MULTIBAND CORP
Form 10-Q
May 20, 2005

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

FORM 10-Q

(Mark One) |X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE PERIOD ENDING MARCH 31, 2005

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ____________ TO ___________

COMMISSION FILE NUMBER 0 - 1325

MULTIBAND CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41 - 1255001

(IRS Employer Identification No.)

9449 Science Center Drive, New Hope, Minnesota 55428

(Address of principal executive offices)

Telephone (763) 504-3000 Fax (763) 504-3060

Internet: www.multibandusa.com

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

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

Yes |X| No |_|

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

Yes |_| No |X|

On May 13, 2005 there were 28,751,751 shares outstanding of the registrant's common stock, par value $.01 per share, and 457,201 outstanding shares of the registrant's convertible preferred stock.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31, 2005	March 31, 2004
	(unaudited)	(unaudited)
REVENUES	$ 3,706,876	$ 762,655
COSTS AND EXPENSES		
Cost of products and services (exclusive of depreciation and amortization shown separately below)	1,879,508	410,962
Selling, general and administrative	2,146,912	828,153
Depreciation and amortization	1,148,867	352,245
Total Costs and Expenses	5,175,287	1,591,360
LOSS FROM OPERATIONS	(1,468,411)	(828,705)
OTHER EXPENSE		
Interest expense	(685,701)	(229,334)
Other Income (expense)	12,172	14,863
Total Other Expense	(673,529)	(214,471)
LOSS FROM CONTINUING OPERATIONS	(2,141,940)	(1,043,176)
LOSS FROM DISCONTINUED OPERATIONS	(441,268)	(473,688)
NET LOSS	(2,583,208)	(1,516,864)
Preferred Stock Dividends	931,084	62,653
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (3,514,292)	$ (1,579,517)
BASIC AND DILUTED LOSS PER COMMON SHARE:		
LOSS FROM CONTINUING OPERATIONS	(.08)	(.05)
LOSS FROM DISCONTINUED OPERATIONS	(.01)	(.03)
NET LOSS	(.09)	(.08)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(.13)	(.08)
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	27,216,574	19,280,632

See notes to condensed consolidated financial statements

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 20 (unaudited
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 5,928,10
Certificate of deposit	650,00
Accounts receivable, net	3,298,78
Inventories	234,05
Current assets of discontinued operations	-
Note receivable, net	250,00
Other Current Assets	208,58
TOTAL CURRENT ASSETS	10,569,53
PROPERTY AND EQUIPMENT, NET	4,203,45
OTHER ASSETS	
Goodwill	812,36
Intangible assets, net	15,601,70
Other assets of discontinued operations	
Other assets	145,39
TOTAL OTHER ASSETS	16,559,46
TOTAL ASSETS	$ 31,332,45
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Checks issued in excess of cash in bank	$ 235,35
Short-term debt	2,186,09
Wholesale line of credit	-
Current portion of long-term debt	1,429,45

Current portion of note payable, stockholder	32,83
Current portion of capital lease obligations	202,35
Accounts payable	2,320,95
Accrued liabilities	3,304,05
Contingent liability	222,70
Customer deposits	325,12
Current liabilities of discontinued operations	545,38
Deferred subscription revenue	512,20
TOTAL CURRENT LIABILITIES	11,316,50
LONG-TERM LIABILITIES	
Long-term debt, net	1,481,75
Capital lease obligations, net of current portion	453,34
Long-term liabilities of discontinued operations	500,00
TOTAL LIABILITIES	13,751,60
STOCKHOLDERS' EQUITY	
Cumulative convertible preferred stock, no par value:	
8% Class A (27,931 shares issued and outstanding, $293,276 liquidation preference)	419,75
10% Class B (8,680 and 8,700 shares issued and outstanding, $91,140 and $91,350 liquidation preference)	61,80
10% Class C (125,340 and 125,400 shares issued and outstanding, $1,253,480 and $1,254,000 liquidation preference	1,610,50
10% Class F (150,000 shares issues and outstanding, $1,500,000 liquidation preference)	1,500,00
8% Class G (45,245 shares issued and outstanding, $452,450 liquidation preference)	179,89
6% Class H (4.77 and 11.5 shares issued and outstanding, $477,000 and $1,150,000 liquidation preference)	
Variable rate Class I (100,000 shares issued and outstanding , $10,000,000 liquidation preference)	
Common stock, no par value (28,344,304 and 25,784,490 shares issued; 28,342,300 and 25,781,818 shares outstanding)	18,020,92
Stock subscriptions receivable	(324,86
Options and warrants	44,528,60

