

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

URBAN TELEVISION NETWORK CORP  
Form 10QSB  
February 14, 2006

U.S. Securities and Exchange Commission  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ending December 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 33-58972  
\_\_\_\_\_

URBAN TELEVISION NETWORK CORPORATION

-----  
(Name of Small Business Issuer in its Charter)

NEVADA  
-----  
(State of Incorporation)

22-2800078  
-----  
(IRS Employer Identification No.)

2707 South Cooper, Arlington, TX  
-----  
(Address of principal executive offices)

76015  
-----  
(Zip Code)

Issuer's telephone number, (817) 303 - 7449  
-----

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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  
-----

Applicable only to issuers involved in bankruptcy proceedings during the  
preceding five years.

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes No  
-----

Applicable only to corporate issuers

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State the number of shares outstanding of each of the issuer's class of common equity, as of the latest practicable date:

136,311,277 shares of common stock, \$0.0001 par value, as of December 31, 2005

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Transitional Small Business Disclosure Format

(Check One)      Yes      No X  
                  ---      ---

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FORM 10-QSB

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

PART I - FINANCIAL STATEMENTS

URBAN TELEVISION NETWORK CORPORATION

Consolidated Balance Sheet

| Assets                                 | December 31,<br>2005<br>(Unaudited) | September<br>2005<br>(Audited) |
|--|-------------------------------------|--------------------------------|
| Currents assets                        |                                     |                                |
| Cash and cash equivalents              | \$ 1,586                            | \$ 40,3                        |
| Accounts receivable                    | 9,262                               | 11,5                           |
|  | -----                               | -----                          |
| Total current assets                   | 10,848                              | 51,9                           |
|  | -----                               | -----                          |
| Furniture, fixtures and equipment, net | 83,171                              | 97,5                           |
|  | -----                               | -----                          |
| Other assets                           |                                     |                                |
| Coal Reserves                          | 4,600,000                           | 4,600,0                        |
| Network assets, net                    | 56,822                              | 63,0                           |
| Deposits                               | 3,600                               | 3,6                            |
| Organizational costs                   | 360                                 | 3                              |

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|   |              |            |
|---|--------------|------------|
| Total other assets  | 4,660,782    | 4,667,0    |
| Total assets  | \$ 4,754,801 | \$ 4,816,5 |
| Liabilities and stockholders' equity  |              |            |
| Current liabilities   |              |            |
| Accounts payable  | \$ 442,904   | \$ 403,1   |
| Due to stockholders   | 163,515      | 151,0      |
| Notes payable to stockholders   | 327,367      | 337,3      |
| Note payable to vendor  | 63,511       | --         |
| Advances  | 665,000      | 665,0      |
| Accrued compensation  | 425,325      | 341,7      |
| Accrued interest payable  | 813          | 4,5        |
| Total current liabilities   | 2,088,435    | 1,902,8    |
| Stockholders' equity  |              |            |
| Preferred stock, \$1 par value, 500,000 shares authorized,<br>100,000 outstanding at December 31, 2005 and September 30, 2005   | 100,000      | 100,0      |
| Common stock, \$0.0001 par value, 200,000,000 shares authorized;<br>136,311,277 and 135,461,277 outstanding at December 31, 2005 and<br>September 30,2005, respectively | 13,631       | 13,5       |
| Additional paid-in capital  | 28,006,966   | 27,922,0   |
| Stock subscriptions receivable  | (6,650,500)  | (6,690,0   |
| Retained earnings (deficit)   | (18,803,731) | (18,431,9  |
| Total stockholders' equity (deficit)  | 2,666,366    | 2,913,6    |
| Total liabilities and stockholders' equity  | \$ 4,754,801 | \$ 4,816,5 |

See notes to financial statements.

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URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Operations  
For the three months ended December 31, 2005 and 2004  
(UNAUDITED)

|       |       |
|-------|-------|
| 2005  | 2004  |
| ----- | ----- |

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|  |              |              |
|--|--------------|--------------|
| Revenues   | \$ 33,035    | \$ 100,016   |
|  | -----        | -----        |
| Expenses:  |              |              |
| Satellite and uplink services                        | 102,899      | 80,109       |
| Master control and production                        | 38,035       | 83,200       |
| Programming  | 14,938       | --           |
| Affiliate relations                                  | 27,388       | --           |
| Station operating costs                              | --           | 89,115       |
| Technology expenses                                  | 43,130       | 46,230       |
| Administration                                       | 153,238      | 609,149      |
| Depreciation and amortization                        | 20,609       | 22,937       |
|  | -----        | -----        |
| Total expenses                                       | 400,237      | 930,740      |
|  | -----        | -----        |
| Income (loss) from operations                        | (367,202)    | (830,724)    |
| Other (income) expense                               |              |              |
| Interest expense (net)                               | (4,536)      | (6,004)      |
|  | -----        | -----        |
| Net loss   | \$ (371,738) | \$ (836,728) |
|  | -----        | -----        |
| Earnings per share:                                  |              |              |
| Net income (loss)                                    | \$ (0.00)    | \$ (0.01)    |
| Weighted average number of common shares outstanding | 182,236,277  | 72,212,619   |

See notes to financial statements.

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URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Cash Flows  
For the three months ended December 31, 2005 and 2004  
(UNAUDITED)

|   | 2005         | 2004         |
|---|--------------|--------------|
|   | -----        | -----        |
| Operating Activities  |              |              |
| Net (loss)  | \$ (371,738) | \$ (836,728) |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |
| Depreciation and amortization   | 20,609       | 22,937       |
| Common stock issued for services  | 10,000       | 294,000      |
| Changes in operating assets and liabilities:                                      |              |              |

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|   |           |            |
|---|-----------|------------|
| Accounts receivable                               | 2,310     | 10,915     |
| Accounts payable                                  | 39,712    | 26,489     |
| Accrued interest expense                          | (3,752)   | (2,993)    |
| Accrued compensation                              | 83,565    | 26,000     |
| Deferred income                                   | --        | (24,750)   |
|   | -----     | -----      |
| Net cash provided by operating activities         | (219,294) | (484,130)  |
|   | -----     | -----      |
| Investing Activities                              |           |            |
| Capital expenditures                              | --        | --         |
|   | -----     | -----      |
| Net cash (used in) investing activities           | --        | --         |
|   | -----     | -----      |
| Financing Activities                              |           |            |
| Collection on stock subscription receivable       | 39,500    | 100,000    |
| Proceeds from bridge loans                        | --        | 508,541    |
| Payment on loans and note payables                | (9,000)   | (2,000)    |
| Proceeds from loans and note payable              | 150,011   | --         |
|   | -----     | -----      |
| Net cash provided by financing activities         | 180,511   | 606,541    |
|   | -----     | -----      |
| Increase (decrease) in cash                       | (38,783)  | 122,411    |
| Cash at beginning of period                       | 40,369    | 8,995      |
|   | -----     | -----      |
| Cash at end of period                             | \$ 1,586  | \$ 131,406 |
|   | -----     | -----      |
| Supplemental disclosure of cash flow information: |           |            |
| Cash paid during the period for:                  |           |            |
| Interest  | \$ 5,508  | \$ 9,000   |
| Income taxes                                      | \$ --     | \$ --      |
| Non-cash transactions:                            |           |            |
| Common stock issued for note conversions          | \$ 75,000 | \$ --      |
| Common stock issued for services                  | \$ 10,000 | \$ 294,000 |

See notes to financial statements.

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005  
(UNAUDITED)

1. BASIS OF PRESENTATION:

The unaudited financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such SEC rules and regulations; nevertheless, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial

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statements and the notes hereto should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for the year ended September 30, 2005, which was filed January 13, 2006. In the opinion of the Company, all adjustments, including normal recurring adjustments necessary to present fairly the financial position of Urban Television Network Corporation as of December 31, 2005 and the results of its Operations and cash flows for the quarter then ended, have been included. The results of operations for the interim period are not necessarily indicative of the results for the full year.

### ACCOUNTING POLICIES:

There have been no changes in accounting policies used by the Company during the quarter ended December 31, 2005.

## 2. Significant Accounting Policies

### Description of Business

Urban Television Network Corporation (the "Company") formerly known as Waste Conversion Systems, Inc. was incorporated under the laws of the state of Nevada on October 21, 1986. The principal office of the corporation is 2707 South Cooper Street, Suite 119, Arlington, Texas 76015.

In January 2002, the Company underwent a change of control in connection With Urban Television Network Corporation, a Texas corporation, (Urban-Texas) Agreeing to deposit \$100,000 into an attorneys escrow account in return for receiving a balance sheet with no assets and no liabilities. The directors of the Company appointed Urban-Texas officers as new officers of the Company, and at the same time resigned their board positions and appointed the directors of Urban-Texas as the Company's new board of directors. Urban-Texas agreed to deposit 300,000 shares of the Company's common stock into the attorney's escrow account after the completion of the Stock Exchange Agreement described below, dated February 7, 2003.

