MULTIBAND CORP
Form S-1/A
January 04, 2005

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 4, 2005

REGISTRATION NO. 333-121775

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1/A

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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

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

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

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

COPIES TO:

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT REGISTR FEE
Shares of Common Stock par value $0.01 per share	4,099,787	$1.45	$5,944,691	$753.
Shares of Common Stock, par value $0.01 per share, underlying Warrants	4,087,915	$1.45	$5,927,476	$751.
Totals	8,187,702	$1.45	$11,872,167	$1,504.

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933. Based on the closing price for the common stock on December 22, 2004 as reported on the Nasdaq Stock Market.

(2) Previously paid.

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

PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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COMMON STOCK

8,187,702 SHARES

PROSPECTUS

DECEMBER 30, 2004

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

PROSPECTUS ISSUED DECEMBER 30, 2004

MULTIBAND CORPORATION

8,187,702 SHARES OF COMMON STOCK

The selling shareholders are offering up to an aggregate of 8,187,702 shares of our common stock. Of the shares of common stock being offered by the selling shareholders, (i) 4,087,915 shares may be purchased upon exercise of outstanding warrants and (ii) 4,099,787 shares are currently owned by shareholders who acquired such shares in private placements to accredited investors.

We will not receive any proceeds from the sale of common stock by the selling shareholders under this prospectus. However, we will receive proceeds upon any exercise of the warrants. See "Use of Proceeds" on page 7.

Our common stock is traded on the Nasdaq Small Cap Stock Market under the symbol "MBND." On December 22, 2004, the closing price of our common stock as reported by NASDAQ was $1.45 per share.

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

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

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

THE DATE OF THIS PROSPECTUS IS DECEMBER 30, 2004.

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PROSPECTUS SUMMARY

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

OUR COMPANY

Multiband Corporation (formerly named Vicom, Inc.) is a Minnesota corporation formed in September 1975. Multiband has two operating divisions: 1) Multiband Business Services (MBS, legally known as Corporate Technologies, USA, Inc dba Multiband), and Multiband Consumer Services (MCS), which encompasses the subsidiary corporations, Multiband USA, Inc., URON, Inc., Minnesota Digital Universe, Inc., and Rainbow Satellite Group, LLC.

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

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

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

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

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

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

THE OFFERING

Common stock offered	8,187,702 (1)
Common stock to be outstanding after the offering	32,939,152 (2)
Use of proceeds	We intend to use the net proceeds from the exercise of the warrants for working capital and other general corporate purposes. See"Use of Proceeds".

(1) The selling shareholders are offering up to an aggregate of 8,187,702 shares of our common stock. Of the shares of common stock being offered by the selling shareholders, (i) 4,087,915 shares may be purchased upon exercise of outstanding warrants and (ii) 4,099,787 shares are currently owned by shareholders who acquired such shares in private placements to accredited investors.

The offering shares include 282,781 common shares related to the Company's 8% Class G Cumulative Convertible Preferred Stock, which converts into common stock at $1.60 per share; and 84,838 one year warrants at an exercise price of $1.25 per share and 84,838 five year warrants at an exercise price of $1.50 per share. The offering shares also include the following shares.

On November 12, 2004 Multiband Corporation entered into a Note Purchase Agreement and other related agreements with a number of accredited institutional investors. In summary, under the terms of the debt offering, the Company issued secured convertible promissory notes in the aggregate principal amount of $2,100,003. The convertible notes accrue interest at the rate of 6% per annum, payable semi-annually at the option of the company in cash or shares of the company's common stock, and are convertible into shares of common stock at the rate of $1.00 per share.

On November 16, 2004, Multiband Corporation finalized a private placement of the company's Series H convertible Preferred Stock. The Series H Preferred stock offering was funded by a group of institutional and accredited investors.

Under the terms of the preferred stock offering, the Company issued shares of its Series H Convertible Preferred Stock in the aggregate offering amount of $1,050,002. The shares of Series H Convertible Preferred Stock accrue dividends at the rate of 6% per annum, are payable semi-annually at the option of the Company in cash or shares of the Company's common stock at the rate of $1.00 per share. In addition, the investors received five-year warrants to purchase an aggregate of approximately 3,150,005 shares of common stock at an exercise price of $1.25 per share.

(2) The information is based on the number of shares of common stock outstanding as of November 24, 2004 and assumes that all of the warrants to purchase 4,087,915 shares were exercised. The number of shares outstanding does not include the following:

o 11,849,085 shares of common stock issuable upon the exercise of warrants outstanding as of November 24, 2004 with a weighted average exercise price of $1.68 per share;

o 3,339 shares of unvested restricted stock grants as of November 24, 2004 with a weighted average grant price of $ .88 per share;

o 5,500,000 shares of common stock reserved for additional issuances under our stock plans as of November 24, 2004 (4.3 million shares reserved in our employee stock option plan, 400,000 shares reserved in our employee stock purchase plan and 800,000 shares reserved in our Director's option plan.)

o 2,866,736 shares of common stock issuable upon the conversion of shares of our 8% Class A Cumulative Convertible Preferred Stock ("Class A Preferred"), 10% Class B Cumulative Convertible Preferred Stock ("Class B Preferred"), 10% Class C Cumulative Convertible Preferred Stock ("Class C Preferred"), 10% Class F Cumulative Convertible Preferred Stock ("Class F Preferred"), 8% Class G Cumulative Convertible Preferred Stock ("Class G Preferred") and 6% Class H Cumulative Convertible Preferred Stock ("Class H Preferred") outstanding as of November 24, 2004.

o 811,688 shares upon conversion of a note owed as of November 24, 2004.