Unamortized compensation	(196,87
Accumulated deficit	(48,218,90
TOTAL STOCKHOLDERS' EQUITY	17,580,84
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 31,332,45

See notes to condensed consolidated financial statements.

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2005 AND 2004 (Unaudited)

	THREE M M
	2005
OPERATING ACTIVITIES	
Net loss	$ (2,583,2
Adjustments to reconcile net loss to net cash flows from operating activities	
Depreciation and amortization	1,273,1
Amortization of deferred compensation	17,7
Amortization of original issue discount	500,0
Gain on sale of business segment	(103,4
Common stock issued for services	19,2
Increase in note receivable allowance	89,0
Accounts receivable, net	(515,0
Inventories	(323,0
Other current assets	(62,2
Other assets	
Wholesale line of credit	(926,2
Accounts payable and accrued liabilities	(377,7

Deferred service obligations and revenue	73,5
Customer deposits	265,2
Net cash flows from operating activities	(2,652,9
INVESTING ACTIVITIES	
Purchases of property and equipment	(141,1
Purchases of intangible asset	(120,0
Purchase of Ultravision	(287,0
Proceeds from sale of business segment	1,682,1
Proceeds from sale of property and equipment	
Collections on notes receivable	
Net cash flows from investing activities	1,133,9
FINANCING ACTIVITIES	
Checks issued in excess of cash in bank	1,0
Payments on short-term debt	(2,295,0
Payments on long-term debt	(2,064,0
Payments on capital lease obligations	(27,0
Payments on note payable to stockholder	(51,9
Proceeds from issuance of stock and warrants	11,116,4
Payments received on stock subscriptions receivable	66,3
Redemption of preferred stock	(8
Preferred stock dividends	(24,4
Net cash flows from financing activities	6,720,4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,201,5
CASH AND CASH EQUIVALENTS	
Beginning of period	726,5
End of period	5,928,1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	

Cash paid for interest, net of amortization of original issue discount	255,0
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES	
Note receivable recorded on sale of discontinued operations	339,0
Issuance of common stock for acquisition of assets	
Conversion of preferred stock into common stock	673,3
Current liabilities converted to stock	10,6
Conversion of notes payable into common stock	548,0
Conversion of dividend into common stock	94,7

See notes to condensed consolidated financial statements

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MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

Note 1 - Unaudited Consolidated Financial Statements

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

NOTE 2 - Summary of Significant Accounting Policies

Nature of Business

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

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the three months ended March 31, 2005 and 2004, the Company incurred net losses of $2,583,208, and $1,516,864, respectively. At March 31, 2005, the Company had an accumulated deficit of $48,218,901. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability and/or raising additional capital. On February 3, 2005, the Company completed a $10 million private placement of the Company's Series I Convertible Preferred Stock which includes $520,000 of offering costs. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and fund commitments on planned Multiband projects; however, there can be no assurance that the sources will be available or available on terms favorable to the Company. Management anticipates that the impact of the actions listed below will generate sufficient cash flows to pay current liabilities, long-term debt and capital lease obligations and fund the Company's future operations:

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

Principles of Consolidation

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

On January 1, 2004, the Company merged Multiband into CTU. On April 1, 2005, the continuing operations of CTU terminated (see Note 7.)

