431,832
Other liabilities	18,218
<b>Total liabilities</b>	<b>6,450,050</b>
Stockholders equity	5,752,163
<b>Total liabilities and equity</b>	<b>\$ 12,202,213</b>

In November 2008, Multiband and DTHC entered into a stock purchase agreement (SPA) to purchase an additional 29% of MMT (see Note 17).

In May 2007 (as subsequently amended in June 2007, December 2007, June 2008 and October 2008), DirecTECH Holding Company (DTHC) and its subsidiaries, including Michigan Microtech, Inc. (MMT) which, prior to March 1, 2008, was 100% owned by DTHC, entered into a loan and security agreement with MB Financial Bank, N.A. (MB Bank). Multiband Corporation, effective March 1, 2008, owned 51% of the common stock of MMT. At the time of

Multiband's purchase of the MMT stock in February 2008, Multiband received a release of the MB Bank's lien against the MMT stock. However, MMT remained an obligor on the overall MB Bank loan until the loan was paid in full during December 2008. MMT never utilized any of the loan proceeds. Based on the Company's interpretation of Securities Exchange Commission's Staff Accounting Bulletin No. 5J (SAB 5J), none of the DTHC bank loan debt is reflected in MMT's financial statements which have been consolidated with Multiband Corporation's financial statements for the ten months ended December 31, 2008.

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Effective March 1, 2008, the Company purchased 100% of the assets of US Install LLC in exchange for \$95,000 in cash plus 37,879 shares of restricted Multiband common stock valued at \$102,516. The Company also incurred acquisition expense of \$1,000 related to this purchase. In addition, the parties executed employment agreements with US Install's two principals. The parties also executed noncompetition and nonsolicitation agreements with each principal in exchange for cash consideration of \$2,500 per agreement. The Company allocated the purchase price as follows:

Intangible assets	\$ 102,516
Goodwill	100,000
Total assets acquired	202,516

Proceeds for the acquisition were obtained via an unsecured promissory note in the amount of \$100,000 between Multiband and Bas Mattingly Master, LLC, a trust controlled by J. Bas Mattingly, chairman of DTHC, with DTHC as a 49% owner of MMT. The note carries an interest rate of 7% per annum and is due August 20, 2009. The Company purchased US Install LLC to diversify its revenue sources. For the year ended December 31, 2008, the Company recorded a partial impairment of \$50,000 to the US Install goodwill.

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.

	2008 Consolidated as reported	2008 Pro Forma Disclosed	2007 Consolidated as reported	2007 Pro Forma Disclosed
<b>Years ended December 31, 2008 and 2007</b>				
Revenues	\$ 42,986,513	\$ 47,383,916	\$ 15,085,604	\$ 40,942,051
Income (loss) from operations	903,037	1,240,722	(5,766,115)	(7,100,653)
Net income (loss)	944,931	1,108,594	(6,088,353)	(7,071,729)
Preferred stock dividends	4,088,275	4,088,275	2,300,502	2,300,502
Loss attributable to common shareholders	\$ (3,413,344)	\$ (2,979,681)	\$ (8,388,855)	\$ (9,372,231)
Loss attributable to common shareholders per common share – basic and diluted	\$ (.34)	\$ (.31)	\$ (1.16)	\$ (1.07)
Weighted average shares outstanding – basic and diluted	9,302,570	9,471,146	7,237,473	8,727,473

Effective September 29, 2006, pursuant to the agreement referenced in Note 2, the Company sold five rights of entry agreements located in California to Consolidated Smart Broadband Systems, LLC. The Company sold the assets for \$386,000 in cash subject to a \$24,900 reserve related to a contingency. The Company recorded a gain on the sale of approximately \$178,000.





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Effective November 1, 2006, the Company sold the rights of entry agreements and related video assets of four properties located in Florida to HBL Communications for \$200,000 in cash. The Company recorded a gain on the sale of approximately \$14,000.

The Company had \$1,244,236 of assets held for sale on December 31, 2006 related to video assets located in California. Effective March 1, 2007, the Company, pursuant to an asset purchase agreement entered into October 19, 2006 (the "agreement"), completed the sale of substantially all of its video assets located in California to Consolidated Smart Broadband Systems, LLC (CSBS). The purchase price paid by CSBS was \$1,214,000 at closing plus an additional \$100,000, paid on March 30, 2007 consisting of cash proceeds of \$757,731 and direct payments to lenders of \$556,269 (including \$22,338 of imputed interest).

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company classified the assets in the amount of \$1,244,233 as held for sale, and recorded an impairment charge to property and equipment related to the sale of \$304,402 for the year ended December 31, 2006. The Company determined the impairment charge based upon the excess net book value of assets sold over the known proceeds from the sale. Any consideration received for the assets during future accounting periods based upon the earnout formula was recognized as a gain on sale of assets in that period. The results of the sale of the California assets resulted in a loss of \$40,110, which is included in the selling, general and administrative expenses of the accompanying consolidated statements of operations for the year ended December 31, 2007.

Effective March 31, 2007, the Company completed the sale of substantially all of its video assets located in Ohio to Directech MDU ("Dtech"). The purchase price paid by Dtech was \$745,790. The purchase price consisted of the assumption of a note payable for the gross value of \$329,036 and \$416,754 cash paid at closing on April 20, 2007. The sale of the Ohio assets resulted in a gain on sale in the amount of \$324,626, which is included in the selling, general and administrative expenses of the accompanying consolidated statements of operations for the year ended December 31, 2007. The proceeds of \$683,897, including assumed liabilities of \$267,143, less the net book value of the MCS segment assets sold amounted to a gain on sale of \$324,626.

On October 16, 2007, the Company completed the sale to MDU Communications (MDUC) of approximately 9,800 subscriptions and the related assets located in 181 multi-family properties located throughout Florida, Illinois, New York, Colorado, New Jersey, and Texas. Total proceeds for MCS assets sold amounted to approximately \$3,325,000, consisting of cash proceeds of \$1,476,753, selling expenses paid by MDUC of \$135,000 and the remainder on debt and liabilities paid directly by MDUC. The sale resulted in a loss of \$461,687 which is included in the selling, general and administrative expenses of the accompanying consolidated statements of operations for the year ended December 31, 2007. The aforementioned loss primarily resulted from fewer multi-family properties being sold to MDUC than was originally intended in the party's asset purchase agreement. Certain properties could not be sold due to the Company's inability to obtain some property owners consent to assignment. The difference in the mix of properties ultimately transferred to MDUC increased the loss on sale compared to what the Company originally estimated upon execution of the asset purchase agreement in July 2007.

These sales were not reported as a discontinued operation because the assets sold did not constitute a segment or component of the Company's business, and the Company retained assets and on-going service rights associated with the video subscribers.

NOTE 3 – Securities Available for Sale

As of December 31, 2007, Multiband had the voting rights for and was holding in trust 58,161 common shares of URON for various contingent rights holders whose rights were tied to potential future warrant exercises or preferred stock conversions. Effective January 1, 2008, FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS 157”), which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. SFAS 157 applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

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As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company values and records all investment securities transactions on a trade date basis. Securities listed on a national or regional securities exchange are valued at their last reported sales price on the last business day of the period. Securities which are not traded on a major exchange or for which no sale was reported on that date are valued at the average of their last quoted "bid" price and "asked" price. Short positions are valued at the last quoted "asked" price. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Company attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Company determines fair value based on quoted market prices in active markets for identical assets and liabilities (Level 1). As of February 4, 2008, certain aforementioned contingent rights were not exercised by the various holders; therefore Multiband owns 37,994 shares of URON. As a result, Multiband recorded the fair value of URON shares based on quoted market prices as an unrealized gain. URON subsequently changed their name to Western Capital Resources, Inc.

