

Edgar Filing: MULTIBAND CORP - Form SC 13G

MULTIBAND CORP
Form SC 13G
March 24, 2005

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. ___)

MULTIBAND CORPORATION

(Name of Issuer)

Common Stock

(Title of Class of Securities)

62544X100
(CUSIP Number)

February 3, 2005
(Date of Event Which Requires Filing of this Statement)

Rule 13d-1(b)
 Rule 13d-1(c)
 Rule 13d-1(d)

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1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Mercator Momentum Fund, L.P.

EIN: 03-0021366

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a)
(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

California

NUMBER OF 5. SOLE VOTING POWER

SHARES 0

BENEFICIALLY 6. SHARED VOTING POWER

OWNED BY 2,150,000

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EACH 7. SOLE DISPOSITIVE POWER
REPORTING 0

PERSON 8. SHARED DISPOSITIVE POWER
WITH 2,150,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
2,150,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
7.40%

12. TYPE OF REPORTING PERSON*
PN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)
Mercator Momentum Fund III, L.P. EIN: 32-0056070

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
 (a)
 (b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
California

NUMBER OF 5. SOLE VOTING POWER
SHARES 0

BENEFICIALLY 6. SHARED VOTING POWER
OWNED BY 1,484,524

EACH 7. SOLE DISPOSITIVE POWER
REPORTING 0

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PERSON 8. SHARED DISPOSITIVE POWER

WITH 1,484,524

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,484,524

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.23%

12. TYPE OF REPORTING PERSON*

PN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Pentagon Special Purpose Fund, Ltd.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

NUMBER OF 5. SOLE VOTING POWER

SHARES 0

BENEFICIALLY 6. SHARED VOTING POWER

OWNED BY 2,761,905

EACH 7. SOLE DISPOSITIVE POWER

REPORTING 0

PERSON 8. SHARED DISPOSITIVE POWER

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WITH 2,761,905

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,761,905

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.31%

12. TYPE OF REPORTING PERSON*

IN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Monarch Pointe Fund, Ltd.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

NUMBER OF 5. SOLE VOTING POWER

SHARES 0

BENEFICIALLY 6. SHARED VOTING POWER

OWNED BY 2,985,113

EACH 7. SOLE DISPOSITIVE POWER

REPORTING 0

PERSON 8. SHARED DISPOSITIVE POWER

WITH 2,985,113

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

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2,985,113

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.99%

12. TYPE OF REPORTING PERSON*

PN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

M.A.G. Capital, LLC

EIN: 300021359

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

California

NUMBER OF 5. SOLE VOTING POWER

SHARES 0

BENEFICIALLY 6. SHARED VOTING POWER

OWNED BY EACH REPORTING PERSON WITH 2,985,113, some of which are held by Mercator Momentum Fund and Mercator Momentum Fund III (together, the "Funds"), some of which are owned by Monarch Pointe Fund, Ltd. ("MPF"), some of which are owned by Pentagon Special Purpose Fund, Ltd. ("Pentagon") and some of which are owned by M.A.G. Capital, LLC ("MAG"). MAG is the general partner of the Funds and controls the investments of MPF and expects to control the investments of Pentagon.

7. SOLE DISPOSITIVE POWER

0

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8. SHARED DISPOSITIVE POWER

2,985,113, some of which are held by MPF and some by MAG.

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,985,113

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.99%

12. TYPE OF REPORTING PERSON*

IA

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1. NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

David F. Firestone

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF 5. SOLE VOTING POWER

SHARES 0

BENEFICIALLY 6. SHARED VOTING POWER

OWNED BY 2,985,113, all of which are held by the Funds, Pentagon, MPF and MAG. David F. Firestone is Managing Member of MAG.

EACH

7. SOLE DISPOSITIVE POWER

REPORTING 0

PERSON

8. SHARED DISPOSITIVE POWER

WITH

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2,985,113, all of which are held by the Funds, Pentagon, MPF and MAG. David F. Firestone is Managing Member of MAG.

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,985,113

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

____|_|

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.99%

12. TYPE OF REPORTING PERSON*

IN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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Item 1. Issuer.

(a) The name of the issuer is Multiband Corporation (the "Issuer").

(b) The address of the Issuer's principal executive office is 9449 Science Center Drive, New Hope, Minnesota 55428.

Item 2. Reporting Person and Security.

