MULTIBAND CORP
Form 10-Q
August 18, 2004

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

FORM 10-Q

(MARK ONE)

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

FOR THE PERIOD ENDING JUNE 30, 2004

OR

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

COMMISSION FILE NUMBER 0 - 1325

MULTIBAND CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41 - 1255001

(IRS Employer Identification No.)

9449 SCIENCE CENTER DRIVE, NEW HOPE, MINNESOTA 55428

(Address of principal executive offices)

TELEPHONE (763) 504-3000 FAX (763) 504-3060

www.multibandusa.com Internet

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

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

Yes |X| No |_|

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

Yes |_| No |X|

On August 12, 2004 there were 25,687,670 shares outstanding of the registrant's common stock, par value $.01 per share, and 362,031 outstanding shares of the registrant's convertible preferred stock.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

MULTIBAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		
	June 30,	June 30,	June
	2004	2003	20
	(unaudited)	(unaudited)	(unau
REVENUES	$ 7,918,362	$ 5,688,381	$ 13,6
COSTS AND EXPENSES			
Cost of products and services	5,445,895	3,914,420	9,7
Selling, general and administrative	2,401,641	874,057	4,5
Depreciation and Amortization	1,243,455	1,628,684	1,7
Total Costs and Expenses	9,090,991	6,417,161	16,0
LOSS FROM OPERATIONS	(1,172,629)	(728,780)	(2,3
OTHER EXPENSE			
Interest expense	(280,105)	(219,723)	(6
Other Income (expense)	1,260	15,232	
Total Other Expense	(278,845)	(204,491)	(5
MINORITY INTEREST IN JOINT VENTURE	0	(1,393)	
LOSS BEFORE INCOME TAXES	(1,451,474)	(934,664)	(2,9
PROVISION FOR INCOME TAXES	0	0	
NET LOSS	(1,451,474)	(934,664)	(2,9
Preferred Stock Dividends	(395,273)	(38,580)	(4
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (1,846,747)	$ (973,244)	$ (3,4
LOSS PER SHARE - BASIC AND DILUTED	$ (.06)	$ (.06)	$
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	22,689,301	15,068,424	20,9

See notes to condensed consolidated financial statements

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

	June 30, 2004 (unaudited
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,514,77
Certificate of deposit	250,00
Accounts receivable, net	2,929,70
Inventories, net	1,554,47
Other Current Assets	121,96
TOTAL CURRENT ASSETS	6,370,92
PROPERTY AND EQUIPMENT, NET	3,897,36
OTHER ASSETS	
Goodwill	2,761,24
Intangible assets	17,352,85
Other	131,98
TOTAL OTHER ASSETS	20,246,08
TOTAL ASSETS	$ 30,514,37
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Checks issued in excess of cash in bank	$ 355,05
Wholesale line of credit	1,256,86
Short term debt	2,900,00
Current portion of long term debt	821,34
Current portion of note payable, stockholder	
Current portion of capital lease obligations	56,97
Accounts payable	1,985,87
Accrued liabilities	3,512,97
Deferred service obligations and revenue	339,61
TOTAL CURRENT LIABILITIES	11,228,71
LONG TERM DEBT, NET	5,290,87
OTHER LONG TERM DEBT	222,70
NOTE PAYABLE, STOCKHOLDER, NET OF CURRENT PORTION	64,42
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	290,19
TOTAL LIABILITIES	17,096,90
MINORITY INTEREST IN SUBSIDIARY	
STOCKHOLDERS' EQUITY	
Cumulative convertible preferred stock, no par value:	
8% Class A (27,931 shares issued and outstanding, $293,276 liquidation preference)	419,75
10% Class B (8,700 shares issued and outstanding, $91,350 liquidation preference)	62,00
10% Class C (125,400 shares issued and outstanding, $1,254,000 liquidation preference)	1,611,10

15% Class E (0 and 77,650 shares issued and outstanding,)	
10% Class F (200,000 and 0 shares issued and outstanding, $2,000,000 liquidation preference)	2,000,00
Common stock, no par value (25,186,758 and 19,036,805 shares issued; 25,180,518 and 19,019,786 shares outstanding)	16,187,99
Stock subscriptions receivable	(371,41
Options and warrants	31,266,76
Unamortized compensation	(2,27
Accumulated deficit	(37,756,45
TOTAL STOCKHOLDERS' EQUITY	13,417,47
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 30,514,37

See notes to condensed consolidated financial statements.