Discontinued Operations

During the first quarter of 2005, the Company sold certain assets and transferred certain liabilities related to its Multiband Business Services (a/k/a CTU). The Company began discussions and efforts to sell these assets in the fourth quarter of 2004. These assets met the requirements of Statement of Financial Accounting Standards No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" as being held for sale. Operations and cash flows will be eliminated as a result of the sale and the Company will not have any significant involvement in the operations after the sale. In accordance with appropriate accounting rules, the Company has reclassified the previously reported financial results to exclude the results of the Multiband Business Services (CTU) and these results are presented on a historical basis as a separate line in the consolidated statements of operations and the consolidated balance sheets entitled "Discontinued Operations". All of the financial information in the consolidated financial statements and notes to the consolidated financial statements has been revised to reflect only the results of continuing operations (see Note 7). Based on the discussions and efforts to sell these assets, the Company determined, based on the final purchase price which was arrived at in the first quarter of 2005, it was required to take an impairment charge to the goodwill of the Multiband Business Services division. As a result, an impairment charge related to goodwill of $2,221,000 was recorded in the fourth quarter of 2004.

Revenues and Cost Recognition

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

The Company earns revenues from six sources: 1) Video and computer technology products which are sold but not installed, 2) Voice, video and data communication products which are sold and installed, 3) Service revenues related to communication products which are sold and both installed and not installed 4) Multiband user charges to multiple dwelling units 5) MB USA user charges to timeshares, and 6) MDU earns revenue primarily through the activation of and residual fees on video programming services.

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

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

Substantially all of the service revenue the Company had in the past was part of the business segment, Multiband Business Services, which was sold effective after business hours March 31, 2005. Service revenues for continuing operations accounted for less than 10% of total revenues for the three months ended March 31, 2005 and 2004.

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

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

The Company reports the aforementioned video programming revenues on a gross basis based on the following factors: the Company has the primary obligation in the arrangement with its customers; the Company controls the pricing of its services; the Company performs customer service for the agreements; the Company approves customers; and the Company assumes the risk of payment for services provided, including chargebacks.

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

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

Goodwill and Other Intangible Assets

Impairment of Goodwill

We periodically evaluate acquired businesses for potential impairment indicators. Our judgements regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses.

Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. Goodwill related to continuing operations was $812,366 as of March 31, 2005.

Components of intangible assets are as follows:

	March 31, 2005		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumul Amortiz
Intangible assets subject to amortization Domain name	$ 83,750	$ 60,021	$ 83,750	$ 55
Access contracts	60,000	38,333	60,000	33

Debt issuance costs	313,837	112,526	313,837	47
Right of entry	17,346,759	2,652,175	17,226,759	1,933
Customer cable lists	1,019,119	358,709	753,930	286
Total	$18,823,465	$ 3,221,764	$18,438,276	$ 2,356
Intangible assets not subject to amortization				
Goodwill	$ 812,366	$ 0	$ 812,366	$

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

Amortization of intangible assets was $799,811, and $91,454 for the three months ended March 31, 2005 and 2004, respectively. Amortization of debt issuance costs of $65,312 is included in interest expense. Estimated amortization expense of intangible assets for the years ending December 31, 2005, 2006, 2007, 2008, 2009 and 2010 is $3,297,005, $3,047,921, $2,974,281, $2,908,666, $2,817,297 and $1,036,464, respectively. The weighted average remaining life of the intangibles is 5.5 years with right of entry average life of 6.0 years and customer cable lists of 2.6 years.