Securities available for sale consisted of the following at December 31:

	2008	2007
Initial investment	\$ 121,582	\$ -
Decrease in value	(75,988)	-
Total	\$ 45,594	\$ -

NOTE 4 – Inventories

Inventories consisted of the following at December 31:

	2008	2007
DirecTV – serialized	\$ 813,480	\$ -
DirecTV – nonserialized	669,911	-
Other	419,477	132,992
Total	\$ 1,902,868	\$ 132,992

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2008	2007
Leasehold improvements	\$ 771,435	\$ 844,828
Office equipment and furniture	4,955,807	3,239,315
Subscriber related equipment	2,855,487	2,916,796
Property and equipment under capital lease obligations	810,535	467,878
Total property and equipment	9,393,264	7,468,817
Less accumulated depreciation and amortization	(7,016,467)	(5,421,422)
Less accumulated depreciation and amortization capital leases	(343,730)	(278,134)
Total property and equipment, net	\$ 2,033,067	\$ 1,769,261

Depreciation and amortization expense on property and equipment was \$780,283, \$1,286,300, and \$1,928,101 for the years ended December 31, 2008, 2007 and 2006, respectively.

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## NOTE 6 – Notes Receivable

Notes receivable consisted of the following at December 31:

	2008	2007
Note receivable – SBC-OK/TX, variable monthly principal payments based on revenue generated plus interest of 7%, due October 2008. Note is collateralized by certain assets. During 2008, this note receivable was combined with note receivable – SBC-Ohio, and then a new note receivable was signed with Satellite Systems.	\$ -	\$ 40,235
Note receivable – SBC-Ohio, variable monthly principal payments based on revenue generated plus interest of 7%, due October 2008. Note is collateralized by certain assets. During 2008, this note receivable was combined with note receivable – SBC-OK/TX, and then a new note receivable was signed with Satellite Systems.	-	19,626
Notes receivable – Satellite Systems, variable monthly principal payments based on revenue generated plus interest of 7%, due October 2009. Note is collateralized by certain assets.	61,321	-
Notes receivable – S Scott, L.L.C., fixed monthly payments of \$670, including interest at 6%, due October 2015. Note is collateralized by said property.	39,095	-
<b>Total notes receivable</b>	<b>100,416</b>	<b>59,861</b>
<b>Less: current portion</b>	<b>(61,321)</b>	<b>(59,861)</b>
<b>Long-term portion of notes receivable</b>	<b>\$ 39,095</b>	<b>\$ -</b>

## NOTE 7 – Accrued Liabilities

Accrued liabilities consisted of the following at December 31:

	2008	2007
Payroll and related taxes	\$ 1,354,419	\$ 512,960
Accrued legal settlements and contingencies (see Note 15)	960,000	-
Accrued preferred stock dividends	622,118	642,395
Accrued liability – vendor chargeback	-	630,800
Other	938,656	745,456
	<b>\$ 3,875,193</b>	<b>\$ 2,531,611</b>

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## NOTE 8 - Long-term Debt

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

	2008	2007
Debenture payable - Convergent Partners I, L.P., see terms in note below.	\$ 1,400,000	\$ 1,500,000
Note payable – DirecTECH Holding Company, Inc., secured with MMT common stock (51%), net of imputed interest of \$35,210 and \$0 at December 31, 2008 and 2007. Parties have agreed to offset management performance bonuses payable to the Company against the note payable (see Note 16). Balance is due in full including interest at 5%, February 2013. The balance of this note payable is included in the note payable issued for the purchase of the 29% of MMT (see Note 17).	264,790	-
Note payable – Bas Mattingly, unsecured, due in full including interest at 7%, August 2009 (see Note 2).	100,000	-
Notes payable – group of accredited institutional investors, net of original issue discount and beneficial conversion of note payable into common stock of \$0 and \$30,413 at December 31, 2008 and 2007. Interest is 6% payable semi-annually in cash or common stock at the Company’s election, due November 2007, collateralized by certain assets of the Company and subordinated. This note payable is past due (see Note below).	66,666	66,666
Note payable – DeLage Landen Financial Services, monthly installments of \$1,765 including interest at 10.40%, due July 2010.	30,804	46,460
Note payable – Lexstar Tower One, LP, monthly installments of \$2,737 including interest at 4.00%, due August 2010.	52,741	82,818
Note payable – repaid on January 18, 2008, with the issuance of 7,500 shares of common stock at \$2.60 per share, resulting in a gain on extinguishment of debt of \$29,965.	-	44,446
Note payable, interest at 7%, the Company’s intent is to pay this note via reduction of life insurance proceeds, collateralized by life insurance policy owned by the Company.	39,651	36,876
<b>Total long-term debt</b>	<b>1,954,652</b>	<b>1,777,266</b>
<b>Less: current portion</b>	<b>(1,608,778)</b>	<b>(1,658,342)</b>
<b>Long-term debt, net of current portion</b>	<b>\$ 345,874</b>	<b>\$ 118,924</b>

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

2009	\$ 1,608,778
2010	25,080
2011	-
2012	-
2013	281,143
Thereafter	39,651
Total future minimum payments	\$ 1,954,652

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In June 2005, the Company borrowed \$2,000,000 from Convergent Capital Partners I, L.P. in connection with an amendment of an original debt agreement. The amendment extended the due date to May 2009 and the Company is required to comply with certain financial covenants. As of December 31, 2007, the Company failed to meet the compliance covenants of its lender, Convergent Capital, with respect to having minimum net worth of three million dollars and positive EBITDA for the quarter ended December 31, 2007 of \$150,000. Convergent Capital provided the Company with a waiver of both covenants for the year ended December 31, 2007. In accordance with EITF 86-30 "Classification of obligations when a violation is waived by the creditor", the Company has classified the debt as current as of December 31, 2007 principally based on management's assessment that the Company is unlikely to be in compliance with the covenants during 2008. The Company paid \$100,000 on the note during 2008. At December 31, 2008, the Company was in compliance with the debt covenants. The Company is required to pay monthly interest only payments through the due date. The outstanding balance of the debenture was \$1,400,000 at December 31, 2008 and \$1,500,000 at December 31, 2007. The interest rate varies from 11% to 14% dependent on the Company's stock prices (14% at December 31, 2008 and 2007). The debenture agreement is collateralized by substantially all of the assets of the Company. In January 2009, the Company modified the terms of its June 2005 warrant agreement with Convergent Capital. The impact of the modification was an increase in the value of the warrants of approximately \$30,000 which will be expensed in 2009.

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. 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 notes were due to be paid in full November 2007. This note payable is past due. 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 was being amortized over the life of the notes using the straight-line method, which approximates the interest method. These notes are collateralized by certain assets and are subordinated. During the year ended December 31, 2006, the Company converted principal of \$200,000 and accrued interest of \$4,166 into 40,833 shares of common stock. During 2007, the Company paid \$456,005 on the principal balance. The Company converted accrued interest of \$17,680 into 3,536 shares of common stock during the year ended December 31, 2007. The outstanding balance as of December 31, 2008 and 2007 was \$66,666. This note payable is past due.

#### NOTE 9 - 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 14.97% and expire through December 2012. The obligations are collateralized by the property under lease excluding certain sold property items. Total cost and accumulated amortization of the leased equipment was \$810,535 and \$343,730 at December 31, 2008 and \$467,878 and \$278,134 at December 31, 2007. Amortization expense related to these obligations is included in depreciation expense.

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

2009	\$ 368,639
2010	209,039
2011	140,909
2012	3,782

Less: amounts representing interest	(94,085)
Present value of future minimum lease payments	628,284
Less: current portion	(310,656)
Capital lease obligations, net of current portion	\$ 317,628

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NOTE 10 - Stockholders' Equity

Capital Stock Authorized

The articles of incorporation authorize the Company to issue 20,000,000 shares of no par capital stock. Authorization to individual classes of stock is determined by a Board of Directors resolution. All shares have been allocated to common stock except for 2,435,015 shares reserved for preferred stock as follows:

- 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,
- 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
- 100,000 shares of Class I cumulative convertible preferred stock

On July 18, 2007, the Company's Board of Directors authorized a 1 for 5 reverse stock split of the Company's common stock, effective August 7, 2007. In conjunction therewith, the Company amended its articles of incorporation to reduce its authorized capital shares from 100 million to 20 million to conform to Minnesota statutory requirements. The Company, in accordance with FAS 128 "Earning per Share", gave retroactive effect of the common shares for the reverse stock split transaction in the accompanying balance sheet and the statement of operations.