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SUMMARY FINANCIAL DATA

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

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STATEMENT OF OPERATIONS DATA:	YEARS ENDED DECEMBER 31,			ENDED SEP
	2003	2002	2001	2004
Revenues	$ 22,640,421	$ 24,540,969	$ 32,260,777	$ 22,734,594
Loss from operations	$ (3,496,307)	$ (2,833,073)	$ (3,997,148)	$ (3,861,799)
Loss	$ (4,365,004)	$ (4,438,059)	$ (5,325,552)	$ (4,819,931)
Loss per share-basic and diluted	$ (0.29)	$ (0.39)	$ (0.66)	$ (0.21)
Weighted average shares outstanding basic and diluted	16,112,231	11,735,095	8,762,814	$ 22,494,250

BALANCE SHEET DATA::	YEARS ENDED DECEMBER 31,			AS OF SEPTEMBER 30,	
				ACTUAL	AS ADJ
	2003	2002	2001	(UNAUDITED)	(UNAUD
Cash	$ 2,945,960	$ 540,375	$ 624,845	$ 465,885	$ 4,5
Total assets	$ 13,902,885	$ 10,347,316	$ 12,209,681	$ 30,014,118	$ 34,0
Working capital (deficit)	$ 1,118,792	$ (252,870)	$ 426,549	$ (8,565,266)	$ (4,5
Total liabilities	$ 8,068,540	$ 7,705,031	$ 8,025,680	$ 17,854,443	$ 17,8
Total stockholders' equity	$ 5,807,711	$ 2,642,285	$ 4,184,001	$ 12,159,675	$ 16,2

(1) The As Adjusted column gives effect to the exercise of all warrants to purchase the shares of common stock covered by this prospectus and the application of the net proceeds from the exercise of the warrants, after deducting our estimated offering expenses.

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RISK FACTORS

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

General

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

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

In early 2000, Multiband created its MCS division, employing the aforementioned expertise, to provide communications and entertainment services (local dial tone, long distance, high-speed internet and expanded satellite television services) to residents in Multi-Dwelling-Unit properties (MDU's) on one billing platform. Although MCS revenues (recurring subscriber fees) accounted for less than 6% of overall Multiband revenues in 2003, Multiband expects MCS related revenues to increase significantly in 2004 as a percentage of overall revenues. These revenues are expected to provide higher gross margins than the Company's more traditional sales to commercial enterprises.

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

NET LOSSES

The Company had net losses of $4,365,004 for the fiscal year ended December 31, 2003, $4,438,059 for the fiscal year ended December 31, 2002, and $5,325,552 for the fiscal year ended December 31, 2001. Multiband may never be profitable.

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

If we cannot achieve profitability from operating activities, we may not be able to meet:

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

DEPENDENCE ON ASSET-BASED FINANCING

Multiband currently depends on asset-based financing to purchase product, and we cannot guarantee that such financing will be available in the future. Furthermore, we need additional financing to support the anticipated growth of our MCS subsidiary. We cannot guarantee that we will be able to obtain this additional financing.

However, the Company recently introduced a program where it can control capital expenditures by contracting Multiband services and equipment through a landlord or third party investor owned equipment program. This program both significantly reduces any Company expenditures in a Multi-dwelling-unit installation and permits the Company to record revenues and profits from the third party sale of said equipment. The program also provides the owner of the equipment with an ongoing variable fee based on net revenues generated by the MDU's Subscriber Services.

GOODWILL

In June 2001, the Financial Accounting Standards Board (FASB) adopted Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets" which changes the amortization rules on recorded goodwill from a monthly amortization to a periodic "impairment" analysis for fiscal years beginning after December 15, 2001. In 2003, the Company retained an independent outside expert to evaluate the impact of this new accounting standard and the expert concluded there was no impairment to goodwill. As of September 30, 2004, the Company had recorded goodwill of approximately $2.2 million. In 2004, the Company recorded goodwill impairment of $527,879 as a result of an independent appraisal.

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DEREGULATION

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

DEPENDENCE ON STRATEGIC ALLIANCES

Several suppliers, or potential suppliers of Multiband, such as McLeod, WorldCom, WS Net, XO Communications and others have filed for bankruptcy in recent years. While the financial distress of its suppliers or potential suppliers could have a material adverse effect on Multiband's business, Multiband believes that enough alternate suppliers exist to allow the Company to execute its business plans.

CHANGES IN TECHNOLOGY

A portion of our projected future revenue is dependent on public acceptance of broadband, and expanded satellite television services. Acceptance of these services is partially dependent on the infrastructure of the internet and satellite television which is beyond Multiband's control. In addition, newer technologies, such as video-on-demand, are being developed which could have a material adverse effect on the Company's competitiveness in the marketplace if Multiband is unable to adopt or deploy such technologies.

ATTRACTION AND RETENTION OF EMPLOYEES

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

INTELLECTUAL PROPERTY RIGHTS

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

VARIABILITY OF QUARTERLY OPERATING RESULTS; SEASONALITY

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

CERTAIN ANTI-TAKEOVER EFFECTS

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

VOLATILITY OF MULTIBAND'S COMMON STOCK

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

FUTURE SALES OF OUR COMMON STOCK MAY LOWER OUR STOCK PRICE

If our existing shareholders sell a large number of shares of our common stock, the market price of the common stock could decline significantly. The perception in the public market that our existing shareholders might sell shares of common stock could depress our market price. The exercise of outstanding options or warrants could also lead to future sales of our common stock which could depress our market price.

COMPETITION

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

FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of common stock by the selling shareholders under this prospectus. However, we will receive proceeds of $4,064,763 from the exercise of the warrants estimated at $4,044,763 after payment of the offering expenses. We have agreed to pay all of the expenses related to this offer, estimated to be approximately $20,000.