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

NOTE 1 - UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and Cost Recognition
Multiband Corporation and subsidiaries (the Company) earns revenues from 6 sources: 1) Video and computer technology products which are sold but not installed, 2) Voice, video and data communication products which are sold and installed, 3) Service revenues related to communication products which are sold and both installed and not installed, 4) Multiband user charges to multiple dwelling units, 5) MB USA user charges to timeshares, 6) DirecTV fees.

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

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

Service revenues related to technology products including consulting, training and support are recognized when the services are provided. Service revenues are expected to account for less than 10% of total revenues for the year ending December 31, 2004. Service revenues were less than 10% of total revenues for the year ended December 31, 2003. The Company, if the customer elects, enters into equipment maintenance agreements for products sold once the original manufacturer's warranty has expired. Revenues from all equipment maintenance agreements are recognized on a straight-line basis over the terms of each contract. Costs for services are expensed as incurred.

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

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

Intangible Assets
The Company amortizes a domain name acquired during the year ended December 31, 2001 over its estimated useful life of five years using the straight-line method. The Company amortizes access contracts over the estimate useful life of three years using the straight-line method. The Company began amortizing the customer cable lists over two to six years effective January 1, 2004. The Company is also amortizing the value of its DirecTV agent agreement obtained via MDU over a 73 month period beginning April 2004. The Rainbow Satellite amortization is over a period of 73 months.

Amortization of intangible assets was $969,185 and $8,732 for the three months ended June 30, 2004 and 2003, respectively. For the six month period ended June 30, 2004 and 2003, amortization on intangible assets was $1,163,648 and $17,464, respectively. Estimated amortization expense of intangible assets for the years ending December 31, 2004, 2005, 2006, 2007, and 2008 is $1,480,555, $3,177,832, $2,942,079, $2,895,616 and $2,895,616, respectively.

AMORTIZATION TABLE

	JUNE 30, 2004		DECEMB
	GROSS CARRYING AMOUNT	ACCUMULATED AMOTIZATION	GROSS CARRYING AMOUNT
Intangible assets subject to amortization			
Florida Cable	300,000	30,000	300,000
URON	453,930	113,484	0
Satellite Broadcasting	457,576	22,878	0
Minnesota Digital	9,551,831	392,541	0
Rainbow Satellite	7,043,641	97,471	0
Multiband Domain Name	83,750	47,458	83,750
MDU Subscriber rights	60,042	5,004	0
Access contract-MBUSA	60,000	45,332	60,000
Debt issuance costs	115,500	19,248	115,500
Total	$18,126,270	$773,416	$ 559,250
Intangible assets not subject to amortization			
Goodwill	$ 3,543,523	$782,278	$3,531,157

Goodwill
Goodwill represents the excess of acquisition costs over the fair value of identifiable net assets acquired and was originally amortized using the straight-line method over ten years. Due to changes in accounting standards, the carrying value of goodwill is now reviewed annually to see if the facts and

circumstances suggest that it may be impaired. If the review indicates that goodwill will not be recoverable, as determined based on the undiscounted cash flows of the assets acquired over the remaining amortization period, the Company's carrying value of goodwill is reduced by the estimated shortfall of cash flows. The Company did not record any impairment charges related to goodwill during the three or six months ended June 30, 2004 and 2003.

Stock-Based Compensation

In accordance with Accounting Principles Board (APB) Opinion No. 25 and related interpretations, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's general policy is to grant stock options at fair value at the date of grant.