On May 1, 2002, the Company entered into an agreement with Urban-Texas to acquire the rights to the Urban-Texas affiliate network signal space which included the assignment of the Urban-Texas broadcast television station affiliates for 16,000,0000 shares of common stock, which became 800,000 after a 1 for 20 reverse stock split.

On February 7, 2003, the Company entered into a Stock Exchange Agreement with the majority shareholders of Urban-Texas. Among other things, the Agreement provided for the Company's purchase of approximately 90% of the issued and outstanding capital stock of Urban-Texas (13,248,000 of 14,759,000 shares) in exchange for the Company's issuance of 13,248,000 shares of its authorized but unissued common stock, \$.0001 par value (the "Exchange Shares"), to the majority shareholders of Urban-Texas. In June 2003, the remaining 10% of Urban- Texas was acquired by Company.

Urban-Texas is considered the accounting acquirer, and the accompanying financial statements include the operations of Urban-Texas from the earliest period presented. The Company operated from May 1, 2002 to February 7, 2003 as a 71% subsidiary of Urban-Texas, a predecessor entity to the existing business. The May 1, 2002 and February 7, 2003 transactions with the Company are presented as a recapitalization of Urban-Texas.

The Company is authorized to issue 200,000,000 shares of \$.0001 par value stock and 500,000 shares of \$1.00 par value preferred stock.



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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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(UNAUDITED)

## 2. Significant Accounting Policies - continued

The Company is engaged in the business of supplying programming to broadcast television stations and cable systems. Formerly the Company's business had been the marketing of thermal burner systems that utilize industrial and agricultural waste products as fuel to produce steam, which generates electricity, air-conditioning or heat.

On September 30, 2005, the Company entered into an agreement with GeoTec Thermal Generators, Inc. to acquire 200,000 tons of mined coal in exchange for 100,000 shares of Preferred Stock, which may be converted into the Company's Common Stock, at the sole discretion of the GeoTec Thermal Generators, Inc., at any time in an amount equal to the purchase price at the stock bid price of \$.10 on September 30, 2005.

The Company is actively pursuing the sale of the mined coal reserves to utility companies and other companies that use coal as an alternative fuel. Also the coal reserves have related federal income tax credits resulting from the Super Fund established by The Federal Government that can be sold to other companies and the Company is actively pursuing buyers for these tax credits.

### Accounting Method

The Company records income and expenses on the accrual method.

### Revenue Recognition

The Company's sources of revenues include the sale of short-form national and local spot advertising and long-form program time slots. The Company's policy is to recognize the revenue associated with these sources of revenue at the time that it inserts the short-form advertising spots or airs the long-form program at the network or local level.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions are eliminated. The Company owns 100% of Urban Television Network Corporation, a Texas corporation and 100% of Waste Conversion Systems Of Virginia, Inc.

### Coal Reserves

The Coal reserves owned by the Company are recorded at lower of cost or net Realizable value. Net realizable value is the estimated price at which the coal reserves can be sold in the normal course of business after allowing for the cost of processing and sale. Such cost will be depreciated using the units-of-production method as the coal reserves are sold.

### Non Goodwill Intangible Assets

Intangible assets other than goodwill consist of network assets acquired by

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purchase. They are being amortized over their expected lives of 5 years and are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. No impairment loss was recognized during the reporting periods. On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Intangible Assets. This provides that a recognized intangible shall be amortized over its useful life to the reporting entity unless that life is determined to be indefinite. The amount of an intangible asset to be amortized shall be the amount initially assigned to that asset less any residual value.

### Issuance of Common Stock

The issuance of common stock for other than cash is recorded by the Company at management's estimate of the fair value of the assets acquired or services rendered.

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005  
(UNAUDITED)

## 2. Significant Accounting Policies - continued

### Income (Loss) Per Share

Income (loss) per common share is calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". Basic Income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed similar to basic net income (loss) per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Stock options and warrants are anti-dilutive, and accordingly, are not included in the calculation of income (loss) per share.

### Comprehensive Income

Comprehensive income (loss) and net income (loss) are the same for the Company.

### Cash

For purposes of the statement of cash flows, the Company considers unrestricted cash and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash.

### Concentration of Credit Risk

The Company at times maintains cash in excess of federally insured limits. The amount in excess of the federally insured limits at December 31, 2005 was \$-0-.

### Advertising Costs

The Company expenses non-direct advertising costs as incurred. The Company

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did not incur any direct response advertising costs for the three months ended December 31, 2005 and 2004.

### Stock Based Compensation

The Company accounts for equity instruments issued to employees for services based on the fair value of the equity instruments issued and accounts for equity instruments issued to other than employees based on the fair value of the consideration received or the fair value of the equity instruments, whichever is more reliably measurable. The determined value is recognized as an expense in the accompanying consolidated statements of operations.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Recent Accounting Standards

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4." This Statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted materials. This Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The initial application of SFAS No. 151 will have no impact on the Company's financial statements.

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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(UNAUDITED)

## 2. Significant Accounting Policies - continued

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions - an amendment of FASB Statements No. 66 and 67." This Statement references the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position 04-2, "Accounting for Real Estate Time-Sharing Transactions." This Statement also states that the guidance for incidental operations and costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. The initial application of SFAS No. 152 will have no impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29." This Statement eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets

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that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect application of SFAS No. 153 to have a material affect on its financial statements.

In December 2004, the FASB issued a revision to SFAS No. 123, "Share-Based Payment." This Statement supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. It establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement No. 123 as originally issued and EITF Issue No. 96-18. This Statement is effective for public entities that file as small business issuers as of the beginning of the first fiscal period that begins after December 15, 2005. The Company has not yet determined the impact of SFAS No. 123 (revised) on its financial statements.

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 154, "Accounting Changes and Error Corrections." SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle, requiring, in general, retrospective application to prior periods' financial statements of changes in accounting principle. The Company has adopted the provisions of SFAS No. 154 which are effective for accounting changes and corrections of errors beginning after December 15, 2005. The adoption did not have a material effect on the results of operations of the Company.

### Stock Options

The Company accounts for non-employee stock options under SFAS 123, whereby option costs are recorded at the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliable measurement, in accordance with EITF 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services".

### Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform with current year presentation.

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### 3. Accounts receivable

Accounts receivable consists of normal trade receivables. The Company assesses the collectibility of its accounts receivable regularly. Based on this assessment, an allowance for doubtful accounts is recorded. At December 31, 2005, an allowance for doubtful accounts was not considered necessary.

### 4. Network Assets - Amortization

Network assets consist of intangibles other than Goodwill. These assets are recorded at cost and consist of amounts paid to acquire the television network affiliate base from Hispanic Television Network, plus technology consulting directly related to setting up the affiliate network. These assets automatically renew every year unless either party terminates the agreement by such notification to the other party. A useful life of five (5) years is estimated for the assets. These agreements are not expected to be terminated by either party prior to its useful life period. Total amortization of these assets has been \$138,806 and the amortization for the three months ended December 31, 2005 and 2004 was \$6,260 and \$9,781, respectively.

Future amortization of the Network assets at December 31, 2005 will be \$56,822 and on an annual basis be as follows:

|                               |          |
|-------------------------------|----------|
| Year ended September 30, 2006 | \$18,780 |
| Year ended September 30, 2007 | \$25,040 |
| Year ended September 30, 2008 | \$13,002 |

### 5. Coal Reserves

By agreement dated September 30, 2005 with GeoTec Thermal Generators, Inc., the Company acquired 200,000 tons of mined coal in exchange for 100,000 shares of preferred Stock, which may be converted into the Company's common stock, at the sole discretion of the GeoTec Thermal Generators, Inc., at any time in an amount equal to the purchase price, which based on the bid price of \$.10 price on September 30, 2005, was valued at \$4,600,000. GeoTec Thermal Generators, Inc. has other coal in other locations in the United States and the agreement allows the Company to substitute coal in these other locations, which the Company may exercise this right if it for example would expedite the delivery process.

### 6. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment, their estimated useful lives, and related accumulated depreciation are summarized as follows:

|                                   | Range of<br>Lives in<br>Years | December 31,<br>2005 | September 30,<br>2005 |
|-----------------------------------|-------------------------------|----------------------|-----------------------|
|                                   | -----                         | -----                | -----                 |
| Master Control, Editing Equipment | 3-5                           | \$ 84,074            | \$ 84,074             |
| Studio and Production Equipment   | 3-5                           | 60,500               | 60,500                |
| Production Van                    | 5                             | 45,000               | 45,000                |
| Affiliated Receiver Equipment     | 5                             | 20,247               | 20,247                |
|                                   |                               | -----                | -----                 |
|                                   |                               | 209,821              | 209,821               |
| Less: Accumulated Depreciation    |                               | (126,650)            | (112,301)             |
|                                   |                               | -----                | -----                 |
|                                   |                               | \$ 83,171            | \$ 97,520             |

=====

The Company acquired equipment totaling \$ -0- and \$ -0- during the three months ended December 31, 2005 and 2004, respectively. Total depreciation expense for the three months ended December 31, 2005 and 2004 was \$14,349 and \$13,516, respectively.