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

DIVIDEND POLICY

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

The holders of our Series A Cumulative Convertible Preferred Stock are entitled to receive a cumulative dividend of 8% per year, payable quarterly, and the holders of our Series B Convertible and Series C Convertible Preferred Stock are entitled to receive cumulative dividends of 10% per year, payable monthly, the holders of our Series E Convertible Preferred Stock are entitled to receive a cumulative dividend of 15% per year, payable in kind quarterly. The holders of our Series F Convertible Preferred Stock are entitled to receive a cumulative dividend of 10% per year, payable in kind quarterly, and the holders of our Series G Convertible Preferred Stock are entitled to receive a cumulative dividend of 6% per year, payable in kind quarterly.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2004 and our capitalization as adjusted to reflect the issuance and sale of 4,087,915 shares of common stock upon exercise of the warrants and the historical financial statements and notes thereto included elsewhere in this prospectus.

	AS AC (UNA
Preferred stock:	
8% Class A cumulative convertible - no par value 27,931 shares issued and outstanding	
10% Class B cumulative convertible - no par value 8,700 shares issued and outstanding	
10% Class C cumulative convertible - no par value 125,400 shares issued and outstanding	1,
10% Class F cumulative convertible - no par value 200,000 shares issued and outstanding	2,
10% Class G cumulative convertible - no par value 7,500 shares issued and outstanding	
6% Class H cumulative convertible - no par value 11.5 shares issued and outstanding	
Common stock - no par value 25,621,084 and 29,708,999 issued, 25,617,745 and 29,705,660 outstanding	16,
Stock Subscription receivable	(
Options and Warrants	31,
Unamortized Compensation	
Accumulated deficit	(39,

* The Class H shares were issued in November 2004.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our consolidated financial statements including the accompanying notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations". The data as of December 31, 2003 and 2002 and the nine months ended September 30, 2004 and for each of the three years in the period ended December 31, 2003 and the nine months ended September 30, 2004 and 2003 have been derived from our consolidated financial statements and accompanying notes contained in this prospectus. The Statement of Operations Data for the years ended December 31, 2000 and 1999 and the Balance Sheet Data at December 31, 2001, 2000 and 1999 have been derived from our audited financial statements which are not contained in this prospectus.

STATEMENT OF OPERATIONS DATA	YEARS ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
Revenues	$ 22,640,421	$ 24,540,969	$ 32,260,777	$ 39,781,846	$ 20,388,870
Cost of products and services	$ 15,952,019	$ 18,036,750	$ 25,295,186	$ 31,698,569	$ 16,247,898
Gross Profit	$ 6,688,402	$ 6,504,219	$ 6,965,591	$ 8,083,277	$ 4,140,972
%of revenues	29.5%	26.5%	21.6%	20.3%	20.3
Selling, general & administrative expenses	$ 10,184,709	$ 9,337,292	$ 10,962,739	$ 11,852,041	$ 5,823,945
% of revenues	45.0%	38.0%	34.0%	29.8%	28.6
Loss from operations	$ (3,496,307)	$ (2,833,073)	$ (3,997,148)	$ (3,768,764)	$ (1,682,973
Other expense, net	$ (902,063)	$ (1,604,986)	$ (1,328,404)	$ (458,067)	$ (139,461
Loss before income taxes	$ (4,365,004)	$ (4,438,059)	$ (5,325,552)	$ (4,226,831)	$ (1,822,434
Income tax provision	$ 0	$ 0	$ 0	$ 9,000	$ 241,200
Net Loss	$ (4,365,004)	$ (4,438,059)	$ (5,325,552)	$ (4,235,831)	$ (2,063,634
Loss per share basic and diluted	$ (0.29)	$ (0.39)	$ (0.66)	$ (0.72)	$ (0.55
Weighted average shares outstanding	16,112,231	11,735,095	8,762,814	7,009,751	3,821,978

BALANCE SHEET DATA

YEARS ENDED DECEMBER 31,

SEP

	2003	2002	2001	2000	1999	
Working capital (deficiency)	$ 1,118,792	$ (252,870)	$ 426,549	$ 2,870,114	$ (2,882,907)	$ (
Total assets	$ 13,902,885	$ 10,347,316	$ 12,209,681	$ 15,614,573	$ 12,598,745	$ 3
Long-term debt	$ 2,262,891	$ 3,273,350	$ 3,316,870	$ 3,362,083	$ 926,821	$
Stockholders' equity	$ 5,807,711	$ 2,642,285	$ 4,184,001	$ 5,876,352	$ 1,026,344	$ 1

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

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

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003

Revenues

Revenues increased 44.3% to $9,068,758 in the quarter ended September 30, 2004, as compared to $6,283,365 for the quarter ended September 30, 2003.

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

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

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

Gross Margin

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

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

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

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

Selling, General and Administrative Expenses

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

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

Interest Expense

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

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

Net Loss

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

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

YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

Results of Operations

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

	2003	2002
Revenues		
Multiband	0%	0%
MBS	93.63%	97.65%
MCS	6.37%	2.35%
Total Revenues	100.0%	100.0%
Cost of Sales		
Multiband	0%	0%
MBS	66.55%	71.89%
MCS	3.91%	1.61%
Total Cost of Sales	70.46%	73.50%
Gross Margin	29.54%	26.5%
Selling, General and Administrative expenses	44.98%	37.39%
Operating Loss	(15.44%)	(11.34%)
Net Loss	(19.28%)	(17.78%)

REVENUES

Total revenues decreased 7.7% to $22,640,421 in 2003 from $24,540,969 in 2002.