Pursuant to APB No. 25 and related interpretations, $99,774 and $120,191 of compensation cost has been recognized in the accompanying consolidated statements of operations for the three months ended June 30, 2004 and 2003, respectively. For the six months ended June 30, 2004 and 2003, $212,415 and $240,381 of compensation cost has been recognized. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of Statements of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation", the Company's net loss and loss attributable to common stockholders and basic and diluted loss per common share would have been increased to the pro forma amounts:

	Three Months Ended June 30		Six Months En June 30	
	2004	2003	2004	
Loss attributable to common stockholders	$(1,846,747)	$ (973,244)	$(3,426,265)	$(
Pro forma loss attributable to common shares	$(2,212,473)	$(1,138,822)	$(3,921,299)	$(
Basic and diluted net loss per share:				
As reported	$ (.08)	$ (0.06)	$ (.16)	$
Pro forma loss attributable to common shares	$ (.10)	$ (0.08)	$ (.19)	$
Stock-based compensation:				
As reported	$ 99,774	$ 120,191	$ 212,415	$
Pro forma	$ 365,726	$ 165,578	$ 495,034	$

In determining the compensation cost of the options granted during the three months ended June 30, 2004 and 2003, as specified by SFAS No. 123, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model and the weighted average assumptions used in these calculations are summarized as follows for June 30:

	Three Months Ended June 30	Six Months Ended June 30

	2004	2003	2004	2003
Risk-free interest rate	3.50%	3.62%	3.50%	3.31%
Expected life of options granted	10 years	10 years	10 years	10 years
Expected volatility range	184%	170%	184%	170%
Expected dividend yield	0%	0%	0%	0%

Net Loss per Share

Basic net loss per common share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted net loss per common share is computed by dividing loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to common share equivalents (stock options, stock warrants, convertible preferred shares, and issued but not outstanding restricted stock) had been issued. All options, warrants, convertible preferred shares, and issued but not outstanding restricted stock during the three and six months ended June 30, 2004 and 2003 were anti-dilutive.

NOTE 3 - LIQUIDITY

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the six months ended June 30, 2004 and 2003, the Company incurred net losses of $2,968,339 and $1,900,783, respectively. At June 30, 2004, the Company had an accumulated deficit of $37,756,459. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability and/or raising additional capital. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and fund commitments on planned MultiBand projects however, there can be no assurance that the sources will be available or available on terms favorable to the Company. Management anticipates that the impact of the actions listed below, will generate sufficient cash flows to pay current liabilities, long-term debt and capital lease obligations and fund the Company's future operations:

1. Continued reduction of operating expenses by controlling payroll, professional fees and other general and administrative expenses.
2. Solicit additional equity investment in the Company by either issuing preferred or common stock.
3. Continue to market MultiBand services and acquire additional multi-dwelling unit customers.
4. Control capital expenditures by contracting MultiBand services and equipment through a landlord-owned equipment program.
5. Establish market for wireless internet services.

NOTE 4 - STOCK WARRANTS

Stock warrants activity is as follows for the six months ended June 30, 2004.

	NUMBER OF	WEIGHTED AVERAGE EXERCISE

	WARRANTS	PRICE
Warrants outstanding - December 31, 2003	7,421,874	1.87
Granted	704,500	2.04
Canceled or expired	0	0
Exercised	(475,503)	1.52
Warrants outstanding - June 30, 2004	7,650,871	1.86

The warrants granted during the six months ended June 30, 2004 were awarded for common stock and for services rendered.

NOTE 5 - BUSINESS SEGMENTS

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

	Multiband	Multiband Business Services	Multiband Consumer Services	Total
Quarter ended June 30, 2004				
Revenues	$ 0	$ 5,074,651	$ 2,843,711	$ 7,918
Income (Loss) from operations	(672,363)	(89,324)	(410,942)	(1,172
Identifiable assets	4,322,547	4,977,004	21,214,824	30,514
Depreciation and amortization	379,826	92,788	770,851	1,243
Capital expenditures	0	71,807	106,961	178
Quarter ended June 30, 2003				
Revenues	$ 0	$ 5,330,420	$ 357,961	$ 5,688
Income (Loss) from operations	(502,859)	28,463	(254,384)	(728
Identifiable assets	3,627,690	5,711,347	2,955,839	12,294
Depreciation and amortization	11,726	111,722	112,149	235
Capital expenditures	0	194,123	21,574	215