(a) Mercator Momentum Fund, L.P. ("Momentum Fund") and Mercator Momentum Fund III, L.P. ("Momentum Fund III" and, with Momentum Fund, the "Funds") are private investment limited partnerships organized under California law. The general partner of each of the Funds is M.A.G. Capital, LLC ("MAG"), a California limited liability company. David F. Firestone is the Managing Member of MAG. Monarch Pointe Fund, Ltd. ("MPF") is a corporation organized under the laws of the British Virgin Islands. MAG controls the investments of MPF. Pentagon Special Purpose Fund, Ltd. ("Pentagon") is a corporation organized under the laws of the British Virgin Islands. MAG controls the investments of Pentagon in the Issuer's securities. The Funds, Pentagon, MPF, MAG and David F. Firestone are referred to herein as the "Reporting Persons."

(b) The business address of each of the Funds, MAG and David F. Firestone is 555 S. Flower Street, Suite 4200, Los Angeles, CA 90071. The business address of MPF is c/o Bank of Ireland Securities Services, Ltd., New Century House, International Financial Services Center, Mayor Street Lower, Dublin 1, Republic of Ireland. The business address of Pentagon is c/o Olympia Capital (Ireland) Limited, Harcourt Centre, 6th Floor, Block 3, Harcourt Road, Dublin 2, Ireland.

(c) Each of the Funds is a California limited partnership. MAG, their general partner, is a California limited liability company. MPF is a corporation organized under the laws of the British Virgin Islands. Pentagon is a corporation organized under the laws of the British Virgin Islands.

(d) The title of the class of securities to which this statement relates is the common stock of the Issuer, par value \$0.01 per share (the "Common

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Stock").

(e) The CUSIP number is 62544X100.

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b) or 13d-2(b) or (c), Check Whether the Person Filing is a:

(a) Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o).

(b) Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) Insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c).

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(d) Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) An investment adviser in accordance with ss. 240.13d-1(b)(1)(ii)(E).

(f) An employee benefit plan or endowment fund in accordance with ss. 240.13d-1(b)(1)(ii)(F).

(g) A parent holding company or control person in accordance with ss. 240.13d-1(b)(1)(ii)(G).

(h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).

(j) Group, in accordance with ss. 240.13d-1(b)(1)(ii)(J).

Not Applicable.

Item 4. Ownership.

The Funds, Pentagon, MPF and MAG each own warrants to purchase shares of Common Stock. The Funds, Pentagon and MPF each own shares of the Series I Preferred Stock ("Series I Shares") issued by the Issuer which are convertible into Common Stock. Each Series I Share is convertible into the number of shares of Common Stock determined by dividing \$100.00 by the Conversion Price at the time of conversion. The Conversion Price is defined as \$1.50, subject to adjustment for stock splits and similar events.

Each Series I Share pays a dividend at an annual rate equal to the product of \$100 multiplied by (i) for the period through August 31, 2005, the Wall Street Journal Prime Rate plus ten percent (10%), (ii) for the period from September 1, 2005 through August 31, 2006, the Wall Street Journal Prime Rate and (iii) from September 1, 2006 and after, the Wall Street Journal Prime Rate plus one percent (1%). The documentation governing the Series I Shares provides that during the period from February 1, 2005 through August 31, 2005, on the last trading day of each month, the Issuer will receive a "Performance Credit"

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which shall be credited against the dividend, provided that the market price of the Common Stock on such date is greater than \$1.30 per share. The Performance Credit will be equal to the lower of (a) ten percent (10%) or (b) fifty percent (50%) times the difference between (x) the market price and (y) \$1.30. The dividend is payable monthly in arrears in cash or Common Stock.

The documentation governing the terms of the warrants and the Series I Shares contains provisions prohibiting any exercise of the warrants, conversion of Series I Shares or payment of dividends in Common Stock that would result in the Reporting Persons owning beneficially more than 9.99% of the outstanding shares of Common Stock as determined under Section 13(d) of the Securities Exchange Act of 1934. The Reporting Persons have never had beneficial ownership of more than 9.99% of the outstanding shares of Common Stock.

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As of February 3, 2005, the Funds, Pentagon, MPF and MAG owned the following securities of the Issuer:

Momentum Fund owned 21,000 Series I Shares and warrants to purchase up to 750,000 shares of Common Stock.

Momentum Fund III owned 14,500 Series I Shares and warrants to purchase up to 517,858 shares of Common Stock.

Pentagon owned 20,000 Series I Shares and warrants to purchase up to 1,428,572 shares of Common Stock.