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MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

Stock-Based Compensation

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

Pursuant to APB No. 25 and related interpretations, $0 and $112,641 of compensation cost has been recognized in the accompanying consolidated statements of operations for the three months ended March 31, 2005 and 2004, respectively. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of SFAS No. 123, the Company's loss attributable to common stockholders and basic and diluted loss per common share would have increased to the following pro forma amounts for the three months ended March 31:

	2005	2004
Loss attributable to common stockholders	$(3,514,292)	$(1,579,517)
Pro forma loss attributable to common shares	$(3,814,386)	$(1,708,825)

Basic and diluted loss attributable to common shareholders:				
As reported	$	(.13)	$	(0.08)
Pro forma loss attributable to common shares	$	(.14)	$	(0.09)
Stock-based compensation:				
As reported	$	0	$	112,641
Pro forma	$	300,094	$	129,308

In determining the compensation cost of the options granted during the three months ended March 31, 2005 and 2004, as specified by SFAS No. 123, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model and the weighted average assumptions used in these calculations are summarized as follows:

	2005	2004
Risk-free interest rate	3.38%	3.50%
Expected life of options granted	10 years	10 years
Expected volatility range	203%	184%
Expected dividend yield	0%	0%

Net Loss per Common Share

Basic net loss per common share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted net loss per common share is computed by dividing loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to common share equivalents (stock options, stock warrants, convertible preferred shares, and issued but not outstanding restricted stock) had been issued. All options, warrants, convertible preferred shares, and restricted stock outstanding during the three months ended March 31, 2005 and 2004 were anti-dilutive.

Segment Reporting

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

Reclassifications

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

NOTE 3 - Business Acquisitions

On January 1, 2004, the Company entered into a stock purchase agreement with URON, Inc. (URON) to purchase all of the outstanding capital stock of URON for a total purchase price of 350,000 shares of the Company's common stock to be issued in installments as follows: a) 180,000 shares issued at closing, b) 170,000 shares held in escrow. The common shares were valued at fair market value on the date of agreement which was $1.31 per share for a purchase price of $458,500. The terms of the escrow are as follows: 50,000 shares to be released upon URON providing the Company with documentation satisfactory to the Company of a release from a certain vendor or any related entity of all liabilities incurred to a certain vendor by URON; 120,000 shares to be released in 40,000 share increments upon the Company's receipt of distributable gross profits, generated by certain customers, in increments of $75,000 cash. The escrow shall be terminated 24 months after the date of the agreement and any shares not released will be rescinded to the Company. The Company must register all shares issued within one year from the date of issuance. The reason for the purchase of URON is to continue to expand the Company's services related to voice, data, and video services. The purchase price of $458,500 was allocated to customer list of $453,930 and property and equipment of $4,570. The customer list will be amortized over its estimated useful lives of two years and the property and equipment for fifteen months. At March 31, 2005 and December 31, 2004, the Company was not obligated to issue any of the contingent shares of common stock.

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

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

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

On July 9, 2004, Multiband (the Company) completed its acquisition, which had an acquisition date of June 1, 2004, of the outstanding membership interests of Rainbow Satellite Group, LLC (Rainbow), a provider of Satellite television services to multi dwelling units, for approximately 7.5 million dollars, two million of which was paid for in Multiband Preferred Stock, valued at $2.00 per share on a conversion formula to Multiband common stock, one million dollars of which was paid for in cash and the balance in promissory notes due by January 2005. In December 2004, these notes were extended to May 31, 2005. Included in the purchase price is $321,850 related to a finders fee. These notes are collateralized by Rainbow assets and bear interest at the prime rate (5.75 and 5.25% at March 31, 2005 and December 31, 2004.) In connection with the debt extension, the Company issued 75,000 two year warrants with an exercise price of $1.35 valued at $68,652 using the Black Scholes pricing model. The stock value was a negotiated price between the Buyer and Seller. In the event Multiband defaults in the payment of said promissory notes, the former owners of Rainbow have certain rights to repurchase the aforementioned membership interests for 20% less than any sums Multiband has paid prior to the date of the default. The consideration paid was based on the Company's analysis of likely future net incomes to be generated over a six year period by the acquired Company. The cash was provided by funds Multiband had previously raised in a private placement. The aforementioned purchase price is subject to adjustment pursuant to the parties agreement if the number of Rainbow subscribers increases or decreases as of an adjustment date. The assets were acquired from the members/owners of Rainbow. Prior to the transaction, there was no material relationship between the owners of sellers and the Company. With this acquisition, the Company acquired over 16,000 video subscribers which are primarily located in California, Colorado, Texas, Florida, Illinois and New York.