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005  
(UNAUDITED)

7. Related Party Transactions

In May 2002, the Company issued 16,000,000 (800,000 after the 1 for 20 Reverse) shares to Urban Television Network Corporation, a Texas corporation for asset purchase of network assets - See footnote 1.

The Company has leased office space from one its shareholders and director for \$2,000 per month. The total rental expense for the years ended September 30, 2004 was \$24,000.

In year 2003, the Company began using the services of a company owned by shareholders, one being a director of the Company, that provides the Company with the equipment and master control services to put the Company's programming on the satellite for the broadcast affiliates to receive and rebroadcast to their local markets. During the periods ended September 30, 2004 the total expense paid out for these services was \$430,367.

The Company uses the services of a company owned by shareholders to provide it with technology services including Internet and affiliate relations. During the periods ended December 31, 2005 and 2004 the total expense paid Out for these services was \$43,130 and \$46,230 respectively.

During the period ended September 2003, the Company executed an interest bearing note with a shareholder. The principal borrowed of \$168,765 plus accrued interest of \$29,750 were converted to a non-interest payable to the shareholder. As discussed below, the shareholder agreed to reduce the Company payable by \$198,515 to apply towards the purchase of common stock by Wright Entertainment LLC during the period ended September 30, 2004. In December 2004, this payable was reinstated in conjunction with the termination of the Wright Entertainment LLC subscription agreement and the execution of the World One Media Group, Inc. subscription Agreement discussed later in this Note 7. This note was converted to 1,000,000 shares of common stock in February of 2005.

The Company executed an interest bearing note with a shareholder of the Company during the year ended September 30, 2003 to pay operating expenses. During the year ended September 30, 2003 the amounts loaned totaled \$132,200. During the year ended September 30, 2004, the Company repaid \$130,000 and the remaining \$2,200 was repaid during the year ended September 30, 2005.

The Company executed an interest bearing note with a shareholder of the Company during the year ended September 30, 2004 to pay operating expenses.

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During the year ended September 30, 2004 the amounts loaned totaled \$400,000. In September 2005, \$228,290 of this note was converted to 2,282,900 shares of common stock by the noteholder and the remaining balance of \$171,710 was extended to March 31, 2006. See Note 8 disclosure of terms, interest rate and conversion privileges.

On October 30, 2003, the Company completed a stock subscription agreement with Wright Entertainment, LLC, a Nevada limited liability company, whose owner and managing director is Lonnie G. Wright, Chairman and Chief Executive Officer of the Company. Wright Entertainment, LLC entered into the stock subscription agreement for Fourteen Million (14,000,000) common shares for Seven Million (\$7,000,000) Dollars or Fifty (\$0.50) Cents per share. The stock sale was structured as an installment stock sale. The terms of the stock sale are as follows: \$500,000 down, the \$6,500,000 balance payable on a promissory note at \$875,000 Dollars quarterly, including 6% interest on the declining balance. A portion (\$200,000) of the \$500,000 down payment was satisfied by one of the Company's lenders forgiving \$198,515 of advances due the lender and \$1,485 of accrued interest on a note payable to the lender. As part of the definitive agreement, between the Company, Wright Entertainment LLC and World One Media Group, Inc. discussed in the next paragraph this stock subscription agreement for 14,000,000 shares was termination and the 4,000,000 shares that had been issued to Wright Entertainment LLC's for management services and to be vested upon Wright Entertainment LLC's completed the payment for its subscription agreement were cancelled. The definitive agreement calls for the Company to pay Wright Entertainment LLC, owned by Lonnie G. Wright, \$300,000 (\$60,000 at the signing and \$15,000 per month for sixteen months beginning January 15, 2005) and issue Wright Entertainment LLC 1,000,000 shares of the Company's restricted common stock.

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005  
(UNAUDITED)

7. Related Party Transactions - continued

On December 13, 2004, we entered into a definitive agreement with World One Media Group, Inc., a Nevada corporation. The definitive agreement called for World One to purchase 70,000,000 restricted common shares for \$7,000,000. The subscription agreement signed on December 23, 2004 set the terms of the installment purchase at \$100,000 being paid on December 23, 2004 and with a promissory note bearing no interest being executed for the remaining \$6,900,000 and being paid at the rate of \$150,000 every 45 days beginning on January 31, 2005 until promissory note has been paid in full.

All the shares are pledged as collateral for the promissory note and will be physically held by the Company. Additionally, World One will be issued warrants for 30,000,000 (reduced by mutual agreement from the original 80,000,000 warrant) shares of common stock that can be exercised for \$.01 per share at any time after the Company's stock price has maintained a \$10 bid price for 20 consecutive trading days. The total warrants exercisable will be subject the available authorized and unissued shares of the Company at the time of exercise.

On July 26, 2005, the Board of Directors voted to (1) terminate the stock

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subscription agreement with Dove Media Group, Inc. (formerly known as World One Media Group, Inc.) due to its nonpayment of required installment payments, (2) cancel the 70,000,000 shares issued and held by the Company as security on the stock subscription agreement, (3) reissue 2,500,000 shares to Dove Media Group, Inc. for \$250,000 that it paid towards the stock subscription Agreement and (4) cancel the 5,000,000 shares that had been authorized for Dr. Ajibike Akinkoye for services to be rendered.

On July 29, 2005, we entered into a stock subscription agreement with Miles Investment Group, Inc., a Texas limited liability company controlled by Jacob R. Miles III, a shareholder and the Company's Chief Executive Officer. The agreement calls for Miles Investment Group, LLC to purchase 69,000,000 restricted common shares for \$6,900,000 on an installment basis over a 28 month period with the terms being \$100,000 as a down payment and \$250,000 per month beginning on September 1, 2005 and the first each month thereafter until the total of \$6,800,000 has been paid in full. The Company has deferred payments on the stock subscription agreement until January 31, 2006, in consideration for Miles Investment Group LLC bringing the coal reserves deal to the Company. All the shares are pledged as collateral for the promissory note and will be physically held by the Company. Additionally, Miles Investment Group, LLC will be issued warrants for 30,000,000 shares of restricted common stock that can be exercised for \$.01 per share on the following basis: (1) three million shares at any time after the Company's stock bid price on the OTCBB exchange has maintained a \$1.50 price for 10 consecutive trading days, (2) seven million shares at any time after the Company's stock bid price on the OTCBB exchange has maintained a \$3.00 price for 10 consecutive trading days, (3) ten million shares at any time after the Company's stock bid price on the OTCBB exchange has maintained a \$5.00 price for 10 consecutive trading days and (4) ten million shares at any time after the Company's stock bid price on the OTCBB exchange has maintained a \$6.00 price for 10 consecutive trading days.

### 8. Notes Payable and Advances

|   | December 31,<br>2005 | September 30,<br>2005 |
|---|----------------------|-----------------------|
|   | -----                | -----                 |
| Notes payable to stockholders at 6% interest payable on September 30, 2004  | \$ 657               | \$ 657                |
| Note payable to stockholder at 6% interest payable March 31, 2006 (1)   | 171,710              | 171,710               |
| Note payable to stockholders at 6% due upon sale of coal reserves   | 65,000               | --                    |
| Note payable to stockholder at no interest payable \$15,000 per month, on 15th of month, final payment due April 15, 2006 (2) | 90,000               | 165,000               |
| Note payable to vendor at 12% interest payable on April 30, 2006 (3)  | 63,511               | --                    |
| Advances from shareholders (4)  | 163,515              | 151,015               |
| Advances from a non-related party that the Company expects to convert to a note payable with terms of at least one year       | 665,000              | 665,000               |
|   | -----                | -----                 |
|   | \$ 1,219,393         | \$ 1,153,382          |
|   | -----                | -----                 |



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8. Notes Payable and Advances - cotinued

(1) The holders of the March 2006 note and vendor note have a UCC-1 lien against the Company's assets. The March 2006 note originally due on August 31, 2005 was extended by the noteholder to March 31, 2006 in consideration for the Company issuing the noteholder 200,000 shares of common stock, which the Company valued at \$20,000 and the conversion ratio from five shares to ten shares of common stock for each dollar of loan amount plus accrued interest through the date of conversion.

(2) The holder of the \$165,000 note converted \$75,000 of the note balance into 750,000 shares of the Company's common stock in October 2005.

(3) Westar Satellite Services was granted 100,000 warrants at an exercise Price \$0.12 per share for a period of three years from November 7, 2005.