MPF owned 44,500 Series I Shares and warrants to purchase up to 1,589,286 shares of Common Stock.

MAG owned warrants to purchase up to 2,857,142 shares of Common Stock.

David F. Firestone owned no securities of the Issuer directly.

The right to vote and the right to dispose of the shares beneficially owned by Momentum Fund, Momentum Fund III, Pentagon and MPF are, in each case, shared among Momentum Fund, Momentum Fund III, Pentagon or MPF, as applicable, and both MAG and David F. Firestone. The right to vote and the right to dispose of the shares beneficially owned by MAG are shared by MAG and David F. Firestone.

Assuming that the Issuer had 26,895,901 shares of Common Stock outstanding as of February 3, 2005, which is the number reported by the Issuer as outstanding as of February 4, 2005 in its Registration Statement on Form S-1 filed on February 11, 2005, the individual Reporting Persons had, on February 3, 2005, beneficial ownership of the following numbers of shares of Common Stock which represented the following percentages of the Common Stock outstanding:

	Shares Owned	Percentage
	-----	-----
Momentum Fund	2,150,000	7.40%
Momentum Fund III	1,484,524	5.23%
Pentagon	2,761,905	9.31%
MPF	2,985,113	9.99%
MAG	2,985,113	9.99%
David F. Firestone	2,985,113	9.99%

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The percentages of the outstanding Common Stock held by the Reporting Parties set forth above and on the cover pages to this report were determined, using a Conversion Price of \$1.50 with respect to the Series I Shares.

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Item 5. Ownership of Five Percent or Less of a Class.

If this Schedule is being filed to report the fact that as of the date hereof the Reporting Person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following

Not Applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not Applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.

Not Applicable.

Item 8. Identification and Classification of Members of the Group.

Not Applicable.

Item 9. Notice of Dissolution of Group.

Not Applicable.

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Item 10. Certifications.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 28, 2005

MERCATOR MOMENTUM FUND, L.P.

By: M.A.G. CAPITAL, LLC,
its general partner

By: /s/ Harry Aharonian

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Harry Aharonian, Portfolio Manager

Dated: February 28, 2005 MERCATOR MOMENTUM FUND III, L.P.

By: M.A.G. CAPITAL, LLC,
its general partner

By: /s/ Harry Aharonian

Harry Aharonian, Portfolio Manager

Dated: February 28, 2005 PENTAGON SPECIAL PURPOSE FUND, LTD.

By: /s/ Oskar P. Lownowski

Director

By: /s/ William F. Mavcock

Director

Dated: February 28, 2005 MONARCH POINTE FUND, LTD.

By: /s/ Harry Aharonian

Harry Aharonian, Director

Dated: February 28, 2005 M.A.G. CAPITAL, LLC

By: /s/ Harry Aharonian

Harry Aharonian, Portfolio Manager

Dated: February 28, 2005 /s/ David F. Firestone

David F. Firestone

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EXHIBIT INDEX

Exhibit A

Agreement of Joint Filing

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EXHIBIT A

AGREEMENT OF JOINT FILING

The undersigned hereby agree that they are filing jointly pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 a report on Schedule 13G, containing the information required by Schedule 13G, for shares of the common stock of Multiband Corporation., beneficially owned by Mercator Momentum Fund,

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L.P., Mercator Momentum Fund III, L.P., Pentagon Special Purpose Fund, Ltd., Monarch Pointe Fund, Ltd., M.A.G. Capital, LLC and David F. Firestone and such other holdings as may be reported therein.

Dated: February 28, 2005

MERCATOR MOMENTUM FUND, L.P.

By: M.A.G. CAPITAL, LLC,

its general partner

By: /s/ Harry Aharonian

Harry Aharonian, Portfolio Manager

MERCATOR MOMENTUM FUND III, L.P.

By: M.A.G. CAPITAL, LLC,
its general partner

By: /s/ Harry Aharonian

Harry Aharonian, Portfolio Manager

PENTAGON SPECIAL PURPOSE FUND, LTD

By: /s/ Oskar P. Lewnowski

Director

By: /s/ William F. Maycock

Director

MONARCH POINTE FUND, LTD.

By: /s/ Harry Aharonian

Harry Aharonian, Director
M.A.G. CAPITAL, LLC

By: /s/ Harry Aharonian

Harry Aharonian, Portfolio Manager

/s/ David F. Firestone

David F. Firestone