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

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

	MDU	Rainbow	21st Century
Allocation of Purchase Price:			

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

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

The following unaudited pro forma condensed results of operations for the three months ended March 31, 2005 and 2004 give effect to the acquisition of MDU, Rainbow, and 21st Century as if such transactions had occurred on January 1, 2004. Ultravision was purchased March 15, 2005 with an effective date of April 1, 2005. Therefore, proforma results for the three months ended March 31, 2005 have not been included for the Ultravision acquisition.

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

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.

	For the three months ended March 31: 2005		2004	
	Consolidated as reported per I/S	Pro Forma Disclosed	Consolidated as reported per I/S	Pro Dis
Revenues	$ 3,706,876	$ 3,706,876	$ 762,655	$
Loss from continuing operations	(2,141,940)	(2,141,940)	(1,043,176)	
Loss from discontinued operations	(441,268)	(441,268)	(473,688)	
Net loss	$ (2,583,208)	$ (2,583,208)	$ (1,516,864)	$ (
Basic and diluted loss per share:				
Loss from continuing operations	$ (.08)	$ (.08)	$ (.03)	$
Loss from discontinued operations	$ (.01)	$ (.01)	$ (.03)	$
Net loss	$ (.09)	$ (.09)	$ (.08)	$

Weighted average shares outstanding - basic and diluted	27,216,574	27,216,574	19,280,632	1

The unaudited pro forma results of operations for the three months ended March 31, 2005 and 2004 as a result of the SBC and Florida Cable acquisitions of video subscribers and video equipment is not material to the historical financial statements.

NOTE 4 - Stockholder Equity

Stock Warrants

Stock warrants activity is as follows for the three months ended March 31, 2005:

	Number of Warrants	Weighted - Average Exercise Price
Outstanding, December 31, 2004	11,795,641	1.64
Granted	8,882,723	1.70
Exercised	(20,000)	.85
Forfeited	--	--
Outstanding, March 31, 2005	20,658,364	1.67

The warrants granted during the three months ended March 31, 2005 were for common and preferred stock purchased and for services rendered.

Private Placement

On February 3, 2005, Multiband Corporation completed a $10 million private placement of the company's Series I Convertible Preferred Stock. The offering was made by Mercator Advisor Group, LLC of Los Angeles, California, though its designated funds, Monarch Pointe Fund, Ltd, Mercator Momentum Fund, LP. Mercator Momentum Fund III, LP., and certain investors.

Under the terms of the preferred stock offering, the Company issued 100.000 shares of its Series I Convertible Preferred stock in the aggregate offering amount of $10 million. The shares of Series I Convertible Preferred Stock contain a monthly dividend that is payable at prime plus 10% through August 31, 2005, at prime rate from September 1, 2005 through August 31, 2006, and at prime rate plus 1% thereafter. The preferred shares are convertible into 7,142,858 shares of common stock at the fixed rate of $1.50 per share. In addition, the investors received three-year warrants to purchase shares of Common Stock at exercise prices of $1.57 and $1.73 per share. The Company is also required to file a registration statement providing for the resale of shares issuable upon the conversion of the Series I Convertible Preferred stock and upon exercise of the warrants.