(4) The advances from shareholders are due on demand and do not bear Interest.

9. Income Tax

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This standard requires, among other things, recognition of future tax consequences, measured by enacted tax rates attributable to taxable and deductible temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in the deferred tax asset and liability.

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities did not give rise to significant portions of deferred taxes at December 31, 2005 and September 30, 2005.

The (provision) benefit for income tax consist of the following:

|          | December 31,<br>2005 | September 30,<br>2005 |
|----------|----------------------|-----------------------|
|          | -----                | -----                 |
| Current  | \$ 0                 | \$ 0                  |
| Deferred | 0                    | 0                     |
|          | -----                | -----                 |
|          | \$ 0                 | \$ 0                  |
|          | =====                | =====                 |

The Company's utilization of any tax loss carryforward available to it will be significantly limited under Internal Revenue Code Section 382, if not totally, by recent stock issuances and changes in control. The Company has established a 100% valuation allowance until such time as it is decided that any tax loss carryforwards might be available to it. The Company accounts for income taxes pursuant to the Statement of Financial Accounting

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Standards No.109. The Company has no current or Deferred income tax component. For the year ended September 30, 2005, the Valuation Allowance increased by approximately \$425,000. During the three months ended December 31, 2005, the Valuation Allowance increased by approximately \$110,000.

### 10. Capital Stock

The Company has authorized 200,000,000 common shares with a par value of \$0.0001 per share. Each common share entitles the holder to one vote, in person or proxy, on any matter on which action of the stockholders of the corporation is sought.

The Company began operations by completing the acquisition of Urban Television Network Corporation, a Texas corporation, in two steps; (1) in May of 2002 the Company issued 16,000,000 shares (800,000 after the 1 for 20 reverse) and (2) in February of 2003, the Company entered into an Exchange Agreement with the majority shareholders of Urban Television Network Corporation, a Texas corporation (Urban-Texas) to acquire 90% of the issued and outstanding capital stock of Urban-Texas in return for 13,248,000 shares of the Company's common stock - See footnote 1.

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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### 10. Capital Stock - continued

In September 2002, issuing 100,000 (5,000 after the 1 for 20 reverse) shares to Hispanic Television Network, Inc. as part of the mutual settlement agreement between the two companies to cancel the Satellite Transponder Service Agreement and notes payable/receivable.

On November 21, 2002 the Company completed a 1:20 reverse stock split and amending its Articles of Incorporation to increase its authorized common shares to 200,000,000 and adjust its par value to \$0.0001 per share.

During the year ended September 30, 2003, the Company issued 7,275,000 shares of its common stock to for consulting, legal and management services which the company valued at \$811,250.

During the year ended September 30, 2004, the Company issued 21,308,000 shares of its common stock to for consulting, legal, vendor payments and management services which the company valued at \$4,771,450.

During the year ended September 30, 2005, the Company issued 4,150,000 shares of its common stock to for consulting, legal, vendor payments and management services which the company valued at \$427,000.

During the period ended September 30, 2003, the Company issued 1,957,300 shares of its common stock to Bridge Loan Lenders who elected to convert \$978,650 of bridge loans to common stock at the rate of 2 shares for each dollar of bridge loan converted.

During the period ended September 30, 2004, the Company issued 4,135,441

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shares of its common stock to Bridge Loan Lenders who elected to convert \$1,852,648 of bridge loans to common stock at an average conversion price of \$.45 per share.

During the period ended September 30, 2005, the Company issued 9,276,100 shares of its common stock to Bridge Loan Lenders who elected to convert \$936,922 of bridge loans to common stock at an average conversion price of \$.10 per share.

In the fiscal years ended September 30, 2004 and 2005 the Company entered into three stock subscription agreements, of which two have been terminated, with three different minority groups for a majority ownership interest in the Company's common stock. Following is a summary of the stock transactions involved in those agreements, which or more fully described in Note 7 - Related Party Transactions;

| Date of Agreement     | Name of Group          | Number of Shares Issued | Value Assigned To Shares | Note Value     | Warrants Issued |
|-----------------------|------------------------|-------------------------|--------------------------|----------------|-----------------|
| 10/30/03              | Wright Entertainment   | 18,000,000              | \$ 9,000,000             | \$ 6,800,000   |                 |
| 12/13/04              | Wright Entertainment   | (18,000,000)            | \$ (9,000,000)           | \$ (6,800,000) |                 |
| 12/13/04              | World One Media Group  | 70,000,000              | \$ 7,000,000             | \$ 6,750,000   | 30,000,000      |
| 7/26/05               | World One Media Group  | (67,500,000)            | \$ (6,750,000)           | \$ (6,750,000) | (30,000,000)    |
| 7/29/05               | Miles Investment Group | 69,000,000              | \$ 6,900,000             | 6,690,000      | 30,000,000      |
| Net Effect at 9/30/05 |                        | 71,500,000              | \$ 7,150,000             | \$ 6,690,000   | 30,000,000      |

Miles Investment Group has the right to exercise the warrants for \$0.01 per share if market bid price for the Company's common stock are reached as described in Note 7 - Related Party Transactions.

In February 2005, the Company issued 1,000,000 shares of its common stock to a bridge loan holder who converted a \$200,000 bridge loan at the rate of 5 shares for each \$1.00 of bridge loan.

In September 2005, the Company issued 200,000 shares of its common stock to the noteholder of the \$171,710 note payable discussed in Note 8 as part of the consideration for the noteholder agreeing to extend the note to March 31, 2006.

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10. Capital Stock - continued

In October 2005, a stockholder who had a note balance of \$165,000 due from the Company converted \$75,000 of the note into 750,000 shares of the Company's restricted common stock.

In December 2005, the Company issued 100,000 shares of its restricted

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common stock for consulting services rendered to the Company, which the Company valued at \$10,000.

### Warrants

In connection with a vendor converting a payable to note payable, the Company Issued the vendor 100,000 warrants that can be exercised over a five year period at the exercise price of \$.25 per share.

### Non-Qualified Stock Grant and Option Plan

The Company is authorized to issue up to 6,800,000 shares of common stock under its 2003 Non-Qualified Stock Grant and Option Plan (the "Plan") through an S-8 registration, as amended. This Plan is intended to serve as an incentive to and to encourage stock ownership by certain directors, officers, employees of and certain persons rendering service to the Company, so that they may acquire or increase their proprietary interest in the success of the Company, and to encourage them to remain in the Company's service. During the year ended September 30, 2003, the Company had distributed 1,900,000 of the shares through grants. During the year ended September 30, 2004, the Company had distributed 1,586,000 of the shares through grants. During the year ended September 30, 2005, the Company distributed 200,000 of the shares through grants.

## 11. Preferred Stock

The Articles of Incorporation of the Company authorize issuance of a maximum of 500,000 shares of nonvoting preferred stock with a par value of \$1.00 per share. The Articles of Incorporation grant the Board of Directors of the Company authority to determine the designations, preferences, and relative participating, optional or other special rights of any preferred stock issued.

No preferred shares had been issued as of September 30, 2004.

On September 30, 2005, the Company entered into an agreement with GeoTec Thermal Generators, Inc. to acquire 200,000 tons of coal in exchange for 100,000 shares of preferred Stock, which may be converted into the Company's common stock, at the sole discretion of the GeoTec Thermal Generators, Inc., at any time in an amount equal to the purchase price at the stock bid price of \$.10 on September 30, 2005. The 100,000 shares of preferred stock do not have any voting rights or preferences, except for the conversion privilege.

## 12. Commitments and Contingencies

### Satellite Transponder Lease

In December 2005, the Company renewed its Satellite space segment service agreement with Intelsat, Inc. for 6 MHz of satellite bandwidth on Intelsat 5 for a period of five years ending on October 31, 2010 at the rate of \$17,850 per month. For the periods ended December 31, 2005 and 2004, the amounts expensed were \$53,936 and \$54,129, respectively.

Future lease payments due during the term of the lease ending on October 31, 2010 will equal \$36,086 and be due as follows:

|                               |           |
|-------------------------------|-----------|
| Year ended September 30, 2006 | \$160,650 |
| Year ended September 30, 2006 | \$214,200 |
| Year ended September 30, 2006 | \$214,200 |
| Year ended September 30, 2006 | \$214,200 |
| Year ended September 30, 2006 | \$196,350 |

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12. Commitments and Contingencies - continued

Signal Uplink Lease

The Company renewed its Full Time Broadcast Agreement with Westar Satellite Services, LP on October 15, 2005 for a full time redundant 6 MHz digital C-band uplink service for a period of five years ending on October 31, 2010 at the rate of \$8,800 per month. For periods ended December 31, 2005 and 2004 the amounts expensed for Uplink services were \$26,200 and \$24,000, respectively.