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

	Multiband	Multiband Business Services	Multiband Consumer Services	Total
Six months ended June 30, 2004				
Revenues	$ 0	$ 10,142,592	$ 3,523,244	$ 13,665
Loss from operations	(1,132,186)	(463,854)	(774,917)	(2,370
Identifiable assets	4,322,547	4,977,004	21,214,824	30,514
Depreciation and amortization	500,814	206,868	1,002,108	1,709
Capital expenditures	6,690	98,641	113,096	218
Six months ended June 30, 2003				

Revenues	$ 0	$ 10,967,062	$ 593,081	$ 11,560
Loss from operations	(909,280)	(26,431)	(468,005)	(1,403
Identifiable assets	3,627,690	5,711,347	2,955,839	12,294
Depreciation and amortization	23,451	218,666	207,612	449
Capital expenditures	0	230,768	77,214	307

NOTE 6 - RELATED PARTIES

The Company had revenues from companies that are associated with a director, who was elected to the board of directors during 2003, of approximately $0 and $17,000 for the three and six months ended June 30, 2004 and 2003, respectively. In addition, the Company had accounts receivable outstanding from these companies of approximately $147,000 and $142,000 at June 30, 2004 and December 31, 2003, respectively.

NOTE 7- ACQUISITIONS

In April 2004, the Company purchased certain assets consisting of data and video subscribers and systems from Satellite Broadcasting Corporation and affiliates (SBC). The total purchase price for said assets was approximately $645,000.

On April 2, 2004, Multiband Corporation (the Company), f/k/a Vicom, Incorporated, completed its acquisition of Minnesota Digital Universe, Inc. (MDU) for approximately 7.7 million dollars, half of which was paid for in Multiband Corporation common stock, valued at $1.75 per share, ($3,850,000), $1.1 million paid in cash and the balance in promissory notes due by January 2005. These notes are unsecured and bear no interest. The stock value was a negotiated price between Seller and Buyer. The consideration paid was based on the Company's analysis of likely future net incomes to be generated over a six year period by the acquired company. The cash was provided by funds the Company had previously raised in a private placement. The assets were acquired from Pace Electronics. Prior to the transaction, there was no material relationship between the owners of MDU and the Company other than the fact that Pace Electronics previously owned a 50% interest in a company subsidiary, Multiband USA, Inc., which Vicom repurchased the remaining 50% of ownership from Pace Electronics in January 2004 for 30,000 shares of the Company's common stock valued at $39,000.

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

ALLOCATION OF PURCHASE PRICE-MDU AND RAINBOW

Total Cash/Stock Consideration	14,519,999
Add: Transaction costs	1,030,000
Add: Liabilities assumed	1,912,153
Total Consideration	17,462,152
Less tangible assets	(566,680)
Less goodwill	0
Intangible assets, net	16,895,472

MDU's results of operations for April, May, and June 2004 are included in the Company's income statement for the quarter ended June 30, 2004.

On July 9, 2004, Multiband (the Company) completed its acquisition, effective date June 1, 2004, of the outstanding membership interests of Rainbow Satellite Group, LLC (Rainbow), a provider of satellite television services to multi-dwelling units, for approximately 6.9 million dollars, two million of which was paid for in Multiband Preferred Stock, valued at $2.00 per share on a conversion formula to Multiband common stock, one million dollars of which was paid for in cash and the balance in promissory notes due by January 2005. These notes are unsecured and bear no interest. The stock value was a negotiated price between Buyer and Seller. In the event Multiband defaults in the payment of said promissory notes, the former owners of Rainbow have certain rights to repurchase the aforementioned membership interests for 20% less than any sums Multiband has paid prior to the date of default. The consideration paid was based on the Company's analysis of likely future net incomes to be generated over a six year period by the acquired Company. The cash was provided by funds Multiband had previously raised in a private placement. The aforementioned purchase price is subject to adjustment pursuant to the parties agreement if the number of Rainbow subscribers increases or decreases as of an adjustment date. The assets were acquired from the members/owners of Rainbow. Prior to the transaction, there was no material relationship between the owners of sellers and the Company.