NOTE 5 - Commitments and Contingencies

Legal Proceedings

The Company is involved in legal actions in the ordinary course of its business, including an action brought by Private Investor's Equity Group (PIEG) in the third quarter of 2004, which seeks damages in excess of $75,000 over an alleged financing fee owed. The Company believes the claim is without merit and is vigorously defending the action. As of March 31, 2005, with the possible exception of the aforementioned PIEG matter, management believes that there are no pending legal proceedings against or involving the Company for which the outcome is likely to have a material adverse effect upon the Company's consolidated financial position, results of operations, or cash flows.

Significant Relationship

The Company is a master agent for DirecTV pursuant to a system operator agreement with DirecTV dated May 22, 2003. The initial term of the agreement is for three years and provides for two additional two-year renewals if the Company has a minimum number of paying video subscribers in its system operator network. Termination of the Company's DirecTV agreement would have a material adverse impact on the Company's on-going operations. Revenues generated from DirecTV were 40.7% of total revenue for the three months ended March 31, 2005. There was no revenue from DirecTV for the three months ended March 31, 2004.

NOTE 6 - Related Party

The Company, during the quarter ended March 31, 2005 received payment for accounts receivable of approximately $119,000 from companies that are associated with a board director. In addition, the Company had accounts receivable outstanding from these companies of approximately $20,000, and $140,000 at March 31, 2005, and December 31, 2004, respectively. Furthermore, the Company, during the quarter ended March 31, 2005 paid the aforementioned companies $120,000 for a subscriber right of entry agreement. A third party appraisal was performed related to said right of entry purchase.

NOTE 7 -Subsequent Events

Acquisition of Assets

Effective April 1, 2005, the Company purchased certain video assets (equipment and video subscribers) from Ultravision, Inc. for $287,050 including a finders fee of $12,050.

Sale of Multiband Business Services segment

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

The purchase price paid by the Buyer was $2,550,000 which consisted of $1,682,184 in cash at closing, $349,817 in assumed vacation pay and warranty liabilities, and the balance of $517,999 in a note receivable at 7% interest due on December 31, 2005. The amount of the note receivable is subject to adjustment based on certain representations and warranties provided by the Company in the purchase agreement. The Company has recorded a reserve of $178,948 against this note receivable due to uncertainty of collectibility of the note.

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

In conjunction with the sale, the Company reduced its indebtedness to Convergent Capital $2,000,000 since part of the collateral of this note payable relates to the assets sold. Estimated gain on sale of MBS Business:

Sale Price	
Cash proceeds	$1,682,184
Note receivable, net of reserve of $178,948	339,051
Assumed liabilities	349,818
Total sale price, net of reserve of $178,948	2,371,053
Assets sold	
Inventory, net of reserve	1,045,110
Property and equipment	52,352
Net assets sold	1,097,462
Less costs and expenses	
Broker's fee	132,500
Sublease for one year at no charge	500,000
Additional free rent related to inventory adjustment	500,000
Legal and accounting costs	37,600
Total costs	1,170,100
Net gain on sale	$ 103,491

The following are condensed statements of operations of the discontinued operations for the three months ended March 31:

Statement of Operations	2005	2004
Revenues	$ 3,815,681	$ 4,984,818
Cost of sales	2,843,587	3,937,886
Selling, general and administrative	1,105,808	1,307,121

Depreciation and amortization	56,188	114,090
Income (loss) from operations	(189,902)	(374,279)
Other income (expense)	(354,855)	(99,409)
Net Loss	$ (544,757)	$ (473,688)
Gain on Sale	103,491	--
Loss From Discontinued Operations	(441,268)	(473,688)

MULTIBAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

FORWARD-LOOKING STATEMENTS

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

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

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

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

OUR COMPANY

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

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

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

From its inception until December 31, 1998, Multiband operated as a telephone interconnect company only. Effective December 31, 1998, Multiband acquired the assets of the Midwest region of Enstar Networking Corporation (ENC), a data cabling and networking company. In late 1999, in the context of a forward triangular merger, Multiband to expand its range of computer products and related services, purchased the stock of Ekman, Inc. d/b/a Corporate Technologies, and merged Ekman, Inc. into the newly formed surviving corporation, Corporate Technologies, USA, Inc. (MBS). MBS provided voice, data and video systems and services to business and government. The MBS business segment was sold effective April 1, 2005. All referenced to financial information and descriptions of business in this registration have been revised to reflect only our continuing operations and all references to our now discontinued Multiband Business Services have been eliminated. MCS began in February 2000. MCS, the Company's continuing operating division, provides voice, data and video services to multiple dwelling units (MDU), including apartment buildings, condominiums and time share resorts. During 2004 the Company purchased video subscribers in a number of separate transactions, the largest one being Rainbow Satellite Group, LLC. During 2004 the Company also purchased the stock of Minnesota Digital Universe, Inc., which made the Company the largest master service operator in MDU's for DirecTV satellite television in the United States.

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

SELECTED CONSOLIDATED FINANCIAL DATA

	DOLLAR AMOUNTS AS A PERCENTAGE OF REVENUES	
	THREE MONTHS ENDED	
	March 31, 2005 (unaudited)	March 31, 2004 (unaudited)
REVENUES	100%	100%
COST OF PRODUCTS & SERVICES (exclusive of depreciation and amortization shown below)	50.7%	53.9%
SELLING, GENERAL & ADMINISTRATIVE	57.9%	108.6%
DEPRECIATION & AMORTIZATION	31.0%	46.2%

LOSS FROM OPERATIONS	-39.6%	-108.7%
INTEREST EXPENSE & OTHER, NET	-18.2%	-28.1%
LOSS FROM CONTINUING OPERATIONS	-57.8%	-136.8%
LOSS FROM DISCONTINUED OPERATIONS	-11.9	-62.1%
INCOME TAX	0	0
NET LOSS	-69.7%	-198.9%

RESULTS OF OPERATIONS

Revenues

Revenues in the first quarter of fiscal 2005 for MCS increased 386.0% to $3,706,876 as compared to $762,655 in the first quarter of fiscal 2004. This increase is primarily due to the acquisition of video subscribers throughout 2004.

Cost of Products and Services (exclusive of depreciation and amortization)

The Company's cost of products and services (exclusive of depreciation and amortization) increased 357.3 % or $1,468,546 to $1,879,508 for the quarter ended March 31, 2005 as compared to $410,962 for the similar quarter last year. This increase is primarily due to the acquisition of video subscribers throughout 2004.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 159.2% to $2,146,912 in the quarter ended March 31, 2005, compared to $828,153 in the prior year quarter. This increase is primarily a result of increased expenses related to the acquisition of video subscribers throughout 2004. Selling, general and administrative expenses were, as a percentage of revenues, 57.9% for the quarter ended March 31, 2005 and 108.6% for the similar period a year ago.

Interest Expense

Interest expense was $685,701 for the quarter ended March 31, 2005, versus $229,334 for the similar period a year ago, reflecting an increase in the Company's debt and original issue discount expense. Amortization of original issue discount was $500,098 and $188,979 for the three months ended March 31, 2005 and 2004.

Net Loss

In the first quarter of fiscal 2005, the Company incurred a net loss of $2,583,208 compared to a net loss of $1,516,864 for the first fiscal quarter of 2004.

Liquidity and Capital Resources

Available working capital, for the three months ended March 31, 2005 increased significantly compared to December 31, 2004 primarily due to the 10 million dollar sale of Class I preferred stock. Accounts receivables and cash increased, while current liabilities decreased. The increases in receivables are directly related to increases in revenues. Both short and long term debts were reduced in the first quarter of 2005 as the Company continued to retire financing debt and debt related to acquisitions.

The Company continues to experience significant growth, primarily due to increased subscriber related recurring revenues acquired via various transactions previously mentioned herein.

For the quarter ended March 31, 2005, the Company had earnings before interest, taxes, depreciation and other non cash charges ("EBITDA") of ($319,544).