Revenues from the MBS segment which traditionally sells telephone and computer technologies products and services decreased 11.5% to $21,199,303 in 2003 from $23,963,748 in 2002. This decrease in MBS segment revenues resulted primarily from weaker economic conditions in 2003 and from MBS's desire to increase gross margins versus maintaining top line revenues. MBS is increasing margins by focusing more on sales of services versus sales of product.

Multiband segment had no revenues.

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

GROSS MARGIN

The Company's gross margin was $6,688,402 for 2003, as compared to $6,504,219 for 2002. The increase of 2.8% in 2003 was primarily due to an increase in consumer recurring revenues comprising a greater percentage of overall revenues. For 2003, gross margin, as a percentage of total revenues, was 29.5% versus 26.5% for 2002. The Company expects gross margins to maintain or even slightly increase in future periods as recurring revenues become a greater percentage of the Company's overall revenue mix.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 9.1% to $10,184,709 in 2003, compared to $9,337,292 in 2002. This increase in expenses is primarily related to increased payroll and facility expense and costs incurred for re-branding Multiband operating divisions as Multiband. Increased payroll primarily resulted from acquisition related payroll expense and increase in officer compensation in 2003. Selling, general and administrative expenses were, as a percentage of revenues, 45.0% for 2003 and 38.0% for 2002. The Company expects these expenses to remain stable or even slightly decrease as a percentage of revenues in 2004.

INTEREST EXPENSE

Interest expense was $897,704 for 2003, versus $1,604,512 for 2002 reflecting a substantial decrease in Original Issue Discount expense associated with long term debt and a significant decrease in cash interest expense associated with notes payable.

NET LOSS

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

YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

Results of Operations

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

	2002	2001
Revenues		
Multiband and VMTS	0%	0%
MBS	97.65%	99.2%
MCS	2.35%	.78%
Total Revenues	100.0%	100.0%
Cost of Sales		
Multiband and VMTS	0%	.02%
MBS	71.89%	77.39%
MCS	1.61%	.69%
Total Cost of Sales	73.50%	78.10%
Gross Margin	26.5%	21.88%
Selling, General and Administrative expenses	37.39%	34.45%
Operating Loss	(11.34%)	(12.56%)
Net Income Loss	(17.78%)	(16.73%)

REVENUES

Total revenues decreased 23.9% to $24,540,969 in 2002 from $32,260,777 in 2001.

Revenues from the MBS segment which traditionally sells computer technologies products and services decreased 25.1% to $23,963,748 in 2002 from $31,994,781 in 2001. This decrease in MBS segment revenues resulted primarily from weaker economic conditions in 2002 and from MBS's desire to increase gross margins versus maintaining top line revenues.

Multiband segment had no revenues.

Revenues from Multiband increased 131% to $577,221 in 2002 from $249,590 in 2001. This increase is due to the expansion of Multiband services to ten properties.

GROSS MARGIN

The Company's gross margin was $6,504,219 for 2002, as compared to $6,965,591 for 2001. The decrease of 6.6% in 2002 was due to reduced revenues. For 2002, gross margin, as a percentage of total revenues, was 26.50% versus 21.5% for 2001. This increase in gross margin revenues is primarily due to an increase in sale of services constituting a greater percentage of overall revenues than in the prior year. As the Company continues to strive for bundled sales of services, and bundled sales of equipment and services, the Company anticipates that it will maintain its gross margin percentages in fiscal 2003.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased 14.83% to $9,337,292 in 2002, compared to $10,962,739 in 2001. This decrease in expenses is primarily related to reductions in payroll, benefits and vehicle expenses. Selling, general and administrative expenses were, as a percentage of revenues, 38.0% for 2002 and 33.9% for 2001.

INTEREST EXPENSE

Interest expense was $1,604,512 for 2002, versus $1,446,868 for 2001 reflecting an increase in debt due to capital raising efforts, valuation of warrants issued with Preferred Stock and convertible notes, and additional borrowings.

NET LOSS

In 2002, the Company incurred a net loss of $4,438,059 compared to a net loss of $5,325,552 for 2001. The decrease in net loss is primarily due to a significant reduction in payroll and benefit related expenses from the prior year.

UNAUDITED QUARTERLY RESULTS

The following table sets forth certain unaudited quarterly operating information for each of the eight quarters in the two-year period ending December 31, 2003. This data includes, in the opinion of management, all normal recurring adjustments necessary for the fair presentation of the information for the periods presented when read in conjunction with the Company's consolidated financial statements and related notes thereto. Results for any previous fiscal quarter are not necessarily indicative of results for the full year or for any future quarter. The Company has historically experienced a seasonal fluctuation in its operating results, with a larger proportion of its revenues in the third quarter of the fiscal year.

	Dec. 31, 2003	Sept. 30, 2003	June 30, 2003	March 31, 2003	Dec. 31, 2002	Sept. 30 2002
Revenues:						
Multiband	0	0	0	0	0	
MBS	4,367,773	5,864,468	5,330,420	5,636,642	5,758,953	6,227,6
MCS	429,140	418,897	357,961	235,120	192,771	154,9
Total Revenues	4,796,913	6,283,365	5,688,381	5,871,762	5,951,724	6,382,6
Cost of Sales	3,233,068	4,493,829	3,914,420	4,310,702	4,212,240	4,680,5
Gross Margin	1,563,845	1,789,536	1,773,961	1,561,060	1,739,484	1,702,0
SG&A Expense	3,036,745	2,409,227	2,502,741	2,235,996	2,484,108	2,376,2
Operating Loss	(1,472,900)	(619,691)	(728,780)	(674,936)	(744,624)	(674,1
Interest Expense	(249,336)	(202,958)	(219,723)	(225,687)	(462,420)	(349,3
Other Income (Expenses)	52,418	(6,513)	15,232	(65,496)	47,740	(93,1
Minority Interest	38,219	(3,460)	(1,393)	0	0	
Net Loss Before Taxes	(1,631,599)	(832,622)	(934,664)	(966,119)	(1,159,304)	(1,116,7
Income Tax (Benefit) Provision	0	0	0	0	0	
Net Loss	(1,631,599)	(832,622)	(934,664)	(966,119)	(1,159,304)	(1,116,7
Loss Per Common Share Basic and Diluted	(.10)	(.05)	(.06)	(.08)	(.11)	(.