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. Dividends on Class I Preferred Stock are paid at a variable rate tied to prime and are payable monthly. 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. Class I is convertible at \$1.50 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 Class B preferred was offered to certain note payable holders at a conversion of \$10 per Class B preferred share. The dividends are based on \$10.00 per share for Class A, B, C, D, E, F and G cumulative preferred stock. Dividends for Class G stock are payable in common stock at a fixed rate of \$1.60 per share which is higher rate than fair market value. Dividends for Class H cumulative preferred stock are based on 6% of the stated liquidation preference amount per share per annum. They are payable in common stock at a fixed rate of \$1.00 per share which is higher than market value. Dividends for Class I cumulative preferred stock are based on \$100 per 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. The Class I shares can be redeemed for \$100 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 with the exception of the 50,000 shares of Class F converted into mandatory redeemable preferred stock (see below). The liquidation preference is the same as the redemption price for each class of preferred stock.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
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#### Series I Convertible Preferred Stock

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 Special Situations Fund of New York, NY through its designated fund, Special Situations Fund III QP, L.P. 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, (8.25% and 9.25% at December 31, 2007 and 2006, respectively). At December 31, 2007, \$3,950,000 worth of preferred stock value remains to be converted into 526,667 shares of common stock at a rate of \$1.50 per share (\$7.50 per share as adjusted for August 2007 reverse stock split). 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. In February, 2008 these warrants have expired. The Company was 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 which was declared effective in September 2005. On March 18, 2008, the remaining \$3,950,000 worth of preferred stock value was converted into 526,667 shares of common stock.

#### Mandatory Redeemable Preferred Stock

In 2004, the Company issued 50,000 shares of mandatory redeemable preferred stock valued at \$500,000 pursuant to the purchase of assets and a put option given to the sellers. The sellers have exercised \$350,000 value of the put option equal to 35,000 shares of preferred stock. The mandatory redeemable preferred stock had an outstanding balance of \$150,000, and \$220,256 as of December 31, 2008 and 2007, respectively. In January 2009, the parties amended their redemption agreement to provide for full redemption of the remaining balance, net of a negotiated discount of \$22,000, by the end of May 2009.

#### Stock Dividend

As of May 1, 2006, certain Multiband shareholders of record and certain contingent rights holders became eligible for a distribution of URON (a former subsidiary) common stock based on the holder's ownership of Multiband shares or rights as of that date. The holders received .05 shares of URON common stock for each share or right to a share of Multiband common stock held on the record date. In July 2006, URON's Form 10-SB was declared effective by the SEC. On August 10, 2006, the stock distribution occurred. In August 2006, Multiband sold its majority interest in URON to Lantern Advisors for \$75,000 in cash. As of December 31, 2007, Multiband had the voting rights for and was holding in trust 58,161 common shares of URON for various contingent rights holders whose rights are tied to potential future warrant exercises or preferred stock conversions. As of February 4, 2008, the certain aforementioned contingent rights were not exercised by the various holders, therefore Multiband now owns 37,994 shares of URON (as adjusted for a 1 for 10 reverse stock split) (See Note 3).

#### Stock Compensation Plans

The Company has a 1999 Stock Compensation Plan, which permits the issuance of restricted stock and stock options to key employees and agents. All outstanding incentive stock options granted under the prior 1997 Stock Options Plan continues until all agreements have expired. There are 860,000 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.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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The Company also has a 2000 Non-employee Director Stock Compensation Plan, which permits the issuance of stock options for 250,000 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 80,000 shares of Company common stock to qualified employees. At December 31, 2008 and 2007, no shares were issued under the Plan.

#### Stock Subscriptions Receivable

The Company has stock subscriptions receivable including interest receivable totaling \$84,071 and \$170,888 due to the Company at December 31, 2008 and 2007, respectively, from the issuance of common stock. The agreements require monthly interest only payments at interest ranging from 2% to 9% on the outstanding receivable balances. One stock subscription has an extended due date of July 2009. The second stock subscription receivable agreement was amended in February 2007. On February 2008, this subscription receivable was reduced \$61,333 for the 60,000 common shares returned to the Company. The due date of the remaining note balance of \$122,667 was February 2009. The receivables are collateralized by the common stock issued. At December 31, 2008 and 2007, the Company has reserved \$185,708 and \$160,761 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 fair value at the date of grant related to the shares awarded is generally amortized over three years, the vesting term of the awards. In May 2008, the Company issued 22,500 shares of restricted stock in the amount of \$23,625 to two officers of the Company. The value of the restricted stock was established by the market price on the date of grant. These restricted shares were immediately vested and were issued as performance bonuses pursuant to the Company's Employee Stock Compensation Plan.

#### Stock Options

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

	Options			Weighted-Average Exercise Price		
	2008	2007	2006	2008	2007	2006
Outstanding, January 1	659,832	613,331	611,986	\$ 7.15	\$ 7.55	\$ 7.70
Granted	41,500	57,600	41,300	1.87	2.75	5.45
Exercised	-	-	(6,000)	-	-	3.00
Cancelled	(8,300)	(11,099)	(33,955)	3.82	5.66	8.60
Expired	(30,000)	-	-	3.00	-	-

Explanation of Responses:

Outstanding, December 31	663,032	659,832	613,331	\$	7.05	\$	7.15	\$	7.55
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The weighted average grant date fair value of options granted during the years ended December 31, 2008, 2007, and 2006 was \$1.48, \$2.75, and \$5.45, respectively. Options exercisable at December 31, 2008, 2007, and 2006 were 625,601, 521,931, and 420,071, respectively. The weighted average price of exercisable options for the years ended December 31, 2008, 2007, and 2006 was \$7.34, \$9.04, and \$11.00, respectively.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
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Options outstanding and exercisable as of December 31, 2008 are as follows:

Range of Exercise Prices	Options	Outstanding		Exercisable	
		Weighted - Average Exercise Price	Remaining Contractual Life-Years	Options	Weighted-Average Exercise Price
\$ 0.96 to \$ 3.85	92,900	\$ 2.38	7.19	59,202	\$ 2.61
\$ 4.25 to \$ 6.90	159,180	6.13	5.79	155,447	6.17
\$ 7.00 to \$ 8.60	348,118	7.37	5.48	348,118	7.37
\$ 9.25 to \$ 14.38	45,100	10.05	1.48	45,100	10.05
\$ 21.57 to \$ 33.75	17,734	25.93	1.17	17,734	25.93
\$ 0.96 to \$ 33.75	663,032	\$ 7.05	5.41	625,601	\$ 7.34

Using the closing stock price of \$1.19, \$2.71 and \$0.57, respectively, on December 31, 2008 and 2007 and December 29, 2006, the number of options outstanding with an intrinsic value was 5,100, 0, and 0, respectively, with an intrinsic value of \$5,241, \$0 and \$0, respectively.

Using those same closing stock prices of \$1.19, \$2.71 and \$0.57, respectively, on December 31, 2008 and 2007 and December 29, 2006, there were no options exercisable with an intrinsic value for all three years.

The intrinsic value of options exercised in 2008, 2007 and 2006 amounted to \$0, \$0, and \$16,500, respectively.

#### Stock Warrants

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

	Outstanding			Weighted - Average Exercise Price		
	2008	2007	2006	2008	2007	2006
Outstanding, January 1	3,088,873	3,488,329	3,743,196	\$ 7.64	\$ 8.05	\$ 8.40
Granted	2,920	24,202	3,134	2.20	2.96	5.25
Exercised	-	-	-	-	-	-
Forfeited	(1,605,960)	(423,658)	(258,001)	7.85	10.62	12.90
Outstanding, December 31	1,485,833	3,088,873	3,488,329	\$ 7.25	\$ 7.64	\$ 8.05

The weighted-average grant-date fair value of warrants granted during the years ended December 31, 2008, 2007, and 2006 was \$0.56, \$0.96, and \$0.77, respectively.