Future lease payments due during the term of the lease ending on October 31, 2010 will equal \$36,086 and be due as follows:

|                               |           |
|-------------------------------|-----------|
| Year ended September 30, 2006 | \$ 79,200 |
| Year ended September 30, 2006 | \$105,600 |
| Year ended September 30, 2006 | \$105,600 |
| Year ended September 30, 2006 | \$105,600 |
| Year ended September 30, 2006 | \$ 96,800 |

Facilities Space Lease

The Company entered into a lease for office space on March 15, 2002 for a period of three years ending on March 31, 2005, which was terminated in March of 2004. The amount expensed on this lease for year ended September 30, 2004 was \$14,000.

The Company entered into a lease for office and uplink space on March 1, 2004 for a period of one year ending on February 28, 2005 and renewed the lease through February 28, 2006 at the rate of \$2,447 per month. For periods ended December 31, 2005 and 2004, the amount expensed for this office space lease was \$7,341 and \$6,990, respectively.

The Company entered into a lease for additional space at the its corporate Headquarters facilities on April 1, 2005 for one year ending on March 31, 2006 With an option to renew for five years at 5% increase per year at the initial Rate of \$4,130 per month. For the three months ended December 31, 2005 the amount expensed for this office space lease was \$12,390.

Future lease payments due during the year ended September 30, 2006 will equal \$78,924 assuming that the leases are renewed at their current rate plus the 5% annual increase.

Employment Agreements

Mr. Randy Moseley is employed pursuant to a five-year employment agreement that commenced on October 2, 2002. The agreement provides for a base annual salary equal to \$200,000 and a possible annual cash bonus as determined by the Board of Directors and/or the Compensation Committee. In October 2003,

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the employment agreement of Mr. Moseley was extended and amended to allow for the naming of a new President and Chief Executive Officer for the Company. Mr. Moseley accepted the officer position of Executive Vice President and Chief Financial Officer and agreed to defer the payment of his salary for the period from October 2, 2002 to September 30, 2003 with this deferred year being added to the end of the original employment term to make the term of the employment agreement now end on September 30, 2008. During period ended December 31, 2005 and September 30, 2005 and 2004, \$50,000 and \$150,000 of Mr. Moseley's annual compensation was accrued as a payable.

### Legal Matters

In June of 2004, the Company was granted a motion for default judgment and entry of permanent injunction against a former independent contractor and his companies. The default judgment is for \$1,575,850 and the permanent injunction is against the defendants, their officers, agents, employees, and all persons acting in concert with them. The defendants were further enjoined from contacting the directors, officers, agents, consultants, servants, and employees of the Company. The Company has made the decision not to record the default judgment as an asset until at such time as it is confident that asset value can be recovered from the defendants.

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Urban Television Network Corporation  
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### 12. Commitments and Contingencies - continued

In August of 2004, the Company settled a lawsuit brought by Three F Productions, Inc. vs. Pacific Family Entertainment LLC, et al. which included the Company as a defendant as the result of the Company airing a program that Pacific Family Entertainment had represented as having the copyright and rights to air. The settlement amount for the Company was \$50,000 to be paid at the rate of \$5,000 per month beginning September 1, 2004. In June 2005, the Company completed the payment of the \$50,000 and received a Stipulation For Dismissal of Action Against Urban Television Network Corporation with Prejudice from Three F Productions.

The Company is party to legal action pending in the United States District Court for the Central District of California, Los Angeles Division. It is styled Walter E. Morgan, Jr. vs. Urban Television Network Corporation et al. This action is subject to pending motions to dismiss which are predicated

upon the following: The claims of the Plaintiff do not appear to have merit in that they should have been brought in a previous case wherein the Company took a judgment against Mr. Morgan in excess of \$1,500,000 (as discussed above) in the U.S. District Court for the Northern District of Texas, Fort Worth Division. Mr. Morgan and his related companies appealed the judgment which was dismissed sua sponte by the U.S. Court of Appeals for the Fifth Circuit.

13. Going Concern

The Company has suffered recurring losses from operations and has a deficit in both working capital and stockholders' equity. In order for the Company to sustain operations and execute its television broadcast and programming business plan, capital will need to be raised to support operations as the company executes its business plan. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company may raise additional capital through operating cash flows, the sale of its equity securities, or debt securities. Subsequent to December 31, 2005, the Company has raised additional capital of approximately \$90,000 from shareholder advances.

Item 2. Management's Discussion and Analysis or Plan of Operation.

This Form 10-QSB contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "will," or similar terms. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations for its limited history; (ii) the Company's business and growth strategies; (iii) the Internet and Internet commerce; and, (iv) the Company's financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the Company's limited operating history, dependence on key management, financing requirements, government regulation, technological change and competition. Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this Quarterly Report on Form 10-QSB and our Form 10-KSB for the period ended September 30, 2005 and our other filings with the U.S. Securities and

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Exchange Commission. These reports and filings attempt to advise interested parties of the risks and factors that may affect our business, financial condition and results of operations and prospects. The forward-looking statements made in this Form 10-QSB speak only as of the date hereof and we disclaim any obligation to provide updates, revisions or amendments to any forward-looking statements to reflect changes in our expectations or future events.

### Background

Urban Television Network Corporation (the "Company") formerly known as Waste Conversion Systems, Inc. was incorporated under the laws of the state of Nevada On October 21, 1986. The principal office of the corporation is 18505 Highway 377 South, Cresson, Texas 76035.

In January 2002, the Company underwent a change of control with the directors of the Company appointing the directors and officers of Urban Television Network Corporation, a Texas corporation, (Urban-Texas) as the new directors and officers of the Company, and at the same time resigning their board positions.

On May 1, 2002, the Company entered into an agreement with Urban-Texas to acquire the rights to the Urban-Texas affiliate network signal space which included the assignment of the Urban-Texas broadcast television station affiliates for 16,000,000 shares of common stock, which became 800,000 shares after the 1 for 20 reverse split in November 2002.

On February 7, 2003, the Company entered into a Stock Exchange Agreement with the majority shareholders of Urban-Texas to acquire approximately 90% of the issued and outstanding capital stock of Urban-Texas (13,248,000 of 14,759,000 shares) in exchange for the Company's issuance of 13,248,000 shares of its authorized but unissued common stock, \$.0001 par value (the "Exchange Shares"), to the majority shareholders of Urban-Texas. In June 2003, the remaining 10% of the Urban-Texas common stock was contributed to the Company.

Urban-Texas is considered the accounting acquirer, and the accompanying financial statements include the operations of Urban-Texas from the earliest period presented. The transaction with the Company is presented as a recapitalization of Urban-Texas.

The consideration exchanged in Stock Exchange Agreement was negotiated between the Company and Urban-Texas in a transaction with management. The management of the Company and Urban-Texas, were the same individuals. The transaction does not represent an arms-length transaction.

On October 30, 2003, the Company completed a stock subscription agreement with Wright Entertainment, LLC, a Nevada limited liability company, whose owner and managing director is Lonnie G. Wright, Chairman and Chief Executive Officer of

the Company. Wright Entertainment, LLC entered into the stock subscription agreement for Fourteen Million (14,000,000) common shares for Seven Million (\$7,000,000) Dollars or Fifty (\$0.50) Cents per share. The stock sale was structured as an installment stock sale. The terms of the stock sale are as follows: \$500,000 down, the \$6,500,000 balance payable on a promissory note at \$875,000 Dollars quarterly, including 6% interest on the declining balance. A portion (\$200,000) of the \$500,000 down payment was satisfied by one of the



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Company's lenders forgiving \$198,515 of advances due the lender and \$1,485 of accrued interest on a note payable to the lender. In December 2004, this subscription agreement was terminated by mutual agreement between the Company and Wright Entertainment LLC as well as the termination of 4,000,000 shares that has been issued to Wright Entertainment and were to be vested to Wright Entertainment upon the full payment of the subscription agreement.

On December 13, 2004, we entered into a definitive agreement with World One Media Group, Inc., a Nevada corporation. The definitive agreement called for World One to purchase 70,000,000 restricted common shares for \$7,000,000. The subscription agreement signed on December 23, 2004 set the terms of the installment purchase at \$100,000 being paid on December 23, 2004 and with a promissory note bearing no interest being executed for the remaining \$6,900,000 and being paid at the rate of \$150,000 every 45 days beginning on January 31, 2005 until promissory note has been paid in full. All the shares are pledged as collateral for the promissory note and will be physically held by the Company. Additionally, World One will be issued warrants for 80,000,000 shares of common stock that can be exercised for \$.01 per share at any time after the Company's stock price has maintained a \$10 bid price for 20 consecutive trading days. The total warrants exercisable will be subject the available authorized and unissued shares of the Company at the time of exercise.