The Company, as is common in the cable and telecommunications industries, uses EBITDA as a measure of performance to demonstrate earnings exclusive of interest and non cash events. The Company manages its business based on its cash flows. The majority of the Company's non-cash expense results from amortization of intangible right of entry agreement assets obtained through acquisition. The Company, in its daily management of its business affairs and analysis of its monthly, quarterly and annual performance, makes its decisions based on cash flows, not on the amortization of the aforementioned assets obtained through historical activities. The Company, in managing its current and future affairs, cannot affect the amortization of the intangible assets to any material degree, and therefore uses EBITDA as its primary management guide. Since an outside investor may base its evaluation of the Company's performance based on the Company's net loss not its cash flows, there is a limitation to the EBITDA measurement. EBITDA is not, and should not be considered, an alternative to net loss, loss from operations, or any other measure for determining operating performance of liquidity, as determined under accounting principals generally accepted in the United States (GAAP). The most directly comparable GAAP reference in the Company's case is the removal of interest, depreciation, amortization and other non cash charges. The following table reconciles the Company'S EBITDA to our consolidated net loss as computed under GAAP.

	Three Months Ended March 31,	
	2005	2004
EBITDA	$ (319,544)	$ (476,460)
Interest Expense, other	(173,431)	(25,492)
Depreciation and Amortization	(1,148,867)	(352,245)
Loss from discontinued operations	(441,268)	(473,688)
Amortization of original issue discount	(500,098)	(188,979)
Net Loss	$(2,583,208)	$(1,516,864)

Management of Multiband believes that, for the near future, cash generated by sales of stock, and existing credit agreements, in aggregate, are adequate to meet the anticipated liquidity and capital resource requirements of its business for at least the next 12 months.

Capital Expenditures

The Company used $141,150 for capital expenditures during the three months ended March 31, 2005, as compared to $39,659 in the similar period last year. Capital expenditures consisted of equipment acquired for internal use. We estimate capitalized expenditures for the remainder of 2005 will approximate $300,000.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Impairment of Long-Lived Assets
The Company's long-lived assets include property, equipment and leasehold improvement. At March 31, 2005, the Company had net property and equipment of $4,203,454, which represents approximately 13% of the Company's total assets. The estimated fair value of these assets is dependent on the Company's future performance. In assessing for potential impairment for these assets, the Company considers future performance. If these forecasts are not met, the Company may have to record an impairment charge not previously recognized, which may be material. During the three months ended March 31, 2005 and 2004, the Company did not record any impairment losses related to long-lived assets.

Impairment of Goodwill
We periodically evaluate acquired businesses for potential impairment indicators. Our judgements regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. During the three months ended March 31, 2005 and 2004, the Company did not record any impairment losses related to goodwill.

Amortization of Intangible Assets

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

Inventories

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

ITEM 3. QUANTITIVE AND QUALITIVE DISCLOSURE ABOUT MARKET RISK

Multiband is not subject to any material interest rate risk as any current lending agreements are at a fixed rate of interest.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14(c) of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely basis to material information relating to the Company required to be disclosed in the Company's periodic SEC reports. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in legal actions in the ordinary course of business, including an action brought by Private Investor's Equity Group (PIEG) in the third quarter of 2004, which seeks damages in excess of $75,000 over an alleged financing fee owed. The Company believes the claims are without merit and is vigorously defending the action. However, as of March 31, 2005, with the possible exception of the aforementioned PIEG matter, Multiband was not engaged in any pending legal proceedings where, in the opinion of the Company, the outcome is likely to have a material adverse effect upon the business, operating results and financial condition of the Company.

ITEM 6. EXHIBITS

(a) Exhibits

None

SIGNATURES

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

MULTIBAND CORPORATION
Registrant

Date: May 20, 2005 By:

/s/ James L. Mandel
Chief Executive Officer

Date: May 20, 2005 By:

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