LIQUIDITY AND CAPITAL RESOURCES

NINE MONTHS ENDED SEPTEMBER 30, 2004

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

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

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

The Company, as is common in the cable and telecommunications industries, uses EBITDA as a measure of performance to demonstrate earnings exclusive of interest and non cash events. EBITDA is not, and should not be considered, an alternative to net income, income from operations, or any other measure for determining operating performance or liquidity, as determined under accounting principles generally accepted in the United States. The most directly comparable GAAP reference in the Company's case is the removal of interest, depreciation, amortization and other non cash charges. The following table reconciles Company EBITDA to our consolidated net loss as computed under GAAP.

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

CAPITAL EXPENDITURES

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

YEAR ENDED DECEMBER 31, 2003

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

Total long term debt and capital lease obligation decreased by $1,010,459 during the year ended December 31, 2003. Multiband paid out $75,301 related to capital lease obligations and $200,768 related to long term debt during the year ended December 31, 2003 versus $1,069,433 paid out in 2002.

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

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

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

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

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

YEAR ENDED DECEMBER 31, 2002

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

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

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

In 2001, the Company entered into a long-term debt agreement, expiring in 2003, with an investment fund. The fund, in exchange for its $1.5 million investment, also received 375,000 warrants and the right to convert its investment into Multiband common stock at a predetermined price. The effect of recording the beneficial conversion feature and warrants associated with the convertible loan resulted in a $1,500,000 discount attributable to the warrants in accordance with the Black-Scholes pricing model. The Company is expensing the aforementioned warrant discount in eight quarterly installments over the two year term of the loan. $460,000 of the debt was converted to stock in 2002 pursuant to a formula tied to the trading price of the Company's Common Stock.

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

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

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

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

DESCRIPTION OF BUSINESS

Multiband Corporation (formerly named Vicom, Inc.) is a Minnesota corporation formed in September 1975. Multiband has two operating divisions: 1) Multiband Business Services (MBS, legally known as Corporate Technologies, USA, Inc dba Multiband), and Multiband Consumer Services (MCS), which encompasses the subsidiary corporations, Multiband USA, Inc., URON, Inc., Minnesota Digital Universe, Inc., and Rainbow Satellite Group, LLC.

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

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

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

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

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

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

MULTIBAND BUSINESS INDUSTRY OVERVIEW

MBS recently expanded its efforts to establish itself within the rapidly evolving telecommunications and computer industries.

In the current climate of intense global competition and accelerating technological change, businesses increasingly depend upon technology-based solutions to enhance their competitive position, and to improve their productivity and the quality of their products and services. Today's business environment mandates the availability of efficient voice and video communication channels and information in formats suited to a wide variety of users. Businesses are looking to a variety of new technologies to enhance the performance of their communication systems and to allow Information Technology (IT) systems to collect, analyze and communicate information within the enterprise and among customers and suppliers. An organization's ability to integrate and deploy new communication and IT technologies in a unified and cost-effective manner has become critical to competing successfully in today's rapidly changing business environment.

The markets and technologies for communication equipment and IT applications and systems continue to converge as communication equipment migrates from proprietary switches to software-driven systems operating on standardized computer platforms. As a result, businesses are integrating their communication and IT systems. As previously separate communication and IT technologies converge and their interoperability increases, more organizations will seek a unified technology solution. MBS believes that these organizations will attempt to reduce costs and management complexity by establishing relationships with a small number of providers that offer a broad range of both communication and IT products and services throughout the full life-cycle of a project. MBS believes it has positioned itself to be one of those providers through expertise gained in its historical operations and via acquisitions. MBS has personnel that understand the voice and data sides of the equation. MBS is able to provide a consultative selling approach whereby it is able to match the appropriate technology solution to its customers needs; whether that solution is an IP telephony application, a traditional PBX application, or a hybrid of both.

While customers continue to rely heavily on technology to reduce transaction costs by increasing operational efficiencies, the bias toward software-centric solutions in lieu of hardware continues. Notwithstanding the slow economic conditions, growth continues to occur in areas such as customer contact solutions, CTI (computer telephony integration), unified media, convergence (IP telephony), and mobility.

Current financial pressures also are making it increasingly difficult for communications equipment manufacturers to support a direct distribution model. Most independent distribution channels lack an adequate geographic footprint, infrastructure, processes, and resources to effectively fulfill the manufacturer's need to deploy complex high-end technology solutions. This has resulted in the need for systems integration and support services through third party providers. A key competency being driven by the market is the ability to effectively integrate disparate technology platforms into enterprise-wide applications solutions. Again, the range and depth of MBS's experience enables MBS to provide businesses with overall technology solutions.