Warrants outstanding and exercisable as of December 31, 2008, are as follows:

Range of Exercise Prices	Warrants	Weighted - Average Remaining contractual life	Exercise prices
\$ 2.06 to \$ 5.50	239,720	1.01	\$ 4.28

Explanation of Responses:

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\$	6.25to	\$	6.50	747,981	1.38	6.05
\$	7.00to	\$	8.25	67,273	1.42	7.60
\$	10.00to	\$	11.25	430,859	1.75	10.35
\$	2.06to	\$	11.25	1,485,833	1.43	\$ 7.08

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MULTIBAND CORPORATION AND SUBSIDIARIES  
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Stock warrants issued for the years ended December 31 were awarded for:

	2008	2007	2006
Common stock	-	-	-
Services rendered	2,920	24,202	3,134
Preferred stock	-	-	-
	2,920	24,202	3,134

During the year ended December 31, 2008, the Company issued 2,920 three-year warrants for services related to sales commissions with a weighted average exercise price of \$2.20. These warrants were valued at \$1,641 using the Black Scholes pricing model.

During the year ended December 31, 2007, the Company issued 13,800 four-year warrants for services related to investor relations with a weighted average exercise price of \$3.00. These warrants were valued at \$41,400 using the Black Scholes pricing model.

During the year ended December 31, 2007, the Company issued 10,000 three-year warrants for services related to consulting with a weighted average exercise price of \$2.57. These warrants were valued at \$25,240 using the Black Scholes pricing model.

During the year ended December 31, 2007, the Company issued 402 three-year warrants for services related to sales commissions with a weighted average exercise price of \$11.00. These warrants were valued at \$900 using the Black Scholes pricing model.

During the year ended December 31, 2006, the Company issued 3,000 four-year warrants for services related to investor relations with a weighted average exercise price of \$5.00. These warrants were valued at \$11,478 using the Black Scholes pricing model.

During the year ended December 31, 2006, the Company issued 134 three-year warrants for services related to sales commissions with a weighted average exercise price of \$11.00. These warrants were valued at \$606 using the Black Scholes pricing model.

On August 10, 2006, 8,571 warrants originally issued to an investor on September 30, 2003, were reissued due to a related warrant agreement with the same investor dated November 2004.

During the year ended December 31, 2008, the Company evaluated the variables used in calculating its option and warrant values. The Company has applied these revised assumptions to warrants issued in 2008. 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 (see Note 1):

	2008	2007	2006
Risk-free interest rate	1.12%	4.58%	4.88%
Expected life	3 years	3 years	3.5 years
Expected volatility	95%	244%	216%
Expected dividend rate	0%	0%	0%

Explanation of Responses:

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MULTIBAND CORPORATION AND SUBSIDIARIES  
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## NOTE 11– Business Segments

The Company has four reporting segments. Multiband Corp. includes corporate expenses (e.g. corporate administrative costs), interest income, interest expense, depreciation and amortization. The MDU segment represents results as the master service operator for DirecTV. The MCS segment provides voice, data and video services to residential multi-dwelling units as the principal to subscribers. The HSP segment provides the installation and service of DirecTV video programming for residents of single family homes. Segment disclosures by entity are provided to the extent practicable under the Company's accounting system.

Segment disclosures are as follows:

Year Ended December 31, 2008	Multiband Corp	MDU	MCS	HSP	Total
Revenues	\$ -	\$ 15,559,329	\$ 3,731,139	\$ 23,696,045	\$ 42,986,513
Income (loss) from operations	(2,942,641)	3,782,927	(2,271,821)	2,334,572	903,037
Identifiable assets	5,567,231	4,098,137	3,373,305	13,004,734	26,043,407
Depreciation and amortization	698,008	1,587,570	707,368	32,532	3,025,478
Capital expenditures	59,736	-	87,476	23,921	171,133

Year Ended December 31, 2007	Multiband Corp	MDU	MCS		Total
Revenues	\$ -	\$ 9,947,848	\$ 5,137,756	\$ -	\$ 15,085,604
Income (loss) from operations	(4,320,701)	2,953,736	(4,399,150)	-	(5,766,115)
Identifiable assets	1,272,271	4,652,909	2,968,249	-	8,893,429
Depreciation and amortization	239,411	1,604,905	1,779,587	-	3,623,903
Capital expenditures	4,554	5,153	374,127	-	383,834

Year Ended December 31, 2006	Multiband Corp	MDU	MCS		Total
Revenues	\$ -	\$ 10,477,802	\$ 7,573,799	\$ -	\$ 18,051,601
Income (loss) from operations	(4,713,896)	4,066,850	(8,492,405)	-	(9,139,451)
Identifiable assets	2,478,638	6,443,625	9,063,793	-	17,986,056
Depreciation and amortization	232,211	1,604,313	3,331,685	-	5,168,209
Capital expenditures	42,150	-	950,958	-	993,108

## NOTE 12 - Income Taxes

Explanation of Responses:

The Company has federal and state net operating losses of approximately \$44,882,000 and \$36,538,000 respectively, which, if not used, will begin to expire in 2018. Future changes in the stock ownership of the Company may place limitations on the use of these net operating loss carryforwards.

Due to uncertainty in the Company's ability to fully utilize the deferred tax assets, a full valuation allowance against its deferred tax assets has been recorded. 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 \$(1,147,000), \$2,435,000, and \$3,213,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

In 2008, for federal income tax purposes, MMT is not included in the consolidated tax return of the Company due to less than 80% of ownership. Components of income tax expense for the year ended December 31, 2008 relates to taxable income from the HSP segment and \$45,000 of alternative minimum tax (AMT) in the Multiband Corp. segment:

	Federal	State	Total
Current	\$ 952,000	\$ 180,000	\$ 1,132,000
Deferred	-	-	-
Total	\$ 952,000	\$ 180,000	\$ 1,132,000

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MULTIBAND CORPORATION AND SUBSIDIARIES  
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Components of net deferred income taxes are as follows at December 31:

	2008	2007
<b>Deferred income tax assets:</b>		
Net operating loss carryforwards and tax credits	\$ 17,510,000	\$ 18,705,000
Stock-based compensation / compensation accruals	649,000	613,000
Asset valuation reserves	-	182,000
Accrued liabilities	594,000	370,000
	18,753,000	19,870,000
Less valuation allowance	(17,173,000)	(18,320,000)
	1,580,000	1,550,000
<b>Deferred income tax liabilities:</b>		
Amortization of intangibles and goodwill, including impairment	(1,376,000)	(1,329,000)
Depreciation	(204,000)	(221,000)
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:

	2008	2007	2006
Federal statutory tax provision(benefit) rate	34.0%	(34.0)%	(34.0)%
State tax, net of federal benefit	6.0	(6.0)	(6.0)
Change in valuation allowance	2.0	40.0	40.0
Effective tax rate	42.0%	0.0%	0.0%

The Company has the following net operating loss carryforwards at December 31, 2008, for income tax purposes:

Year of Expiration	Federal Net Operating Loss	State Net Operating Loss
2018	255,000	1,303,000
2019	1,585,000	2,723,000
2020	4,839,000	1,629,000
2021	4,726,000	4,003,000
2022	4,353,000	3,737,000
2023	4,224,000	4,311,000
2024	6,052,000	3,202,000
2025	7,181,000	4,589,000
2026	5,249,000	3,061,000
2027	6,418,000	7,980,000
	\$ 44,882,000	\$ 36,538,000

The FASB has published FASB Interpretation (FIN)48 (FIN 48), “Accounting for Uncertainty in Income Taxes”, to address the non-comparability in reporting tax assets and liabilities resulting from a lack of specific guidance in FASB SFAS No. 109 (SFAS 109), “Accounting for Income Taxes”, on the uncertainty in income taxes recognized in an enterprise’s financial statements. Specifically, FIN 48 prescribes (a) a consistent recognition threshold and (b) a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides related guidance on derecognition, classification, interest and penalties, accounting interim periods, disclosure and transition. The Company has adopted FIN 48 and currently has no reserve or accrued interest recorded for any tax positions. To the extent interest and penalties would be assessed by taxing authorities on any underpayment of income taxes, such amounts would be accrued and classified as a component of selling, general and administrative expense in the consolidated statement of operations. Due to the loss carry forwards generated by the company, the Company’s federal and state tax returns are open to examinations for years from 1993.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 13 - Supplemental Cash Flows Information