As part of the definitive agreement, Wright Entertainment LLC which had previously entered into a stock subscription agreement for 14,000,000 shares agreed to the termination and cancellation of that agreement by the Company and further agreed to the termination and cancellation of 4,000,000 shares that had been issued in Wright Entertainment LLC's name and were to be vested when Wright Entertainment LLC completed the payment for its subscription agreement. The definitive agreement calls for the Company to pay Wright Entertainment LLC, owned by Lonnie G. Wright, \$300,000 (\$60,000 at the signing and \$15,000 per month for sixteen months beginning January 15, 2005) and issue Wright Entertainment LLC 1,000,000 shares of the Company's restricted common stock.

The Company is engaged in the business of supplying programming to independent Broadcast television stations and cable systems. Formerly the Company's business had been the marketing of thermal burner systems that utilize industrial and agricultural waste products as fuel to produce steam, which generates electricity, air-conditioning or heat.

The Company acquired a television network affiliate base from Hispanic Television Network, Inc. (HTVN). This television network provides television programming serving ethnic minority programming interests of the African-American population across the United States. The network presently includes approximately 74 broadcast television station affiliates in various parts of the country.

We are targeting the minority markets, primarily the African American and Hispanic Markets, because we believe that they present vast marketing opportunities and that are currently under-served by our competition. The African American market, composes approximately 13% of the U.S. population with a spending power in excess of \$600 billion. The Hispanic population is also approximately 13% of the U.S. total with a spending power also in the \$600+ billion range. With few competitors in broadcast television that are exclusively devoted to programming to the minority markets, we feel that there are attractive opportunities to provide a quality broadcasting service to the African American and Hispanic (especially bi-lingual and English speaking Hispanic programming) populations that together make up in excess of 25% of the U.S. population.

On July 10, 2004, the Company received a certificate from Nevada Minority Business Council, an affiliate of the National Minority Supplier Development Council, indicating that the Company qualifies as a Minority Owned and Managed

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Company, which has met the certification criteria established by the National Minority Supplier Development Council. The certification was renewed on February 1, 2005 for a one year period.

Our financial results depend on a number of factors, including the strength of the national economy and the local economies served by our affiliate stations, total advertising dollars dedicated to the markets served by our affiliate stations, advertising dollars dedicated to the African American and Hispanic

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consumers in the markets served by our affiliate stations, our affiliate stations' audience ratings, our ability to provide interesting minority focused programming, local market competition from other television stations and other media, and government regulations and policies, such as the multiple ownership rules, the ability of Class A affiliate stations to be considered must carry for cable systems to increase their distribution and the deadlines for television stations converting to digital signals.

Management is implementing a revenue generation plan that includes local advertising sales, for company operated stations, securing network advertising at the best available rate, uplinking other parties signals to the satellite, plus implementing a Technology plan to assist its affiliates with sale of their local advertising time. Management intends to increase rates as affiliate stations are added to the network. The implementation of this comprehensive plan is expected to have a positive affect upon sales revenues. In addition, the Company has added a focus to secure carriage agreements with cable and digital distribution companies.

### Revenues

Our primary source of revenue is the sale of advertising and programming time on our network and local stations. Our revenues are affected primarily by the advertising rates that we are able to charge for national advertising commercials on the Urban TV network and that the television stations we manage on a local basis are able to charge as well as the overall demand for African-American and Hispanic television advertising time. Advertising rates in general are determined primarily by:

- o the markets covered by broadcast television affiliates,
- o the number of competing African-American television stations in the same market as our affiliate stations,
- o the television audience share in the demographic groups targeted by advertisers, and
- o the supply and demand for African-American advertising time.

Seasonal fluctuations are also common to the broadcast industry and are due primarily to fluctuations in advertising expenditures by national and local advertisers. The first calendar quarter typically produces the lowest broadcast revenues for the year because of the normal post-holiday decreases in advertising.

Currently most of our network advertising has been sold to direct response and per inquiry advertisers. Going forward, we plan to deploy a network advertising team consisting of account executives that will solicit advertising directly from national advertisers as well as soliciting advertising from national

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advertising agencies. Locally managed stations will also have account executives that will solicit local and national advertising directly from advertisers and from advertising agencies in the local markets.

We market our advertising time on the Urban Television network to:

- o Advertising agencies and independent advertisers. We market commercial time to advertising agencies and independent advertisers. The monetary value of this time is based upon the estimated size of the viewing audience; the larger the audience, the more we are able to charge for the advertising time.

To measure the size of a viewing audience, networks and stations generally subscribe to nationally recognized rating services, such as Nielsen. We do not currently have the resources to subscribe to the Nielsen service and this hinders our ability to attract the larger advertising clients. Currently, a number of Urban Television's affiliate stations are located in the smaller market areas of the country, which is also not as desirable to the larger advertising clients. Our goal is to enter into affiliate agreements with television stations located in the top demographic market areas (ideally stations that are already on a cable system), which would give us the ability to justify the cost of Nielsen ratings that would in turn justify charging higher rates for our advertising time.

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- o Affiliate Stations. In exchange for providing programming and advertising time to our affiliate stations, we retain advertising time and gain access to the affiliate stations' markets. In a traditional broadcasting contract, an affiliate station would retain all available advertising time, which it would then sell to outside advertisers, and the network would receive a fee from the affiliate station. However, we believe that with a network such as ours that currently is composed primarily of small independent low power stations that cannot afford a significant affiliation fee, we will have the ability to generate larger revenues over time by taking half of the affiliates advertising time, aggregating a number of the affiliate stations and accumulating a large household coverage base. This household coverage base of over the air broadcast television stations (which a portion will be on local cable in their local markets) can then be used to market the retained commercial time to outside advertisers. Advertising time is generally a component of the programming contract with affiliate stations. As a result, our advertising spots are inserted into the programs that go to the affiliates and we do have to separately market the advertising time to our affiliate stations.
- o Program Owners: In exchange for licensing rights to select programming, the program owner retains half of the available advertising time in each program and we as the network get the other half of the available advertising time in each program. The program owner is then able to sell the advertising time he retains to outside parties. We obtain programming by contracting with program owners at the annual National Association of Television Program Executives convention and by contracting with program owners who during the year are looking for distributions sources. In the future, to acquire certain exclusive, original or first-run usage and licenses for programming, we may be required to incur upfront programming expenses.

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### Expenses

Our most significant expenses are satellite and uplink transmission costs, master control costs, technology expenses, employee compensation, advertising and promotional expenses, and production and programming expenses. In cases, where we may in the future incur upfront programming expenses to procure exclusive programming usages and licenses, upfront payments will, in most cases, be amortized over the applicable contract term. Until cash flow permits, we do not expect to acquire exclusive programming usages and licenses that require upfront costs. We will maintain tight controls over our operating expenses by contracting master control and centralizing network programming, finance, human resources and management information system functions. Depreciation of fixed assets and amortization of costs associated with the acquisition of additional stations are also significant elements in determining our total expense level.

As a result of attracting key officers and personnel to Urban Television, we may offer stock grants or options as an alternate form of compensation. In the event that the strike price of the stock option is less than the fair market value of the stock on the date of grant, any difference will be amortized as compensation expense over the vesting period of the stock options.

Our monthly operating expense level may vary from month to month due primarily to the timing of significant advertising and promotion expenses. We will incur significant advertising and promotion expenses associated with the growth of Urban Television and with the establishment of our presence in new markets associated with any new station lease or acquisition agreements. Increased advertising revenue associated with these advertising and promotional expenses will typically lag behind the incurrence of these expenses.

### Advertising and Program Time Sales

The majority of all revenues generated come from the sale of national advertising spots and program time slots and from advertising spots and program time slots on managed local television stations.

**National Spot Advertising.** National advertisers have the opportunity to buy "spot" advertising on a network wide basis or in specific markets. For example, an advertising agency in New York could purchase advertising spots on a program airing in a particular time period on all the affiliate stations or purchase advertising spots for a program airing on affiliate stations in particular markets where the Network has an affiliate station.

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The Company's plan is to have the yet to be established sales personnel located in all major markets that have a large concentration of advertising agencies targeting the African-American and English-speaking Hispanic markets. The sales of the local spot advertising would then be generated by these local sales staff personnel.

**Local Spot Advertising.** Advertising agencies and businesses located in specific markets will buy commercial air-time in their respective market. This commercial time will be sold in the market by a local sales force or as a specific buy from a national client. Local spot advertising also includes event marketing. In conjunction with a spot buy, the station incorporates events that may be held on the premise of a business or advertiser for the purpose of driving traffic to that place of business.

**Program Time Sales.** Also known as long-form programs are sold on the network and

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on locally managed stations to companies wanting to purchase the television time and air their own programs.

### Results of Operations

Urban Television Network Corporation - Historical Results for the three months ended December 31, 2005 compared to the three months ended December 31, 2004.