As a result of these factors, demand for communication services and products has been relatively flat. InfoTech , a market research firm specializing in telecommunications market information, estimates that the U.S. market for traditional voice PBX systems will continue to decline over the next three years as enterprises shift to converged solutions, a combined form of voice and data, also referred to as IP Telephony. IP shipments are expected to surpass traditional PBX shipments sometime in 2006. Recent slowdowns in technology spending may delay this development, however. Overall revenues in the U.S. marketplace for voice and convergence are projected to reach $5.5 billion by 2006. Field maintenance and repair is the largest, but slowest growing segment in services associated with the voice marketplace. This includes the maintenance and repair of PBX, Key/Hybrid, Voice Processing: IVR, CTI, ACD and fax.

PRODUCTS AND SERVICES

CORPORATE TECHNOLOGIES, USA (MBS)

MBS provides other technical and customer services as described hereafter.

PRICING AND AVAILABILITY

We use our volume and purchasing power to achieve competitive pricing of goods for our clients. We have the ability to provide a web-based client site that allows clients to see availability and costs of hardware and software in real time through the Internet by accessing current pricing and availability from our manufacturers' Internet websites. This Internet-based model allows us to extend product procurement services beyond the traditional 8 a.m. to 5 p.m. schedule and into a 7 days a week, 24 hours a day service, providing a high level of client flexibility.

WARRANTY POLICY

We strongly believe in the philosophy of "Service what you sell." We do not knowingly sell any hardware product that we do not have authorized service personnel to facilitate any warranty work that needs to be done. We are committed to fulfill all warranty service calls in accordance with the manufacturer's warranty, which range in length from 30 days to one year from the date of sale. Warranty costs incurred to date are minimal.

ON SITE AND DEPOT REPAIR

MBS is authorized for depot and on site warranty repair for many manufacturers, including Apple Computers, Nortel, Inc., Cisco, Hewlett Packard Co., International Business Machines Corp. (IBM), Sun Microsystems, Inc., Compaq Computer Corp., Xerox Corp., and Okidata Corp. With over $500,000 in spare parts inventory, we have made a conscious effort to have the part clients need, when they need it.

WIDE AREA NETWORK CONNECTIVITY

Our staff of Cisco and Nortel Wide Area Network (WAN) trained engineers assist organizations with integrating their multiple sites, allowing the exchange of information between geographically separated sites. Our association with local Internet Service Providers (ISPs) gives us the opportunity to offer organizations with multiple locations a single source provider providing a cost-effective solution to WAN needs.

TECHNICAL SUPPORT FOR NETWORKING

We are committed to obtaining the highest vendor authorizations available to indicate our knowledge and expertise to today's complex technological environment. Becoming the only Microsoft Solution Partner, Novell Platinum Reseller and Sun Microsystems Competency 2000 Certified reseller in North Dakota is an indication of this commitment. Our staff of Certified Novell Engineers (CNEs), Microsoft Certified System Engineers (MCSEs), Sun Microsystems System Engineers, as well as certified personnel in products such as Nortel and Cisco routers, gives MBS an advantage over other resellers in North Dakota. The knowledge and skills of our system engineers helps organizations meet today's challenges and maintain a market advantage. Our close relationships and certification levels with our vendors gives our staff access to resources that few other value added resellers can provide.

CONSULTING

As a multi-service, multi-vendor, multi-site integrator, MBS has the extensive infrastructure to offer solutions to complex technical challenges through our consulting service. With years of experience in Local Area Networks (LAN) and WAN technology, our consultants are dedicated to finding the solution that will solve our customers' needs now and in the future. We specialize in providing an integrated cost-effective, single source solution.

SALES AND MARKETING

As of November 16, 2004, we had 25 sales and marketing personnel with expertise in telecommunications, computers and network services. MBS has a consultative approach to selling, in which the salesperson analyzes the customer's operations and then designs an application-oriented technical solution to make the customer more efficient and profitable. MBS uses several techniques to pursue new customer opportunities, including advertising, participation in trade shows, seminars and telemarketing.

CUSTOMERS

MBS provides its products and services to commercial, professional and government users within the states of Minnesota and North Dakota. MBS's customers are diverse and represent various industries such as financial services, hospitality, legal, manufacturing, and education. In the year ended December 31, 2003, MBS received 17.5% of its revenues from Meritcare Health System and 6.0% of its revenues from Noridian (Blue Cross Blue Shield). In its year ended December 31, 2002, MBS received approximately 22.8% of its revenues from two customers, Merit Care and Microsoft Great Plains. In its year ended December 31, 2001, MBS received approximately 21.7 % of all revenues from two customers. Those two customers were Microsoft Great Plains and the State of North Dakota.

CUSTOMER SERVICE

MBS has 20 full-time customer service and related support personnel who assist in project management duties, post-sale communications (which include site surveys), coordinated network services, and end-user training. Each key account is assigned its own individual customer service representative to ensure efficient implementation. The customer service representative works closely with the sales representative and main technician assigned to the project to facilitate the utmost in customer satisfaction.

BACK OFFICE

Back office refers to the hardware and software systems that support the primary functions of our operations, including sales support, order entry and provisioning, and billing.

Order entry involves the initial loading of customer data into our information system. Currently our sales representatives take orders and our customer service and purchasing representatives load the initial customer information into our ILS (Integrated Logistic System) billing and accounting system. We use the ILS to manage and track the timely completion of each step in the provisioning and installation process. Our system is designed to enable the sales or customer service representative to keep an installation on schedule and notify the customer of any potential delays. Once an order has been completed, we update our billing system to initiate billing of installed products or services.

SUPPLIERS

As previously mentioned, MBS purchases products and equipment from NEC, Tadiran, Cisco, Nortel, and other manufacturers of communications and computer products. The telecommunication products are purchased directly from the manufacturers. The computer products are purchased both directly from the manufacturer and also indirectly from major wholesalers such as Ingram Micro and Tech Data Corporation.