	2008	2007	2006
Cash paid for interest, net of amortization of OID and interest discount	\$ 346,814	\$ 473,601	\$ 368,612
Cash paid for federal and state income taxes	681,500	-	-
Non-cash investing and financing transactions:			
Debt reduced by other receivable-related party	1,946,000	-	-
Reduction of stock subscription receivable via cancellation of common stock	61,333	-	-
Reduction of other receivable-related party with increase in fixed assets	542,642	-	-
Purchase of 51% of Michigan Microtech, Inc. via issuance of notes payable and common stock, net of discount for imputed interest	5,782,690	-	-
Purchase of property and equipment via increase in capital lease obligations	341,494	-	-
Purchase of US Install via issuance of common stock	101,516	-	-
Acquisition of securities available for sale upon expiration of contingent rights	121,582	-	-
Intrinsic value of preferred dividends	57,519	-	-
Note payable issued for prepaid lease	-	44,407	-
Common stock valued at \$84,000, issued in lieu of cash for equipment, net of reduction in accounts payable of \$19,665	-	64,335	-
Common stock issued in relation to acquisition of Dinamo Entertainment, LLC	-	-	12,400
Conversion of notes payable and accrued interest to common and preferred stock	23,500	17,680	244,333
Conversion of preferred stock to common stock	3,894,600	1,822,400	3,151,500
Capital lease obligations related to property and equipment	-	-	539,529
Conversion of preferred stock dividends into common stock	179,412	637,209	473,001
Purchase of intangible assets	-	-	54,150
Property and equipment, intangibles and goodwill transferred to assets held for sale	-	-	1,244,236
Notes payable issued in relation to the acquisition of Rand'M	-	-	116,030
Notes payable issued in relation to the acquisition of Extreme Video	-	-	311,900
Common stock issued in relation to the acquisition of Extreme Video	-	-	162,500
Distribution of URON, Inc common stock as stock dividends	-	-	46,989
Deferred revenue related to service agreement with URON, Inc. in exchange for other current assets	-	-	116,500
Reduction of notes payable, net of imputed interest in connection with the sale of intangible assets and related	-	532,015	-

equipment

Common stock issued for services to be rendered, recorded  
as a prepaid asset

128,250

-

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MULTIBAND CORPORATION AND SUBSIDIARIES  
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## NOTE 14 - 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.

## NOTE 15 - Commitments and Contingencies

## Operating leases - buildings

The Company has various other operating leases for its corporate office space, vehicles and equipment with lease terms expiring at various dates through August 2017. The monthly base rents range from approximately \$51,000 to \$55,000. The leases contain provisions for payments of real estate taxes, insurance and common area costs.

Total rent expense for the years ended December 31, 2008, 2007 and 2006 including common area costs and real estate taxes was approximately \$584,000, \$448,000, and \$368,000, respectively.

Future minimum rental payments, are as follows for the years ending December 31:

Year	Amount
2009	625,000
2010	568,000
2011	375,000
2012	387,000
2013	263,000
Thereafter	116,000
	\$ 2,334,000

## Operating leases - vehicles

The Company leases substantially all of its fleet vehicles under operating leases from one lessor. Each lease commences upon the in-service date of the vehicle and requires scheduled lease payments to be paid monthly for one year. After one year, the Company has the option to renew the open ended lease for one year renewal periods or surrender the leased vehicle to the lessor to be sold. If the net proceeds of such sale exceed the vehicle's then depreciated value, the lessee receives the benefit of such excess. If there is a deficiency upon such sale, then lessee is required to pay the deficiency as additional rent to lessor. For the year ended December 31, 2008, the Company recognized a loss on the sale of vehicles of approximately \$200,000. For the year ended December 31, 2008, the Company's operating lease expense under the lease totaled approximately \$1,080,000. In addition, the Company has a security deposit with the lessor in the amount of approximately \$257,000 which is included in other assets in the accompanying balance sheet as of December 31, 2008.



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Future minimum lease payments for operating leases-vehicles, are as follows for the years ending December 31:

Year	Amount
2009	1,060,000
2010	975,000
2011	839,000
2012	310,000
2013	76,000
Thereafter	152,000
	\$ 3,412,000

The Company has entered this agreement jointly and severally with various subsidiaries of DTHC. The following is a schedule of DTHC consolidated future minimum lease payments for non-cancellable fleet vehicle operating leases as of December 31, 2008 for which the Company is obligated jointly and severally with DTHC and its subsidiaries:

Year	Amount
2009	6,397,000
2010	5,640,000
2011	4,501,000
2012	1,667,000
2013	451,000
Thereafter	901,000
	\$ 19,557,000

#### Guaranty

On March 1, 2006, Corporate Technologies, LLC (CTLLC), a subsidiary of North Central Equity, LLC, the purchaser of the MBS business segment, signed a lease with Lexstar Tower I Limited Partnership whereby CTLLC assumed the lease obligation for substantially all of the first floor space the Company is renting in Fargo, North Dakota for the period beginning March 1, 2006 to February 28, 2011. Pursuant to the aforementioned lease, the Company entered into a guaranty whereby the Company, in the event of a default or early termination of the lease by CTLLC, is obligated to perform CTLLC's lease obligation during months 43-60 of the lease. The Company was obligated to provide free rent to CTLLC through March 31, 2007 as defined in the purchase agreement of MBS. This guaranty has no effect on the Company's consolidated financial statements for the years ended December 31, 2008, 2007 and 2006. However, should Multiband eventually have to perform on the guaranty in the future, it could be liable for up to \$348,881 in rent payments plus any associated charges such as property taxes and common area maintenance. The Company has evaluated the accounting guidance of FIN 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees" and has determined that it does not apply to this guaranty.

#### Significant Relationship

The Company is a master agent for DirecTV pursuant to a system operator agreement with DirecTV dated August 2005. Under that agreement the Company is required to ensure that its system operators meet minimum technical DirecTV system standards so that the system operator subscribers may properly receive DirecTV programming

services. 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. The Company has met the requirements and has entered into the first two year automatic renewal period. The Company, via MMT, also has a separate home service provider agreement with DirecTV ending April 30, 2011. The term of the MMT contract with DirecTV will automatically renew as of May 1, 2011 for additional one year periods unless either MMT or DirecTV gives written notice of termination at least 90 days in advance of expiration of the then current term. Termination of the Company's DirecTV agreements would have a material adverse impact on the Company's on-going operations. Revenues generated from DirecTV amounted to 91.32% and 65.94% of total revenue in 2008 and 2007, respectively. Accounts receivable from this customer was 52.56% and 56.30% of total accounts receivable as of December 31, 2008 and 2007, respectively. The Company purchases a substantial portion of its inventory from DirecTV. DirecTV is the only supplier of the major components (i.e., dishes and receivers) used in HSP segment installations. The total accounts payable to DirecTV, related to inventory being supplied, was \$3,034,296 at December 31, 2008.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008, 2007 and 2006

Bulk Subsidy Reserve

Bulk subsidy revenue is generated when bulk subscriber counts are greater than the benchmark set by DirecTV. The Company reviews the subscriber counts associated with bulk properties on a periodic basis to determine bulk subscriber counts over the total units at the property. Based on its review, the Company estimates that the result of this analysis will be a reduction to the subscriber count of approximately 250 and 750 active bulk subscribers at December 31, 2008 and 2007, respectively. The Company has recorded a bulk subsidy reserve of \$50,000 and \$150,000 at December 31, 2008 and 2007. This reserve is netted against DirecTV estimated receivables on the consolidated balance sheet and netted against revenues in the consolidated statement of operations for the years ended December 31, 2008 and 2007.

Legal proceedings

The Company is subject to claims, regulatory processes and lawsuits that arise in the ordinary course of business. The Company accrues for such matters when a loss is considered probable and the amount of such loss, or a range of loss, can be reasonably estimated. The Company has accrued liabilities of \$960,000, which is net of indemnifications of \$480,000 for an expense of \$480,000 for the year ended December 31, 2008 for claims and potential settlements associated with litigation. Defense costs are expensed as incurred. Additionally, the Company is subject to pending claims, regulatory processes and lawsuits for which losses are not probable and amounts cannot be reasonably estimated. Those losses could ultimately be material to the Company's financial position, results of operations and cash flows. The Company had no accrued legal contingencies at December 31, 2007.