With this acquisition, the effective date of which was June 1, 2004, the Company acquired over 16,000 video subscribers which are primarily located in California, Colorado, Texas, Florida, Illinois and New York. Rainbow's results of operations for June, 2004 are included in the Company's Statement of Operations for the quarter ended June 30, 2004.

A final determination of the required purchase accounting adjustments relating to the MDU and Rainbow acquisitions including the allocation of the purchase price to the asset required and liabilities assumed based on their respective fair values, had not yet been made.

The following unaudited pro forma condensed results of operations for the three and six months ended June 30, 2004 and 2003 give effect to the acquisition of URON, MDU and Rainbow as if such transactions had occurred on January 1, 2003.

The unaudited pro forma information does not purport to represent what the Company's results of operations would actually have been if such transactions in fact had occurred at such date or to project the Company's results of future operations.

	2004		
	PRO FORMA CONSOLIDATED AS REPORTED PER I/S	PRO FORMA DISCLOSED	C A
THREE MONTHS - Ended June 30, 2004 and 2003			
Revenues	$ 7,918,362	$ 8,755,440	$
Loss from operations	$ (1,172,629)	$ (1,153,363)	$
Net loss	$ (1,451,474)	$ (1,432,208)	$

Net loss per share - basic and diluted	$ (.06)	$ (.06)	$
Weighted average shares outstanding - basic and diluted	22,689,301	22,689,301	

	CONSOLIDATED AS REPORTED PER I/S	PRO FORMA DISCLOSED	C A
SIX MONTHS - Ended June 30, 2004 and 2003			
Revenues	$ 13,665,836	$ 1,616,537	$
Loss from operations	$ (2,370,958)	$ (2,335,047)	$
Net loss	$ (2,968,339)	$ (2,968,239)	$
Net loss per share - basic and diluted	$ (.14)	$ (.14)	$
Weighted average shares outstanding - basic and diluted	20,984,967	20,984,967	

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

NOTE 8 - SUBSEQUENT EVENT

On August 9, 2004, Multiband Corporation (the Company) completed its acquisition of certain assets of 21st Century Satellite Communications, Inc.(MDU) for one million dollars, $333,333 of which was paid for in Company stock, valued at $1.60 per share, $250,000 of which was paid for in cash and the balance in equipment lease payments due by August 2007. The consideration paid was based on the Company's analysis of the value of the acquired video equipment and related video subscribers totaling approximately 5,000. The cash was provided by funds Vicom had previously raised in a private placement.

FORWARD-LOOKING STATEMENTS

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

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

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

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

GENERAL

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

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

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

As of June 30, 2004, MBS was providing telephone equipment and service to approximately 800 customers, with approximately 17,000 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 June 30, 2004, MCS had 27,897 subscribers using its services (3,248 using voice services, 21,763 using video services and 2,886 using internet services).

SELECTED CONSOLIDATED FINANCIAL DATA

DOLLAR AMOUNTS AS A D

	PERCENTAGE OF REVENUES THREE MONTHS ENDED		PE
	June 30, 2004 (unaudited)	June 30, 2003 (unaudited)	June 30, (unaudi
REVENUES	100%	100%	100.
COST OF PRODUCTS & SERVICES	68.7%	68.8%	71.6
GROSS MARGIN	31.2%	31.2%	28.3
SELLING, GENERAL & ADMINISTRATIVE	46.0%	44.0%	45.6
OPERATING LOSS	-14.1%	-12.8%	-17.
INTEREST EXPENSE & OTHER, NET	-3.5%	-3.6%	-4.3
LOSS BEFORE TAXES	-18.3%	-16.4%	-21.
INCOME TAX	0	0	0
NET LOSS	-18.3%	-16.4%	-21.

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

	THREE MONTHS ENDED JUNE 30, 2004	JUNE 30, 2003	JUNE 30
GROSS MARGIN PERCENTAGES:			
MBS	25.7%	30.4%	23.
MCS	41.1%	43.6%	41.

RESULTS OF OPERATIONS

Revenues

Revenues increased 39.2% to $7,918,362 in the quarter ended June 30, 2004, as compared to $5,688,381 for the quarter ended June 30, 2003.

