

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

URBAN TELEVISION NETWORK CORP  
Form 10QSB  
February 17, 2004

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, 2003

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

22-2800078

-----  
(State of Incorporation)

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

18505 Highway 377 South, Cresson, TX

76035

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Issuer's telephone number, ( 817) 512 - 3033  
-----

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

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

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

Transitional Small Business Disclosure Format  
(Check One)      Yes      No X  
                  ---      ---

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.....3  
Balance Sheet (unaudited).....4  
Statements of Operations (unaudited).....5  
Statements of Cash Flows (unaudited).....6  
Notes to Financial Statements.....8

Item 2. Management's Discussion and Analysis of Plan  
of Operation.....17

Item 3. Controls and Procedures.....20

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....21

Item 2. Changes in Securities and Use of Proceeds.....21

Item 3. Defaults upon Senior Securities.....22

Item 4. Submission of Matters to a Vote  
of Security Holders.....22

Item 5. Other Information.....22

Item 6. Exhibits and Reports on Form 8-K.....23

Signatures.....23

URBAN TELEVISION NETWORK CORPORATION  
FORM 10-QSB

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant for the three months ended December 31, 2003. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

statement of the results for the interim period presented. The unaudited financial statements of registrant for the three months ended December 31, 2003, follow.

## PART I - FINANCIAL STATEMENTS

## URBAN TELEVISION NETWORK CORPORATION

## Consolidated Balance Sheet

| Assets                                 | December 31,<br>2003<br>(Unaudited) | September<br>200<br>(Audit |
|--|-------------------------------------|----------------------------|
| Currents assets                        |                                     |                            |
| Cash and cash equivalents              | \$ 629,537                          | \$ 23                      |
| Accounts receivable                    | 6,746                               |                            |
| Total current assets                   | 636,283                             | 23                         |
| Furniture, fixtures and equipment, net | 83,377                              | 2                          |
| Other assets                           |                                     |                            |
| Prepaid management services            | 2,000,000                           |                            |
| Network assets, net                    | 127,684                             | 13                         |
| Organizational costs                   | 360                                 |                            |
| Total other assets                     | 2,128,044                           | \$ 13                      |
| Total assets                           | \$ 2,847,704                        | \$ 40                      |
| Liabilities and stockholders' equity   |                                     |                            |
| Current liabilities                    |                                     |                            |
| Accounts payable                       | \$ 69,490                           | \$ 9                       |
| Due to stockholders                    | --                                  | 19                         |
| Notes payable to stockholder           | 132,200                             | 13                         |
| Bridge loans payable                   | 21,000                              | 3                          |
| Note payable                           | 17,500                              |                            |
| Accrued compensation                   | 45,000                              |                            |
| Accrued interest payable               | 5,048                               |                            |
| Total current liabilities              | 290,238                             | 46                         |

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

|  |              |         |
|--|--------------|---------|
| Stockholders' equity   |              |         |
| Preferred stock, \$1 par value, 500,000 shares authorized, none issued   | --           |         |
| Common stock, \$0.0001 par value, 200,000,000 shares authorized;<br>43,345,888 and 23,711,736 outstanding at December 31, 2003 and<br>September 30, 2003, respectively | 4,334        |         |
| Additional paid-in capital   | 17,793,424   | 8,050   |
| Stock subscriptions receivable   | (6,577,200)  | (500)   |
| Retained earnings (deficit)  | (8,663,092)  | (8,050) |
|  | -----        | -----   |
| Total stockholders' equity   | 2,557,466    | (600)   |
|  | -----        | -----   |
| Total liabilities and stockholders' equity   | \$ 2,847,704 | \$ 400  |
|  | -----        | -----   |

See notes to financial statements.

4

URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Operations  
For the three months ended December 31, 2003 and 2002  
(UNAUDITED)

|                               | 2003      | 2002      |
|-------------------------------|-----------|-----------|
|                               | -----     | -----     |
| Revenues                      | \$ 25,971 | \$ 41,577 |
|                               | -----     | -----     |
| Expenses:                     |           |           |
| Satellite and uplink services | 78,129    | 117,543   |
| Master control and production | 129,553   | 6,695     |
| Station operating costs       | 80,294    | 1,950     |
| Technology expenses           | 28,977    | 70,025    |
| Administration                | 288,373   | 97,992    |
| Depreciation and amortization | 17,042    | 8,416     |
|                               | -----     | -----     |
| Total expenses                | 622,368   | 302,621   |
|                               | -----     | -----     |
| Income (loss) from operations | (596,397) | (261,044) |
| Other (income) expense        |           |           |
| Interest income               | 101       | --        |

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

|   |              |              |
|---|--------------|--------------|
| Interest (expense)                                      | (1,983)      | (2,952)      |
|   | -----        | -----        |
| Net loss  | \$ (598,279) | \$ (263,996) |
|   | -----        | -----        |
| Earnings per share:                                     | \$ (0.02)    | \$ (0.22)    |
| Net income (loss)                                       |              |              |
| Weighted average number of common<br>shares outstanding | 36,644,020   | 1,216,583    |

See notes to financial statements.