Gain on Extinguishment of Debt

Effective June 30, 2007, the Company revised its debt agreement with Lexus Tower I, L.P. to pay for certain leasehold improvements at its Fargo, ND location, resulting in a reduction of the outstanding principal in the amount of \$118,040. The note is payable in 37 monthly installments of \$2,737 including interest at 4%. This modification was accounted for as a gain on extinguishment of debt in accordance with EITF 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments". The gain of \$118,040 for the year ended December 31, 2007 was included in other income in the consolidated statement of operations.

NOTE 16 – Related Party Transactions

Proceeds for the acquisition of US Install Inc. by the Company completed in February, 2008 were obtained via an unsecured promissory note in the amount of \$100,000 between Multiband and Bas Mattingly Master, LLC, a trust controlled by J. Bas Mattingly, chairman of DTHC, which is a 49% owner of MMT (see Note 2). The note carries an interest rate of 7% per annum and is due August 20, 2009.

MMT leases warehouse space from two individuals that have ownership via related trusts in DTHC. DTHC owns 49% of MMT as a minority interest shareholder (see Note 2). Lease payments amount to \$9,000 per month plus expenses, expiring in December 2010.

Multiband and its subsidiaries lease principal offices located at 2000 44th Street SW, Fargo, ND 58013. The Fargo base rate is \$14,354 per month. The Fargo property is owned in part by David Ekman, Chief Information Officer,

Multiband.

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Bernard Schafer is a director of both DTHC and Multiband. DTHC is the minority shareholder of MMT (see Note 2).

Jim Mandel, CEO of Multiband, loaned DTHC \$100,000 in a short-term subordinated note paying simple interest monthly at 10%.

Multiband and DTHC perform certain management and information systems functions for one another pursuant to management consulting and employee leasing agreements. DTHC is the minority shareholder of MMT (see Note 2). During the year ended December 31, 2008, the Company has reduced selling, general and administrative expenses by \$1,285,000 as a reimbursement of direct expenses in relation to this management consulting agreement. Included in accounts receivable at December 31, 2008 is \$518,024 related to these expenses.

Multiband earned a performance bonus as part of the aforementioned management consulting agreement with DTHC of \$2,366,466, of which \$420,466 was received in cash and \$1,946,000 was paid with a reduction of the debt incurred in the acquisition of MMT (see Note 2). The Company recorded this consulting income as part of other income and expense on the statement of operations because the income does not constitute the entity's ongoing major or central operations. The consulting income was not a reimbursement of direct expenses. Approximately \$535,000 of this consulting income is included as an expense in the HSP segment in selling, general and administrative expenses.

Multiband provides support center services to DirecTECH MDU (DTMDU), a subsidiary of DTHC. The Company has recorded MCS segment revenue of \$415,922 and \$69,925 from DTMDU for the years ended December 31, 2008 and 2007. DTMDU was also one of the system operators in the MDU segment during 2008 and 2007. The Company has recorded MDU segment revenue of \$2,917,197 and cost of products and services of \$2,895,176 for the year ended December 31, 2008 related to this system operator. The Company had \$771,427 in accounts receivable and \$1,127,005 in accounts payable related to these agreements at December 31, 2008.

Multiband also had receivables with DTHC at December 31, 2008 of \$7,666,295. Of this amount, \$5,843,942 will be offset against the purchase of the majority ownership of the operating subsidiaries of DTHC (Note 17).

During 2008, the Company did have certain transactions with DTHC as described above. In January 2009, the Company purchased 80% of the operating subsidiaries of DTHC (see Note 17). The following table is a condensed balance sheet as of December 31, 2008 and a condensed statement of operations for the year ended December 31, 2008, which presents the proforma financial results for the Company excluding all 2008 transactions with DTHC (unaudited):

	Multiband Corporation (as filed)	Less: DTHC Related(1) (unaudited)	Proforma (unaudited)
Accounts receivable, net	\$ 3,436,424	\$ (771,427)	\$ 2,664,997
Other receivable – related party	7,666,295	(7,666,295)	-
Prepaid expenses and other	1,273,083	(518,024)	755,059
Accounts payable	8,274,003	(1,127,005)	7,146,998
Revenues	42,986,513	(3,333,119)	39,653,394
Cost of products and services (exclusive of depreciation and amortization shown separately below)	28,425,926	(2,895,176)	25,530,750

Selling, general and administrative	10,499,863	750,000	11,249,863
Management consulting income	2,366,466	(2,366,466)	-

(1) All adjustments described in the paragraphs of Note 16

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MULTIBAND CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008, 2007 and 2006

NOTE 17 – Subsequent Event

On November 3, 2008, the Company and DTHC, entered into a comprehensive Stock Purchase Agreement (“SPA”) subject to DTHC shareholder approval which superseded the parties’ original Plan of Merger Agreement dated October 2007. The DTHC shareholders approved the SPA on December 30, 2008. The transaction closed on January 2, 2009, which is when Multiband obtained control. DTHC, a fulfillment agent for a national satellite television company, DirecTV, specializes in the provisioning of satellite TV to single family homes. The purpose of this acquisition was to increase the Company’s business of installing video services in single family homes (HSP segment). Pursuant to the SPA, the Company shall purchase 80% of the issued and outstanding shares of common stock of all of the DTHC operating subsidiaries (DirecTECH) (an additional 29% of MMT, 51% of which was previously purchased effective March 1, 2008 (see Note 2) and 80% of all operating subsidiaries not previously purchased) for \$41.2 million and other consideration of \$1.6 million as of the acquisition date. The \$41.2 million consists of three parts; 1) \$500,000 in cash which was paid at the initial closing date of January 2, 2009, 2) a non-interest bearing note of \$500,000 payable over an eight month period of time beginning January 2, 2009 and 3) a promissory note in the amount of \$40.2 million, due January 1, 2013, bearing interest at an annual rate of 8.25%, subject to adjustment in the event of a default. Subsequent to the closing, the Company and DTHC mutually agreed to offset the \$40.2 million promissory note by the sum of \$5,843,972 for an offsetting receivable on Multiband’s books as of December 31, 2008. This reduced the amount of this promissory note to \$34,356,028. As part of the agreement, Multiband shall have until December 31, 2009, subject to shareholder approval to purchase the remaining 20% of the issued and outstanding shares of common stock of all DirecTECH. The consideration for the 20% purchase will be \$10 million of Multiband Series J Preferred Stock, whose issuance will require Multiband shareholder approval.

On January 2, 2009, the Company and DTHC completed the initial closing to the Stock Purchase Agreement (SPA), as amended, that was executed by the parties on November 3, 2008. Among other terms, the SPA was amended to raise the total purchase price by \$6,500,000 (this amount is included in the final purchase price stated above) to reflect the elimination of certain DTHC bank debt. The DTHC bank debt, of which MMT was a joint obligor, was completely paid off in December 2008 and thus no bank debt existed as of the closing date. The Company has expensed during the year ended December 31, 2008 as part of selling, general and administrative expenses on the consolidated income statement, any expenses related to the transaction which were immaterial.

The closing on the remaining 20% stock transaction is anticipated to occur on or before December 31, 2009. The Company will apply SFAS No. 141(R) “Business Combinations” (“SFAS 141(R)”) to evaluate the purchase price allocation based on the guidance and fair value of the assets acquired and liabilities assumed.

The Company reviewed the fair value of the identifiable assets, goodwill and intangibles to be recognized on the Company’s step-acquisition of a controlling interest (80%) in the operating subsidiaries of DTHC completed January 2, 2009. The Company’s review was conducted pursuant to SFAS 141(R), which became effective for business combinations which have an acquisition date on or after annual periods beginning on or after December 15, 2008.

FAS141(R) requires Multiband to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with certain exceptions.



It also requires Multiband to recognize goodwill as of the acquisition date, measured using an income, market or cost approach, which in most types of business combinations will result in measuring goodwill as the excess of the fair value of consideration transferred plus the fair value of any noncontrolling interest in the acquiree at the acquisition date over the fair value of the identifiable net assets acquired or assumed.