Revenues for (MBS) decreased 4.7% in the second quarter of fiscal 2004 to $5,075,663 as compared to $5,330,420 in the second 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 expects revenues will stabilize in future quarters.

Revenues for MCS increased 694.1% to $2,842,699 as compared to $357,961 in the second quarter of fiscal 2003. This increase is due to expansion of MCS as a result of the acquisitions of MDU and Rainbow.

Revenues for the six month period ended June 30, 2004 increased 18.2% to $13,665,836 from $11,560,143 for the same period in 2003, due to the aforementioned increase in MCS revenues obtained via acquisitions.

Gross Margin

The Company's gross margin increased 39.3% or $698,506 to $2,472,467 for the quarter ended June 30, 2004 as compared to $1,773,961 for the similar quarter last year. For the quarter ended June 30, 2003, as a percent of total revenues, gross margin was 31.5% as compared to 31.1% for the similar period last year.

Gross margin for MBS decreased by 26.2% to $1,303,471 for the quarter ended June 30, 2004, as compared to $1,618,065 in the second quarter of fiscal 2003 due to lower MBS sales and lower profits on those sales.

Gross margin for MCS for the quarter ended June 30, 2004 increased 649.5% to $1,168,996 as compared to $155,896 in the second quarter of fiscal 2003 reflecting on the increase of revenue being billed.

For the six month period ended June 30, 2004, as a percent of total revenues, gross margin was 28.5% as compared to 28.8% for the same period in 2003. For the second half of fiscal year 2004, gross margin percentages are expected to remain constant or increase slightly as the company continues to enhance recurring subscriber revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses including depreciation and amortization increased 45.6% to $3,645,096 in the quarter ended June 30, 2004, compared to $2,502,741 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, 46.0% for the quarter ended June 30, 2004 and 43.9% for the similar period a year ago.

For the six month period ended June 30, 2004 these expenses increased 31.7% to $6,242,050 as compared to $4,738,737 for the six months ended June 30, 2003. As a percentage of revenues, selling, general and administrative expenses are 45.3% for the period ended June 30, 2004 as compared to 45.2% for the same period 2003.

Interest Expense

Interest expense was $280,105 for the quarter ended June 30, 2004, versus $219,723 for the similar period a year ago, reflecting an increase in the Company's long term debt. Amortization of original issue discount was $133,572 and $85,364 for the three months ended June 30, 2004 and 2003. For the six months ended June 30, 2004 amortization of original issue discount was $312,041 and $199,980 in the same period last year.

Interest expense was $601,482 for the six months ended June 30, 2004 and $445,410 for the same period last year. For the six months ended June 30, 2004 amortization of original discount was $322,551 and $199,980 in the same period last year.

Net Loss

In the second quarter of fiscal 2004, the Company incurred a net loss of $1,451,474 compared to a net loss of $934,664 for the second fiscal quarter of 2003.

For the six months ended June 30, 2004, the Company recorded a net loss of $2,968,339 as compared to $1,900,783 for the six months ended June 30, 2003.

Liquidity and Capital Resources

Available working capital, at June 30, 2004 decreased significantly over the similar period last year primarily due to short term notes payable issued 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 June 30, 2004 and January 1, 2005, is obligated to pay approximately $6.9 million to retire the notes payable related to its MDU Inc. and Rainbow acquisitions. The Company as of June 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 six months ended June 30, 2004, the Company raised approximately $3.1 million via sales of its common stock to accredited investors primarily for such purposes. In addition, for the quarter ended June 30, 2004, the Company achieved positive earnings before interest, taxes, depreciation, and amortization ("EBITDA") of $70,826.

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 accounting principles generally accepted in the United States of America reference in the Company's case is the removal of interest, depreciation, and amortization expenses. The following table reconciles Company EBITDA to our consolidated net loss as computed under GAAP.