5

URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Stockholders' Equity  
(UNAUDITED)

|   | Common Stock |        | Additional         | Stock                      |
|---|--------------|--------|--------------------|----------------------------|
|   | Shares       | Amount | Paid-In<br>Capital | Subscription<br>Receivable |
|   | -----        | -----  | -----              | -----                      |
| Balance at September 30, 2001                   | 311,636      | \$ 31  | \$ 5,444,567       | \$ 0.00                    |
| Recapitalization of<br>private company          | 800,000      | 80     | 518,785            | --                         |
| Stock issued to Hispanic<br>Television Network  | 5,000        | 1      | 9,999              | --                         |
| Net income for year ended<br>September 30, 2002 | --           | --     | --                 | --                         |
|   | -----        | -----  | -----              | -----                      |
| Balance September 30, 2002                      | 1,116,636    | 112    | 5,973,351          | 0.00                       |
| Recapitalization of<br>private company          | 13,248,000   | 1,325  | 238,594            | --                         |
| Stock issued for services                       | 7,275,000    | 727    | 810,523            | --                         |
| Stock issued for bridge<br>loan conversions     | 1,957,300    | 196    | 978,454            | --                         |
| Stock subscriptions                             | 114,800      | 11     | 57,389             | \$ (57,400)                |
| Net loss for year ended<br>September 30, 2003   | --           | --     | --                 | --                         |
|   | -----        | -----  | -----              | -----                      |
| Balance, September 30, 2003                     | 23,711,736   | 2,371  | 8,058,311          | (57,400)                   |
| Stock issued for services                       | 200,000      | 20     | 49,980             | --                         |
| Stock subscription                              | 14,040,000   | 1,404  | 7,018,596          | (6,520,000)                |
| Stock issued for management services            | 4,000,000    | 400    | 1,999,600          | --                         |

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

|   |            |          |              |                |
|---|------------|----------|--------------|----------------|
| Stock subscriptions received                      | --         | --       | --           | 200            |
| Stock issued for bridge loan conversions          | 1,274,152  | 127      | 636,949      | --             |
| Stock issued for equipment                        | 120,000    | 12       | 29,988       | --             |
| Net loss for three months ended December 31, 2003 | --         | --       | --           | --             |
| Balance, December 31, 2003                        | 43,345,888 | \$ 4,334 | \$17,793,424 | \$ (6,577,200) |

See notes to financial statements.

6

URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Cash Flows  
For the three months ended December 31, 2003 and 2002  
(UNAUDITED)

|   | 2003         | 2002         |
|---|--------------|--------------|
|   | -----        | -----        |
| Operating Activities  |              |              |
| Net (loss)  | \$ (598,279) | \$ (263,996) |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |
| Depreciation and amortization   | 17,042       | 8,416        |
| Common stock issued for services  | 50,000       | 82,500       |
| Changes in operating assets and liabilities:                                      |              |              |
| Accounts receivable   | (2,505)      | --           |
| Accounts payable  | (27,188)     | --           |
| Accrued interest expense  | 1,983        | 2,953        |
| Accrued compensation  | 45,000       | --           |
|   | -----        | -----        |
| Net cash provided by operating activities   | (513,947)    | (170,127)    |
|   | -----        | -----        |
| Investing Activities  |              |              |
| Capital expenditures  | (30,700)     | --           |
|   | -----        | -----        |
| Net cash (used in) investing activities   | (30,700)     | --           |
|   | -----        | -----        |
| Financing Activities  |              |              |
| Proceeds from shareholder advances  | --           | 180,892      |
| Proceeds from common stock sales  | 300,000      | --           |
| Proceeds from bridge loans  | 621,076      | --           |
| Proceeds from notes payable   | 17,500       | --           |
| Collection on subscription receivable   | 200          | --           |
|   | -----        | -----        |
| Net cash provided by financing activities   | 938,776      | 180,892      |
|   | -----        | -----        |

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

|                             |            |           |
|-----------------------------|------------|-----------|
| Increase (decrease) in cash | 394,129    | 10,765    |
| Cash at beginning of period | 235,408    | 802       |
|                             | -----      | -----     |
| Cash at end of period       | \$ 629,537 | \$ 11,567 |
|                             | -----      | -----     |

Supplemental disclosure of cash flow information:

Cash paid during the period for:

|              |       |       |
|--------------|-------|-------|
| Interest     | \$ -- | \$ -- |
| Income taxes | \$ -- | \$ -- |

Non-cash transactions:

|                                  |           |        |
|----------------------------------|-----------|--------|
| Common stock issued for services | 2,050,000 | 82,500 |
|----------------------------------|-----------|--------|

See notes to financial statements.