Revenues. Revenues are primarily derived from sales of advertising and programming time. Revenues for the three months ended December 31, 2005 and 2004 were \$33,034 and \$100,016, respectively, an decrease of \$66,891. The decrease in revenues is primarily attributable to decrease revenues from event productions and sales of program time. The Company is still in the process of implementing its revenue generation plan that includes national and local advertising sales, uplinking other parties' signals to the satellite, plus implementing a technology plan to assist its affiliates with sale of their local advertising time. The Company has maintained its affiliate base of approximately 70 with a household coverage of approximately 22 million.

The operations are still in the growth stages and the Company is dependent upon Working capital derived from management, significant shareholders and private investors to provide sufficient working capital. There is no assurance, however, that the Company will be able to generate the necessary working capital needs from these sources.

Cost of Operations. Costs of operations for the three months ended December 31, 2005 and 2004 were \$226,390 and \$298,654, respectively. The major components of cost of operations for the three months ended December 31, 2005 and 2004 were as follows:

|                               | 2005      | 2004      |
|-------------------------------|-----------|-----------|
|                               | -----     | -----     |
| Satellite and uplink services | \$102,899 | \$ 80,109 |
| Master control and production | 38,035    | 57,300    |
| Programming costs             | 14,938    | 19,600    |
| Affiliate relations           | 27,388    | 6,300     |
| Station operating costs       | --        | 89,115    |
| Technology expenses           | 43,130    | 46,230    |
|                               | -----     | -----     |
| Total Cost of Operations      | \$226,390 | \$298,654 |
|                               | -----     | -----     |

Certain prior year amounts have been reclassified to conform with current year presentation.

The expense for satellite, uplink services, master control and production increased by \$3,525 in 2005 as compared to 2004. The Company is continuing to develop its own inhouse master control and production capabilities.

Programming costs decreased by \$4,662 in 2005 as compared to 2004 primarily as the result of a decrease in the programming activities in the 2005 as compared to 2004.

Affiliate relations was a new department established in March of fiscal 2005 with Carl Olivieri, Executive Vice President, heading up the department. The \$21,088 increase is primarily made up of cost of personnel in a concentrated effort to increase the number of affiliates, especially full-power affiliates and also provide better affiliate services.

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Station operating costs decreased by \$89,115 in 2005 as compared to 2004 primarily as the result of the Company terminating its affiliation with two low power stations (the Oklahoma City station in April 2005 and the Dallas station in July 2005).

Administration expenses of \$153,238 for the three months ended December 31, 2005 decreased by \$455,911 or 74.8% over the administrative expenses of \$609,149 for the three months ended December 31, 2004.

Following is a comparative of the general administrative expense categories for the three months ended December 31, 2005 and 2004.

|                                   | 2005      | 2004      |
|-----------------------------------|-----------|-----------|
|                                   | -----     | -----     |
| Administrative personnel          | \$ 84,500 | \$112,000 |
| Stock based compensation          | 10,000    | 276,000   |
| Consulting                        | 1,000     | 23,181    |
| Contract labor                    | --        | 2,500     |
| Travel, conventions               | 2,629     | 14,094    |
| Legal fees                        | --        | 75,750    |
| Las Vegas office expenses         | --        | 25,000    |
| Commissions                       | --        | 9,550     |
| Accounting fees                   | 10,000    | 10,000    |
| Public relations costs            | 790       | --        |
| Transfer Agent, permit fees       | 2,373     | 6,898     |
| Rent expenses                     | 19,559    | 10,457    |
| Internet and service bureau costs | 3,085     | 4,912     |
| Supplies - digital operations     | --        | 6,511     |
| Supplies                          | 387       | 1,048     |
| Payroll taxes                     | 3,855     | --        |
| Taxes -other                      | 4,215     | --        |
| Telephone                         | 6,341     | 24,675    |
| Postage and shipping              | 1,379     | 1,302     |
| Marketing,printing,promotions     | --        | 800       |
| Utilities                         | 2,008     | 7,178     |
| Other                             | 1,117     | 4,471     |
|                                   | -----     | -----     |
| TOTAL                             | \$153,238 | \$609,149 |
|                                   | -----     | -----     |

The decrease in administrative cost is due primarily to the \$60,000 paid to Wright Entertainment LLC in 2004 as part of the termination settlement of the Wright Entertainment LLC stock subscription agreement as set forth in the Definitive Agreement between the Company, Wright Entertainment LLC and World One Media Group, Inc. See Footnote 7 to the Financial Statements for a discussion of this transaction.

The decrease in stock based compensation is due to the Company not issuing any common stock to management and directors during the three months ended December 31, 2005. The 2004 amount is due primarily to the issuance of common stock to Lonnie Wright as part of the Definitive Agreement between the Company, Wright Entertainment LLC and World One Media Group, Inc. See Footnote 7 to the Financial Statements for a discussion of this transaction.

The decrease in consulting fees is due the Company's management performing the services that the Company has engaged outside consultants in 2004 for specific projects relating to financial and strategic planning.

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The Company did not hire any outside labor for production crew on events and studio productions in the three months ended December 31, 2005.

Travel and convention expenses decreased \$11,465 in 2005 primarily as the result the Company not having the Las Vegas office in 2005 which result in additional travel and office lease expenses.

Legal expenses in 2004 were the result of the Company's search for capital and minority investors. The Company did not incur any expenses for these services in the three months ended December 31, 2005.

Commissions decreased in 2005 due to the Company not having any advertising or programming revenues produced by commissioned sales people.

Transfer agent expenses decreased in 2005 as the Company did not incur any expenses related to the issuance of stock certificates for the conversion of bridge loans in the three months ended December 31, 2005.

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Rent expense increased by \$9,102 in 2005 due to the Company having its production facilities in 2005 that it did not have until in the three months ended December 31, 2004.

Payroll taxes in 2005 are the result of the Company converting its master control, programming and production personnel from a contract labor status to the Company's payroll in May of 2005.

Property taxes are the result of the Company establishing its own master control and uplink facilities in Arlington, Texas versus outsourcing them in previous years.

Telephone expenses decreased in 2005 versus 2004 primarily as the result of the Company's one time expenses in 2004 for the installation of its own high speed Internet lines at the Arlington offices and the installation of fiber lines to the Westar Satellite Uplink Services facilities.

Utilities expenses increased \$5,170 in 2005. The increase is due to the increased leased space of approximately 6,000 square feet for programming and production.

Operating Results. We had a net operating losses of \$371,738 and \$836,728, for the three months ended December 31, 2005 and 2004, respectively. The decreased loss of \$464,990 for 2005 was primarily attributed to the \$455,911 decrease in administrative expenses, which was primarily attributable to decreases in the following expense categories;

|                          |           |
|--------------------------|-----------|
| Administrative personnel | \$ 27,500 |
| Stock based compensation | \$276,000 |
| Legal expense            | \$ 75,000 |
| Las Vegas offices        | \$ 25,000 |

Earnings Per Share of Common Stock. Income (loss) per common share is calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." Basic Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed similar to basic net income (loss) per share, except that the denominator is increased to include the number of additional common shares that would have outstanding if the potential common

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shares had been issued and if the additional common shares were dilutive. Stock options and warrants are anti-dilutive, and accordingly, are not included in the calculation of income (loss) per share. The basic and diluted net loss per share of common stock was \$0.00 and \$0.01 for the three months ended December 31, 2005 and 2004, respectively.

### LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations through a combination of loans from stockholders, proceeds from convertible promissory notes and revenues generated from operations. The Company has incurred cumulative losses of \$18,803,731 from the inception of the Company through December 31, 2005.

Current liabilities at December 31, 2005 were \$2,088,435 which exceeded current assets of \$10,848 by \$2,077,587. The Company's cash position at December 31, 2005 was \$1,586, a decrease of \$38,783 from the position at September 30, 2005. As discussed below, the Company's ability to continue its growth will require additional funds from various sources. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be materially adversely affected. In a worse case scenario, we would have to scale back or cease operations, and we might not be able to remain a viable entity. Notes payable and advances increased from \$1,153,382 at September 30, 2005 to \$1,219,393 at December 31, 2005. This increase of \$66,011 is the result of of \$141,000 increase in loans and the conversion of \$75,000 into common stock by a stockholder. Accrued compensation is the result of management deferring a portion of their annual compensation until the Company has funds available.

Our continued growth, will require additional funds that may come from a variety of sources, including shareholder loans, equity or debt issuances, bank borrowings and capital lease financings. We currently intend to use any funds raised through these sources to fund various aspects of our continued growth, including funding our working capital needs, acquisition of new stations, performing digital upgrades of acquired stations, funding key programming acquisitions, performing station capital upgrades, securing cable connections, funding master control/ network equipment upgrades, making strategic investments.

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The Company's licensing agreements with program suppliers are generally for a term of 13 to 52 weeks and are cancelable by either party upon thirty (30) days written notice. These license agreements provide the Company with a source of revenue by the Company's right to insert commercial spots during the programs.