A qualitative and quantitative analysis of factors that make up recognized goodwill, such as DirecTECH's assets, liabilities and other contingent considerations, such as leases and other off-balance sheet commitments, follows.

#### Factors that Contribute to Goodwill Recognized

There are a number of factors that impact the amount of goodwill to be recognized as a result of the DirecTECH purchase, including but not limited to the following:

- Total purchase price
- Fair value of net identifiable assets
- Value of DirecTECH's workforce of skilled installation technicians
- Value of DirecTECH's installed subscriber base in the MDU (multi-dwelling unit) segment
  - Intangible assets that do not qualify for separate recognition
  - DirecTV HSP contract
- None of the goodwill recorded is expected to be deductible for tax purposes.
- The goodwill recorded as a result of the acquisition is solely related to the Company's HSP segment.

Below is a summary purchase price allocation, pursuant to SFAS 141(R) and SFAS 157 of the estimated fair value of all assets, tangible and intangible, goodwill, and liabilities Multiband assumed pursuant to the 80% DirecTECH purchase. Note that intangibles and goodwill are estimates of fair value and final determination is pending the final results of management's allocation of fair value for those assets. Management has not yet recorded any deferred tax assets or liabilities related to the transaction.

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## Summary Valuation of DirecTECH

	DirecTECH Operating Subsidiaries December 31, 2008 (unaudited)
<b>CONSIDERATION PAID</b>	
Cash	\$ 500,000
Promissory notes	40,700,000
Contingent consideration	1,608,000
<b>TOTAL CONSIDERATION PAID</b>	<b>\$ 42,808,000</b>
<b>IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED</b>	
Cash	\$ 2,292,676
Receivables	10,836,745
Prepaid expenses and deposits	3,438,544
Inventory	15,839,173
Fixed assets	7,980,831
Other assets	2,497,849
Identifiable intangible assets	36,700,000
Accounts payable	(32,707,389)
Other current liabilities	(16,333,367)
Long-term debt	(42,808)
<b>TOTAL IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED</b>	<b>30,502,254</b>
Noncontrolling interest	(6,942,209)
Goodwill	19,247,955
<b>FAIR VALUE OF CONTROLLING INTEREST</b>	<b>\$ 42,808,000</b>

Other factors relevant to the DirecTECH purchase transaction

#### Contingent Consideration

Multiband's stock purchase agreement with DTHC requires the Company to pay 20% of net income of DirecTECH in 2009 to DTHC until Multiband purchases the remaining 20% ownership of DirecTECH by December 31, 2009, which is subject to shareholder approval. The fair value of the amount of contingent consideration being recognized is an estimate based upon the Company's 2009 projection. The contingent consideration recognized as of the acquisition date is \$1,608,000. This contingent consideration was added to the purchase price per SFAS 141(R).

#### Other Contingencies

There are no assets and liabilities arising from contingencies that were not accounted for previous to the acquisition date as part of the net value acquired. The fair value of legal contingencies recorded by DTHC as of December 31, 2008 was \$3.2 million based on management's estimate of fair value. Based on the preliminary stage of the contingencies, management is unable to estimate a range of potential losses.

Explanation of Responses:

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The Company evaluated the DirecTECH lease agreements for vehicles and office/warehouse space and noted no leases were above or below market.

#### Noncontrolling Interest

The fair value of the 20% noncontrolling interest in DirecTECH is \$6,942,209. This fair value was measured applying a discount of 30% for illiquidity and lack of control related to a minority interest. This fair value will be accounted for as equity on Multiband's balance sheet pursuant to Financial Accounting Standards Board Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51."

As previously mentioned herein, Multiband purchased 51% of MMT effective March 1, 2008 and another 29% of MMT as of January 2, 2009. The Company recorded \$2,818,559 of minority interest as of March 1, 2008. Earnings of \$652,167 were added to the minority interest for a book value as of December 31, 2008 of \$3,470,726. As of January 2, 2009 the minority interest as of December 31, 2008 will be included as part of the fair value of the noncontrolling interest for the acquisition.

#### Proforma financial results

The unaudited pro forma statement of operations set forth as below gives effect to the purchase as if it had been consummated on January 1, 2007. The pro forma adjustments reflecting the consummation of the purchase are based upon the purchase method of accounting and upon the assumptions set forth in the notes hereto. The unaudited proforma balance sheet is also attached below.

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Multiband Corporation and Subsidiaries  
 Proforma Combined Statements of Operations  
 For the Years Ended

	Multiband Corporation December 31, 2008 (as filed)	DirecTECH Operating Subsidiaries December 31, 2008 (unaudited)	Proforma Adjustments		Proforma Results December 31, 2008 (unaudited)
<b>REVENUES</b>	\$ 42,986,513	\$ 196,755,415	\$ (3,311,098)	1	\$ 236,430,830
<b>COSTS AND EXPENSES</b>					
Cost of products and services (exclusive of depreciation and amortization shown separately below)	28,425,926	151,079,047	(3,311,098)	1	176,193,875
Selling, general and administrative	10,499,863	52,100,361	(7,886,466)	2, 7	54,713,758
Depreciation and amortization	3,025,478	1,910,578	7,000,000	3	11,936,056
Impairment of assets	132,209	-	-		132,209
<b>Total costs and expenses</b>	<b>42,083,476</b>	<b>205,089,986</b>	<b>(4,197,564)</b>		<b>242,975,898</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>903,037</b>	<b>(8,334,571)</b>	<b>886,466</b>		<b>(6,545,068)</b>
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	(657,289)	(3,120,700)	(2,834,372)	4	(6,612,361)
Management consulting income	2,366,466	-	(2,366,466)	2	-
Interest and other income	116,884	514,867	-		631,751
<b>Total other income (expense)</b>	<b>1,826,061</b>	<b>(2,605,833)</b>	<b>(5,200,838)</b>		<b>(5,980,610)</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST IN SUBSIDIARY</b>	<b>2,729,098</b>	<b>(10,940,404)</b>	<b>(4,314,372)</b>		<b>(12,525,678)</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>1,132,000</b>	<b>173,690</b>	<b>(870,000)</b>	<b>6</b>	<b>435,690</b>
<b>MINORITY INTEREST IN NET INCOME OF SUBSIDIARY</b>	<b>652,167</b>	<b>-</b>	<b>(3,329,418)</b>	<b>5</b>	<b>(2,677,251)</b>
<b>NET INCOME (LOSS)</b>	<b>944,931</b>	<b>(11,114,094)</b>	<b>(114,954)</b>		<b>(10,284,117)</b>
Preferred stock dividends	4,088,275	--	-		4,088,275
<b>LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (3,143,344)</b>	<b>\$ (11,114,094)</b>	<b>\$ (114,954)</b>		<b>\$ (14,372,392)</b>
<b>LOSS PER COMMON SHARE – BASIC AND DILUTED:</b>					

LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$	(0.34)	\$	(1.54)
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Weighted average common shares outstanding – basic and diluted	9,302,570	-	-	9,302,570
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1-Eliminate call center revenue and system operator revenue and cost of sales from related companies

2-Eliminate management consulting agreement revenue and expenses

3-Recorded estimated amortization on purchase of intangible asset

4-Record interest expense on debt acquired through acquisition

5-Adjust minority interest to 20% of acquisition company losses

6-Adjust taxes for utilization of parent company NOL

7-Adjust for non-routine expenses

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Multiband Corporation and Subsidiaries  
 Proforma Combined Statements of Operations  
 For the Years Ended