7

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(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 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, 2003, which was filed January 14, 2004. 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, 2003 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, 2003.

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 18505 Highway 377 South, Cresson, Texas 76035.



## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

In January 2002, the Company underwent a change of control in connection with Urban Television Network Corporation, a Texas corporation, (Urban-Texas). 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.

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 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 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 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 transaction with the Company is 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.

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.

8

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(UNAUDITED)

2. Significant Accounting Policies - continued

Accounting Method

The Company records income and expenses on the accrual method.

Revenue Recognition

Revenue is recognized at the time services are performed for airing of programs and insertions of advertising spot.

Principles of Consolidation

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

The consolidated financial statements include the accounts of the Company and its subsidiary. 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.

### 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.

### 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 maintains cash in excess of federally insured limits. The amount in excess at December 31, 2003 was approximately \$515,000.

### Advertising Costs

The Company expenses non-direct advertising costs as incurred. The Company did not incur any direct response advertising costs for the three months ended December 31, 2003 and 2002.

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(UNAUDITED)

### 2. Significant Accounting Policies - continued

#### 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

The FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The Statement provides guidance for determining whether a transfer of financial assets should be accounted for as a sale or a secured borrowing, and whether a liability has been extinguished. The Statement is effective for recognition and reclassification of collateral and for disclosures ending after December 15, 2001. The Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The initial application of SFAS No. 140 will have no impact to the Company's results of operations and financial position.

In June, 2001 the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets." These statements prohibit pooling-of-interest accounting for Transactions initiated after June 30, 2001, require the use of the purchase method of accounting for all combinations after June 30, 2001, and establish new standards for accounting for goodwill and other intangibles acquired in business combinations. The Company does not expect these pronouncements to have a material affect on its financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 is effective at the beginning of the first interim period beginning after June 15, 2003; including all financial instruments created or modified after May 31, 2003. SFAS No. 150 currently has no impact on 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.

The Company adopted in February 1993 an employee stock option plan. There

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

are no options outstanding under this plan. This plan will be accounted for under FAS 123 as described above.

### 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, 2003 and 2002 an allowance for doubtful accounts was not considered necessary.

10

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(UNAUDITED)

### 4. Network Assets - Amortization

Network assets consist of intangibles other than Goodwill. 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 \$77,944 and the amortization for the three months ended December 31, 2003 and 2002 was \$9,781 and \$7,260, respectively.

Future amortization of the Network assets at December 31, 2003 will be \$127,684 and on an annual basis be as follows:

|                               |          |
|-------------------------------|----------|
| Year ended September 30, 2004 | \$29,344 |
| Year ended September 30, 2005 | \$39,125 |
| Year ended September 30, 2006 | \$39,125 |
| Year ended September 30, 2007 | \$20,090 |

### 5. Property, Plant and Equipment

The Company acquired equipment totaling \$5,084 during the year ended September 30, 2003 and \$37,708 during the year ended September 30, 2002 and \$60,700 during the three months ended December 31, 2003, which included the issuance of 120,000 shares of the Company's common stock valued at \$30,000. Equipment is recorded at cost and depreciation is calculated on a straight-line basis over three (3) to five (5) years. Total depreciation of the equipment has been \$24,332 and depreciation for the three months ended December 31, 2003 and 2002 was \$11,478 and \$1,156, respectively.

### 6 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 leases office space from one its shareholders and director for

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

\$2,000 per month. The total rental expense for the year three months ended December 31, 2003 and 2002 was \$6,000 and \$6,000, respectively. Amounts payable were \$18,000 and \$8,000, respectively.

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 three months ended December 31, 2003 the total expense paid out was \$110,146.

The Company uses the services of a company owned by shareholders to provide it with technology services including Internet and affiliate relations. During the three months ended December 31, 2003 and 2002, the total expense paid out for these services was \$28,977 and \$70,025, respectively.

During the periods ended September 30, 2003 and 2002, the Company executed interest bearing notes with shareholders. The Company borrowed \$298,127 and \$263,165 from the shareholders and made repayments of \$164,177 and \$66,400 during the years ended September 30, 2003 and 2002, respectively. At September 30, 2003, \$168,765 of the notes plus accrued interest of \$29,750 were converted to a non-interest payable to the shareholder. In October 2003, a shareholder agreed to reduce the Company payable by \$198,515 to apply towards the purchase of common stock by Wright Entertainment LLC.