	THREE MONTHS ENDED JUNE 30,		SIX MO
	2004	2003	2004
EBITDA	$ 70,826	$(343,787)	$ (661,16
Interest Expense, other	(278,845)	(215,825)	(597,38
Depreciation and Amortization	(1,243,455)	(375,052)	(1,709,79
Net Loss	$(1,451,474)	$(934,664)	$(2,968,33

Capital Expenditures

The Company used $196,347 for capital expenditures during the six months ended June 30, 2004, as compared to $307,982 in the similar period last year. Capital expenditures consisted of equipment acquired for internal use. The Company anticipates that for the second half of fiscal year 2004 capital purchases will remain somewhat consistent with first half capital expenditures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Impairment of Long-Lived Assets

The Company's long-lived assets include property, equipment and leasehold improvements. The estimated fair value of these assets is dependent on the

Company's future performance. In assessing for potential impairment for these assets, the Company considers future performance. If these forecasts are not met, the Company may have to record an impairment charge not previously recognized, which may be material. During the six months ended June 30, 2004 and 2003, the Company did not record any impairment losses related to long-lived assets.

Impairment of Goodwill

We periodically evaluate acquired businesses for potential impairment indicators. Our judgements regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. During the three and six months ended June 30, 2004 and 2003, the Company did not record any impairment losses related to goodwill.

Inventories

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

ITEM 3. QUANTITIVE AND QUALITIVE DISCLOSURE ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in legal actions in the ordinary course of business. However, as of June 30, 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.

ITEM 2. ISSUANCE OF COMMON AND PREFERRED STOCK

The Company, during the second quarter, issued 1,650,000 common shares to various accredited investors for net proceeds of approximately $3.1 million. The securities were offered and sold by the Company in reliance upon the exemptions provided under Section 4(2) of the Securities Act relating to sales not involving any public offering, and/or Rule 506 of Regulation D under the Securities Act.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) An annual meeting of Vicom (now Multiband Corporation) shareholders was held on June 17, 2004. There were present or present by proxy at the meeting 12,438,122 votes, the majority necessary to hold a quorum.

(b) The meeting resulted in the following votes related to the following proxy items:

1. Election of Directors:

Steven Bell	Frank Bennett	Jonathan Dodge
David Ekman	Eugene Harris	James Mandel
Donald Miller	David Weiss	

	For	Against	Abstain
Ekman	12,368,122	70,000	0
Bennett	12,368,122	70,000	0
Mandel	12,366,872	70,000	0
Bell	12,436,872	1,250	0
Miller, Dodge, Harris, Weiss	12,438,122	0	0

2. To approve an amendment to Vicom's 1999 Employee Stock Compensation Plan to increase the total number of stock shares reserved for awards to employees under the Plan from 1.8 million to 4.3 million.

For	Against	Abstain
12,102,441	328,181	7,500

3. To approve an amendment to Vicom's 2000 Non-Employee Director Stock Compensation Plan to increase the total number of stock shares reserved for awards to Directors under the Plan from 300,000 to 800,000.

For	Against	Abstain
12,094,229	338,008	5,885

4. To approve an amendment to Vicom's bylaws to lower the percentage of the outstanding shares needed to achieve a quorum for a shareholder meeting from 50.1% to 34%.

For	Against	Abstain
12,078,698	290,206	69,218

5. To approve an amendment to the Company's Articles of Incorporation to change the Company's name from VICOM, Incorporated to Multiband Corporation.

For	Against	Abstain
12,436,171	0	1,951

6. To approve an amendment to Vicom's Articles of Incorporation to increase the authorized number of Vicom shares from 50 million to 100 million.

For	Against	Abstain
12,043,941	313,181	81,000

7. Ratify the election of Virchow, Krause & Company, LLP as independent auditors of the Company for Fiscal Year 2003.

For	Against	Abstain
11,438,122	0	1 million

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Rule 13a-14(s) Certification of Chief Executive Officer - James Mandel
31.2 Rule 13a-14(s) Certification of Chief Financial Officer - Steven Bell
32.1 Section 1350 of Sarbanes-Oxley Act of 2002 - James Mandel and Steven Bell

(b) Reports on Form 8-K. Filed June 9, 2004

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SIGNATURES

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

MULTIBAND CORPORATION
Registrant

Date: August 18, 2004 By:

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/s/ James L. Mandel
Chief Executive Officer

Date: August 18, 2004 By:

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