	Multiband Corporation December 31, 2007 (as filed)	DirecTECH Operating Subsidiaries December 31, 2007 (unaudited)	Proforma Adjustments	Proforma Results December 31, 2007 (unaudited)
<b>REVENUES</b>	\$ 15,085,604	\$ 213,843,932	\$ -	\$ 228,929,536
<b>COSTS AND EXPENSES</b>				
Cost of products and services (exclusive of depreciation and amortization shown separately below)	8,339,933	166,715,972	-	175,055,905
Selling, general and administrative	8,887,883	46,606,728	- 3	55,494,611
Depreciation and amortization	3,623,903	1,058,821	7,000,000 1	11,682,724
<b>Total costs and expenses</b>	<b>20,851,719</b>	<b>214,381,521</b>	<b>7,000,000</b>	<b>242,233,240</b>
<b>LOSS FROM OPERATIONS</b>	<b>(5,766,115)</b>	<b>(537,589)</b>	<b>(7,000,000)</b>	<b>(13,303,704)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(503,887)	(716,238)	(2,834,372) 2	(4,054,497)
Interest and other income	181,649	-	-	181,649
<b>Total other expense</b>	<b>(322,238)</b>	<b>(716,238)</b>	<b>(2,834,372)</b>	<b>(3,872,848)</b>
<b>LOSS BEFORE INCOME TAXES AND MINORITY INTEREST IN SUBSIDIARY</b>	<b>(6,088,353)</b>	<b>(1,253,827)</b>	<b>(9,834,372)</b>	<b>(17,176,552)</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>MINORITY INTEREST IN NET LOSS OF SUBSIDIARY</b>	<b>-</b>	<b>(250,765)</b>	<b>(1,966,875) 4</b>	<b>(2,217,640)</b>
<b>NET LOSS</b>	<b>(6,088,353)</b>	<b>(1,003,062)</b>	<b>(7,867,497)</b>	<b>(14,958,912)</b>
Preferred stock dividends	2,300,502	-	-	2,300,502
<b>LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (8,388,855)</b>	<b>\$ (1,003,062)</b>	<b>\$ (7,867,497)</b>	<b>\$ (17,259,414)</b>
<b>LOSS PER COMMON SHARE – BASIC AND DILUTED:</b>				
<b>LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (1.16)</b>			<b>\$ (2.38)</b>

Weighted average common shares outstanding – basic and diluted	7,237,473	-	-	7,237,473
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- 1-Recorded estimated amortization on purchase of intangible asset
- 2-Record interest expense on debt acquired through acquisition
- 3-Management fees of \$200,000 recorded in SG&A in both companies so they offset without proforma adjustment
- 4-Adjust minority interest to 20% of acquisition company losses

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## Multiband Corporation and Subsidiaries

## Proforma Combined Balance Sheets

December 31, 2008

	Multiband Corporation December 31, 2008 (as filed) Assets	DirecTECH Operating Subsidiaries December 31, 2008 (unaudited)	Purchase Price Adjustments (A)	Proforma Adjustments	Proforma Balance Sheet December 31, 2008 (unaudited)
<b>Current assets</b>					
Cash and cash equivalents	\$ 4,346,377	\$ —	\$ (369,320 )	\$ —	\$ 3,977,057
Accounts receivable, net	3,436,424	4,163,314	—	(771,427) (B)	6,828,311
Securities available for sale	45,594	—	—	—	45,594
Other receivable - related party	7,666,295	—	—	(7,666,295) (C,E)	—
Inventories	1,902,868	14,130,473	—	—	16,033,341
Other current assets	1,273,083	3,087,961	—	(500,000) (D)	3,861,044
Note receivable - current, net	61,321	—	—	—	61,321
Total current assets	18,731,962	21,381,748	(369,320 )	(8,937,722)	30,806,668
<b>Property and equipment, net</b>					
	2,033,067	7,373,972	—	—	9,407,039
<b>Other assets</b>					
Goodwill	1,095,166	—	19,247,955	—	20,343,121
Intangible assets, net	3,667,866	—	36,700,000	—	40,367,866
Notes receivable - long term, net	39,095	33,752	—	—	72,847
Other long term assets	476,072	1,406,987	1,396,298	—	3,279,357
Total other assets	5,278,199	1,440,739	57,344,253	—	64,063,191
Total assets	\$ 26,043,228	\$ 30,196,459	\$ 56,974,933	\$ (8,937,722)	\$ 104,276,898
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities</b>					
Checks issued in excess of cash in bank	\$ —	\$ 369,320	\$ (369,320 )	\$ —	\$ —
Mandatory redeemable preferred stock	150,000	—	—	—	150,000
Current portion of capital lease obligations	310,656	79,839	—	—	390,495

Current portion of long-term debt	1,608,778	109,904	—	—	1,718,682
Accounts payable	8,274,003	31,069,288	—	(1,251,398) (B,E)	38,091,893
Accounts payable - related party	—	1,342,352	—	(1,342,352) (E)	—
Accrued liabilities	3,875,193	11,735,201	1,483,083 (F)	—	17,093,477
Accrued income taxes payable	499,153	—	—	—	499,153
Customer deposits	60,582	—	—	—	60,582
Deferred revenue	1,488,388	87,154	—	—	1,575,542
Total current liabilities	16,266,753	44,793,058	1,113,763	(2,593,750)	59,579,824
Long-term liabilities					
Long-term debt, net	345,874	42,808	41,200,000	(6,343,972) (C,D)	35,244,710
Capital lease obligations, net of current portion	317,628	127,270	—	—	444,898
Total liabilities	16,930,255	44,963,136	42,313,763	(8,937,722)	95,269,432
Minority Interest	3,470,726	—	(3,470,726 )	—	—
Stockholders' equity					
Cumulative convertible preferred stock, no par value:					
Preferred stock - Class A	213,353	—	—	—	213,353
Preferred stock - Class B	25,700	—	—	—	25,700
Preferred stock - Class C	1,481,918	—	—	—	1,481,918
Preferred stock - Class F	1,500,000	—	—	—	1,500,000
Preferred stock - Class G	47,970	—	—	—	47,970
Preferred stock - Class H	—	—	—	—	—
Common stock, no par value	37,687,864	64,435	(64,435 )	—	37,687,864
Stock subscriptions receivable	(84,071)	—	—	—	(84,071)
Options and warrants	46,038,402	—	—	—	46,038,402
Comprehensive income - unrealized gain on securities available for sale	45,594	—	—	—	45,594
Noncontrolling interest	—	—	6,942,209	—	6,942,209
Accumulated deficit	(81,314,483)	(14,831,112)	11,254,122	—	(84,891,473)

Explanation of Responses:

Total stockholders' equity	5,642,247	(14,766,677)	18,131,896	—	9,007,466
Total liabilities and stockholders' equity	\$ 26,043,228	\$ 30,196,459	\$ 56,974,933	\$ (8,937,722)	\$ 104,276,898

- (A) Adjust historical DirecTECH balances and record the assets acquired and liabilities assumed at fair value considering the MMT related assets and liabilities previously acquired
- (B) Adjust receivables related to the support center agreement along with offsetting accounts payable
- (C) Offset MMT receivable of \$5,843,972 against purchase debt
- (D) Adjust deposit in escrow at December 31, 2008 against purchase debt
- (E) Related party receivable of \$1,822,323 offset against related party payables recorded in accounts payable
- (F) Includes fair value of contingent consideration recorded in accrued liabilities of \$1,608,000

\* Deferred taxes related to the acquisition have not been recorded in this proforma presentation

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON SUPPLEMENTARY  
INFORMATION

To Stockholders, Board of Directors and Audit Committee  
Multiband Corporation and subsidiaries  
New Hope, Minnesota

Under date of April 2, 2009, we reported on the consolidated balance sheets of Multiband Corporation and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 as contained in the annual report on Form 10-K for the year ended December 31, 2008, which report contained an unqualified opinion and explanatory paragraph related to certain contractual relationships between the Company and DirecTECH Holding Company, Inc., which preceded a business combination occurring on January 2, 2009. In connection with our audits of the aforementioned consolidated financial statements, we have also audited the related financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ VIRCHOW, KRAUSE & COMPANY, LLP

Minneapolis, Minnesota  
April 2, 2009

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## MULTIBAND CORPORATION AND SUBSIDIARIES

## VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2008, 2007 and 2006

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
<b>ALLOWANCE DEDUCTED FROM ASSET TO WHICH IT APPLIES</b>				
Allowance for doubtful accounts receivable:				
2008	\$ 75,000	\$ -	\$ 15,000(A)	\$ 60,000
2007	229,400	-	154,400(A)	75,000
2006	386,000	-	156,600(A)	229,400
Stock subscriptions and interest receivable				
2008	160,761	60,000	35,053(A)	185,708
2007	100,761	60,000	-	160,761
2006	98,000	70,000	67,239(A)	100,761

(A) Write-off uncollectible receivables

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