In 2003, Ingram Micro supplied 60.55% and Dell computer supplied 8.35% of total products purchased. In 2002, Ingram Micro supplied 57.7% and Dell Computer 11.8% of total products purchased. In 2001, Ingram Micro supplied 37.8% and Tech Data provided 18.9% of total products purchased.

The products MBS purchase are off-the-shelf products. MBS has several alternate suppliers of computer products and could substitute any one of these suppliers with an alternate supplier fairly quickly on the same or similar terms.

MBS has a distribution agreement with NEC, its main supplier of telecommunication products, which expires June 30, 2004. MBS could replace NEC with an alternate supplier fairly quickly, but with a less competitive product. However, MBS's replacement of NEC could have a material adverse effect on Multiband's business, operating results and financial condition.

MULTIBAND CONSUMER SERVICES

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

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

As we develop and market this package, we will keep a marketing focus on two levels of customer for this product. The primary decision-makers are the property owners/managers. Their concerns are focused on delivering their residents reliability, quality of service, short response times, minimized disruptions on the property, minimized alterations to the property and value added services. Each of these concerns is addressed in our contracts with the property owner, which include annual reviews and 10 to 15 year terms as service providers on the property. The secondary customer is the end-user. We will provide the property with on-going marketing support for their leasing agents to deliver clear, concise and timely information on our services. This will include simple sign up options that should maximize our penetration of the property.

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

MULTIBAND CONSUMER INDUSTRY ANALYSIS

Strategy

For the near future, the services described below will be offered primarily in Midwestern states. Our primary competition will come from the local incumbent providers of telephone and cable television services.

Local Telephone Service

In Minnesota, we expect to compete with Qwest Communications International, Inc. (Qwest) for local telephone services. Although Qwest has become the standard for local telephone service, we believe we have the ability to underprice their service while maintaining high levels of customer satisfaction.

Cable Television Service

In Minnesota, we expect to compete with Comcast Corporation (Comcast) for pay-TV customers. Comcast is the cable television service provider that has resulted from the merger and acquisition of two competitive cable providers. This actually has improved the overall continuity of service. However, we have a significant consumer benefit in that we are establishing private rather than public television systems, which allows us to deliver a package that is not laden with local "public access" stations that clog the basic service package. In essence, we will be able to deliver a customized service offering to each property based upon pre-installation market research that we perform.

Long Distance Telephone Service

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

Internet Access Service

The clear frontrunners in this highly unregulated market are America Online, Inc. and CompuServe Corp. They compete with local exchange carriers, long distance carriers, Internet backbone companies and many local ISPs (Internet Service Providers). Competition has driven this to a flat rate unlimited access dial-up service market. The general concern among consumers is the quality of the connection and the speed of the download. Our design provides the highest connection speeds that are currently available. The approach that we will market is "blocks of service." Essentially, we deliver the same high bit rate service in small, medium and large packages, with an appropriate per unit cost reduction for those customers that will commit to a higher monthly expenditure.

Market Description

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

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

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

Number of Units/Customers

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

Employees

As of November 24, 2004, Multiband employed five full-time management employees. As of that same date, MBS had 57 full-time employees, consisting of 19 in sales and marketing, 26 in technical positions, 5 in management and 7 in administration and finance. As of November 24, 2004, MCS had 49 full-time employees, 8 in sales and the rest in customer service and operations.

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PROPERTIES

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

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

LEGAL PROCEEDINGS

The Company is involved in legal actions in the ordinary course of business. However, as of November 24, 2004, Multiband was not engaged in any pending legal proceedings where, in the opinion of the Company, the outcome is likely to have a material adverse effect upon the business, operating results and financial condition of the Company.

DIRECTORS AND OFFICERS

NAME	AGE	POSITION	DIRECTOR
Steven Bell.......	45	President & CFO, Multiband Incorporated	1994
Frank Bennett.....	47	President, Artesian Capital	2002
Jonathan Dodge....	53	Partner, Dodge & Fox C.P.A. Firm	1997
David Ekman.......	43	Chief Information Officer, Corporate Technologies USA, Inc.	1999
Eugene Harris.....	39	Shareholder, Eidelman, Finger, Harris & Co.	2004
James L. Mandel...	47	Chief Executive Officer, Multiband Corporation	1998
Donald Miller.....	64	Chairman, Multiband Corporation	2001
David Weiss.......	41	Principal, Rangeline Capital, LLC	2002

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS AND ITS COMMITTEES

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

The Board of Directors met four times on a regular basis in 2003. As permitted by Minnesota Law, the Board of Directors also acted from time to time during 2003 by unanimous written consent in lieu of conducting formal meetings. Last year, there were four such actions and accompanying Board Resolutions passed. The Board has designated an audit committee consisting of Jonathan Dodge, Donald Miller and Frank Bennett. The Board also designated a compensation committee consisting of Frank Bennett and David Weiss.

Shareholder communication with the Board

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

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

AUDIT COMMITTEE

Our audit committee:

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

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

Our audit committee met four times during 2003. The Audit Committee is comprised entirely of individuals who meet the independence and financial literacy requirements of NASDAQ listing standards. Our Board has determined that all three members qualify as an "audit committee financial expert" independent from management as defined by Item 401(h)(2) of Regulation S-K under the Securities Act of 1933, as amended. Multiband acknowledges that the designation of the members of the audit committee as financial experts does not impose on them any duties, obligations or liability that are greater than the duties, obligations and liability imposed on them as a member of the audit committee and the Board of Directors in the absence of such designation.

REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter adopted by the Board of Directors, the Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and financial reporting practices of the Company. During the year ended December 31, 2003, the Committee met four times, and Donald Miller, as the Audit Committee chair and representative of the Audit Committee, discussed the interim financial information contained in quarterly earnings announcement with the Company's Chief Financial Officer and the Company's independent auditors prior to public release.

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

The Audit Committee discussed and reviewed with the Company's independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees" and, both with and without management present, discussed and reviewed the results of the independent auditors' examination of the Company's financial statements. The Audit Committee reviewed the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2003 with management and the independent auditors. Management has the responsibility for the preparation of the Company's consolidated financial statements and the Company's independent auditors have the responsibility for the examination of those statements.

Based on the review referred to above and discussions with management and the independent auditors, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the Securities and Exchange Commission. The Audit Committee also recommended the reappointment, subject to shareholder approval, of the independent auditors and the Board of Directors concurred in such recommendation.

COMPENSATION COMMITTEE

Our compensation committee

- reviews and recommends the compensation arrangements for management, including the compensation for our chief executive officer; and
- establishes and reviews general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve our financial goals.

Our compensation committee met four times during 2003. The compensation committee is comprised entirely of Directors who meet the independence requirements of the NASDAQ listing standards.

NOMINATING COMMITTEE

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

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

DIRECTOR NOMINATION PROCEDURES

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

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

CHARTER OF THE NOMINATING COMMITTEE. A copy of the charter of the Nominating Committee is available on our website at www.multibandusa.com.

EXECUTIVE COMPENSATION

The following table sets forth certain information relating to the remuneration paid by the Company to its executive officers whose aggregate cash and cash-equivalent remuneration approximated or exceeded $100,000 during the Company's last three fiscal years ending December 31, 2003.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION				LONG TERM
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARD(S) ($)	SECURIT UNDERLY OPTIONS SARS (#)
(A)	(B)	(C)	(D)	(E)	(F) AWARDS	(G)
James L. Mandel	2003	$250,727	$125,000	-0-	-0-	300,000
Chief Executive Officer	2002	$149,874	$100,000	-0-	-0-	-0
	2001	$131,346	-0-	-0-	-0-	500
Steven Bell	2003	$120,484	-0-	-0-	-0-	50,000
Chief Financial Officer	2002	$99,014	-0-	-0-	-0-	10,500
	2001	$108,365	-0-	-0-	-0-	500

Dave Ekman	2003	$111,154	-0-	-0-	-0-	-0-
Chief Information Officer	2002	$93,695	-0-	-0-	-0-	-0-
	2001	$100,614	-0-	-0-	-0-	500

DIRECTORS FEES

There were no cash fees paid to Directors in 2003. Outside Directors receive a stock option of 30,000 shares at market price upon joining the Multiband Board. Additional awards or options to Directors are determined by the Board's Compensation Committee.

OPTION GRANTS DURING 2003

THE FOLLOWING TABLE PROVIDES INFORMATION REGARDING STOCK OPTIONS GRANTED DURING FISCAL 2003 TO THE NAMED EXECUTIVE OFFICERS IN THE SUMMARY COMPENSATION TABLE.

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year (%)	Exercise or Base Price ($/Share)	Expiration Date	Potential Assumed An Price Appr 5%
James L. Mandel	300,000	46.3	$1.50	1/8/2013	-0-
Steven M. Bell	50,000	7.7	$1.10	1/8/2013	$19,115
Dave Ekman	-0-	-0-	-	-	-

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

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

AGGREGATED OPTION EXERCISES IN 2003 AND YEAR END OPTION VALUES

The following table provides information as to options exercised by the named executive officers in the Summary Compensation Table during fiscal 2003 and the number and value of options at December 31, 2003.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE (1) REALIZED	EXERCISABLE/UNEXERCISABLE NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 2003		EXERCISABLE/UNEXER VALUE OF UNEXERCIS IN-THE-MONEY OPTIO DECEMBER 31, 2003	
James L. Mandel........	-0-	-0-	450,500	-0-	$554,115	$0
Steven M. Bell.........	-0-	-0-	57,166	3,334	$70,314	$4,100
David Ekman............	-0-	-0-	150,500	-0-	$185,115	$0

(1) Value is calculated on the basis of the difference between the option exercise price and $1.23, the fair market value of the Company's common stock at December 31, 2003 as quoted on the NASDAQ, multiplied by the number of shares underlying the option.

OTHER COMPENSATION AND LONG-TERM INCENTIVE PLANS

The Company has no long-term incentive plans and issued no long-term incentive awards during 2003.

The Company has an employment agreement with Mr. Steven Bell, President, for the term beginning January 2002 and expiring December 2004. Mr. Bell's compensation is not directly tied to the Company's performance. The agreement states that annual base salary for Mr. Bell will be between $125,000 and $135,000 per year. Other key provisions of the contract include an agreement by Mr. Bell to keep confidential information secret both during and after employment by the Company and covenants not to compete with the Company for one year from the date of termination of employment. The contract also provides Mr. Bell with 75,000 stock options at market price, vested over a three year period.

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

The Company also has a three year employment agreement, from January 2002 to December 2004, with James L. Mandel, Chief Executive Officer, the terms of which involve an annual base salary of $200,000 and a stock option of 300,000 shares at $1.50 per share, vested over a three year period. Mr. Mandel's job responsibilities involve developing company business plans, developing expansion and growth opportunities and directing other executive officers.

1999 STOCK COMPENSATION PLAN

1999 STOCK COMPENSATION PLAN

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

Options granted under the Plan may be either "incentive" stock options within the meaning of Section 422 of the I