The Company's policy is to recognize the revenue associated with these sources of revenue at the time that it inserts the short-form advertising spots or airs the long-form program at the network or local level. As the Company continues to grow, it has been entering into new license agreements to replace existing licenses for programs that do not fit into the Company's business model for a minority focused television network. The cancelable feature of these license agreements could effect the Company's source of revenue generation should a program be cancelled by a licensor and the Company not be able to replace it within the 30 day notice of cancellation period.

We had net losses \$371,738 and \$836,728 for the three months ended December 31, 2005 and 2004, respectively. We expect these losses to continue as we incur operating expenses in the growth of the Company's television network's affiliate base with full power stations and begin to with advertising agencies to contract



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for advertising and sponsorship revenues with the aid of the recent agreement with Nielsen Media Research, which will allow the Company to show advertisers viewer rating results. We currently anticipate that cash proceeds from the liquidation of its coal reserves, advertising revenues, and cash proceeds from financings and equity sales will be sufficient to satisfy our operating expenses by the end of fiscal 2006. We may need to raise additional funds, however. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be materially adversely affected.

### RISK FACTORS

We are subject to a high degree of risk as we are considered to be in unsound financial condition. The following risks, if any one or more occurs, could materially harm our business, financial condition or future results of operations, and the trading price of our common stock could decline. These risks factors include, but are not limited to, our limited operating history, history of operating losses, the inability to obtain for additional capital, the failure to successfully expand our operations, the competition in the television industry from competitors with substantially greater resources, the legal and regulatory requirements and uncertainties related to our industry, the inability to enter into strategic partnerships with major advertisers, the loss of key personnel, adverse economic conditions, the control of our common stock by our management, the classification of our common stock as "penny stock," the absence of any right to dividends, the costs associated with the issuance of and the rights granted to additional securities, the unpredictability of the trading of our common stock.

For a more detailed discussion as to the risks related to Urban Television Network Corporation, our industry and our common stock, please see the section entitled, "Management's Discussion and Analysis or Plan of Operation - Risk Factors," in our Annual Report on Form 10-KSB, as filed with the Securities and Exchange Commission on January 13, 2006.

Financing activities for the three months ended December 31, 2005 include:

1) Issuance of 100,000 shares of common stock in lieu of cash payments totaling \$10,000 for consulting services and 750,000 shares of common stock for the conversion of \$75,000 of a note payable to a stockholder.

2) The Company received \$39,500 cash as payment on the Miles Investment Group LLC subscription agreement as discussed in Footnote 7 to the Financial Statements and in Item 2 of this Quarterly Report.

3) Shareholders increased their loans to the by the company by \$77,000.

4) On November 7, 2005, Company converted \$63,511 owed to Westar Satellite Services for satellite uplink services to a note payable on April 30, 2006. Westar was issued 100,000 warrants exercisable at the \$.25 per shares.

In addition common stock may also be issued for conversion or settlement of debt and/or payables for equity, future obligations which may be satisfied by the issuance of common shares, and other transactions and agreements which may in the future result in the issuance of additional common shares. The common shares that the Company may issue in the future could significantly increase the number of shares outstanding and could be extremely dilutive.

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### Impact of Inflation

Management does not believe that general inflation has had or will have a material effect on operations.

### Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on the financial statements, which have been prepared in accordance with generally accepted accounting principles. Note 2 of the Notes describes the significant accounting policies essential to the financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

We believe the following to be critical accounting policies and estimates. That is, they are both important to the portrayal of the Company's financial condition and results, and they require significant management judgment and estimates about matters that are inherently uncertain. As a result of inherent uncertainty, there is a likelihood that materially different amounts would be reported under different conditions or using different assumptions. Although we believe that our judgments and estimates are reasonable, appropriate and correct, actual future results may differ materially from our estimates.

#### Revenue Recognition

The Company's sources of revenues include the sale of short-term national and local spot advertising and long-form program time slots. The Company's policy is to recognize the revenue associated with these sources of revenue at the time that it inserts the short-form advertising spots or airs the long-form program at the network or local level.

#### Non Goodwill Intangible Assets

Intangible assets other than goodwill consist of network assets acquired by purchase. They are being amortized over their expected lives of 5 years and are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. No impairment loss was recognized during the reporting periods. On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Intangible Assets. This provides that a recognized intangible shall be amortized over its useful life to the reporting entity unless that life is determined to be indefinite. The amount of an intangible asset to be amortized shall be the amount initially assigned to that asset less any residual value.

#### Stock Based Compensation

The Company accounts for equity instruments issued to employees for services based on the fair value of the equity instruments issued and accounts for equity instruments issued to other than employees based on the fair value of the consideration received or the fair value of the equity instruments, whichever is more reliably measurable. The determined value is recognized as an expense in the accompanying consolidated statements of operations.

#### Contingencies

In the normal course of business, the Company is subject to certain claims and legal proceedings. The Company records an accrued liability for these matters when an adverse outcome is probable and the amount of the potential liability is reasonably estimable. The Company does not believe that the resolution of these

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matters will have a material effect upon its financial condition, results of operations, or cash flows for an interim or annual period.

### Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements and their effect on us are discussed in the notes to the financial statements in our September 30, 2005 audited financial statements.

### Other Events

None

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### Item 3. Controls and Procedures.

#### (a) Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this Quarterly Report for the quarter ended December 31, 2005, we carried out an evaluation, under the supervision and with the participation of our management, including the Company's Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-4 of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified by the SEC's rules and forms.

#### Limitations on the Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. The design of a control system is also based upon certain assumptions about the likelihood of future events, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Although unlikely, due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

#### Conclusions

Based on this evaluation, our chief executive officer and our president concluded that, subject to the limitations noted above and as of the evaluation date, our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported in such

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reports within the time periods specified in the Securities and Exchange Commission's rules and forms.

### (b) Changes in Internal Control.

Subsequent to the date of such evaluation as described in subparagraph (a) above, there were no significant changes in our internal controls or other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

## PART II-OTHER INFORMATION

### Item 1. Legal Proceedings.

The Company is party to legal action pending in the United States District Court for the Central District of California, Los Angeles Division. It is styled Walter E. Morgan, Jr. vs. Urban Television Network Corporation et al. This action is subject to pending motions to dismiss which are predicated upon the following: The claims of the Plaintiff do not appear to have merit in that they should have been brought in a previous case wherein the Company took a judgment against Mr. Morgan in excess of \$1,500,000 (as discussed above) in the U.S. District Court for the Northern District of Texas, Fort Worth Division. Mr. Morgan and his related companies appealed the judgment which was dismissed sua sponte by the U.S. Court of Appeals for the Fifth Circuit.

The Company believes that the ultimate disposition will not have a material adverse effect on the Company's consolidated financial position, results of operations and liquidity.

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The Company is party to legal action pending in the United States District Court for the Northern District of Texas. The Company has been served with a summons in a civil case styled Michael J. Quilling, Receiver For MegaFund Corporation and Stanley A. Leitner vs. Urban Television Network Corporation. The Receiver has filed complaint against the Company to recover advances to the Company in the amount of \$665,000.

The Company has recorded these advances as a liability on its financial statements believes that the ultimate disposition will not have a material adverse effect on the Company's consolidated financial position, results of operations and liquidity.

### Item 2. Changes in Securities

#### Recent Sales of Unregistered Securities

During the first quarter of fiscal 2006 the Company offered and sold the following securities pursuant to securities transaction exemption from the registration requirements of the Securities Act of 1933, as amended.

On October 16, 2005, we issued Wright Entertainment LLC 750,000 shares in lieu of payments \$75,000 on the Company's note payable to Wright Entertainment LLC.

On December 23, 2005, the Company issued 100,000 shares of its common stock for business consulting services relating to the growth of the company's affiliate base and addition of programming to the company's program schedule. The shares were valued at \$10,000 by the Company.

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We believe shares issued above were issued in a private transactions pursuant to Section 4(2) of the Securities Act of 1933, as amended, (the "Securities Act"). These shares are considered restricted securities and may not be publicly resold unless registered for resale with appropriate governmental agencies or unless exempt from any applicable registration requirements.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders, through the solicitation of proxies or Otherwise, during the first quarter of the fiscal year covered by this report.

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

| Exhibit No. | Description and Method of Filing  |
|-------------|---|
| -----       | -----   |
| 31.1        | Certification by Chief Executive Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2        | Certification by Chief Financial Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1        | Certification by Chief Executive Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2        | Certification by Chief Financial Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(b) Reports on Form 8-K.

None

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### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 14, 2006

Urban Television Network Corporation

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By: /s/ Jacob R. Miles III

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Jacob R. Miles III  
Title: Chief Executive Officer

By: /s/ Randy Moseley

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Randy Moseley  
Title: Executive Vice President/CFO