The Company executed an interest bearing note with a shareholder of the Company during the period ended September 30, 2003 to pay operating expenses. During the period ended September 30, 2003 the amounts loaned totaled \$132,200. The balance on this loan was \$132,200 at December 31, 2003.

11

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(UNAUDITED)

6 Related Party Transactions - continued

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, President 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 achieved 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. Subsequent to December 31, 2003, the subscription agreement has been amended to set the first four quarterly installments at \$437,500 each beginning April 30, 2004 and the remaining

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

quarterly installments remaining at \$875,000 each until the total subscription amounts has been paid including accrued interest. All of the shares have been pledged as security for the promissory note and will be physically held by the Company. Additionally, the board of directors authorized the issuance of Four Million (4,000,000) common shares to Wright Entertainment for executive management services to be valued at \$2,000,000. These shares will be held by the Company and accounted for as prepaid management services until the total subscription price has been paid by Wright Entertainment. When the shares have been forwarded to Wright Entertainment, the \$2,000,000 will be amortized over four years.

### 7. Notes Payable

Notes payable consist of:

|  | December 31,<br>2003 | September 30,<br>2003 |
|--|----------------------|-----------------------|
|  | -----                | -----                 |
| Notes payable to stockholders at 6% interest payable on September 30, 2004 | \$ 132,200           | \$ 132,200            |
| Note payable to individual at 0% interest Payable on January 2, 2004       | 17,500               | --                    |
|  | -----                | -----                 |
|  | \$ 149,700           | \$ 132,200            |
|  | -----                | -----                 |

### 8. Convertible Bridge Loan

Convertible bridge loans consist of:

|  | December 31,<br>2003 | September 30,<br>2003 |
|--|----------------------|-----------------------|
|  | -----                | -----                 |
| Convertible bridge loan payable to individuals at 6% interest payable on February 14, 2004 | \$ 21,000            | \$ 37,000             |
|  | -----                | -----                 |

The convertible bridge loans are convertible at any time before the maturity date into the Company's common stock at the rate of two shares of common stock for each dollar of convertible bridge loan plus accrued interest through the date of conversion.

### 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.

# Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

(UNAUDITED)

## 9. Income Tax - continued

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, 2003 and 2002.

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

|          | December 31,<br>2003 | December 31,<br>2002 |  |
|----------|----------------------|----------------------|--|
|          | -----                | -----                |  |
| 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 Standards No.109. The Company has no current or Deferred income tax component.

## 10. Capital Stock

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.

In September 2002, the Company issued 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 amended its Articles of Incorporation to increase its authorized common shares to 200,000,000 and adjust its par value to \$0.0001 per share.

In December 2002, the Company issued 300,000 shares of its common stock for consulting and legal services, which the Company valued at \$82,500.

On February 7, 2003, the Company entered into an Exchange Agreement with the majority shareholders of Urban Television Network Corporation, a Texas corporation (Urban-Texas). The Company acquired 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.

In May 2003, the Company issued 5,075,000 shares of its common stock for consulting Services, which the Company valued at \$253,750.

In June 2003, the Company issued 1,900,000 of its common stock for employee compensation, consulting services and legal services, which the Company valued at \$475,000 under the Plan.

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

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.

13

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(UNAUDITED)

### 10. Capital Stock - continued

On October 30, 2003, the Company completed a stock subscription agreement with Wright Entertainment, LLC, a Nevada limited liability company. The Company sold 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 achieved by one of the Company's lenders forgiving \$198,515 of advances due the lender and \$1,485 of accrued on a note payable to the lender. Subsequent to December 31, 2003, the subscription agreement has been amended to set the first four quarterly installments at \$437,500 each beginning April 30, 2004 and the remaining quarterly installments remaining at \$875,000 each until the total subscription amounts has been paid including accrued interest. All of the shares have been pledged as security for the promissory note and will be physically held by the Company. Additionally, the board of directors authorized the issuance of Four Million (4,000,000) common shares to Wright Entertainment for executive management services to be valued at \$2,000,000. These shares will be held and accounted for as prepaid management services by the Company until the total subscription price has been paid by Wright Entertainment. When the shares have been forwarded to Wright Entertainment, the \$2,000,000 will be amortized over four years.

Wright Entertainment has given Randy Moseley an irrevocable common stock proxy to vote all of our company shares acquired by Wright until Wright has satisfied its purchase obligations. The Company anticipates that it will release Wright's pledged company shares and voting proxies, on a pro-rata basis, as Wright makes its quarterly payments on the note.

In October 2003, the Company issued 100,000 shares of its common stock for services rendered, which the Company valued at \$25,000.

In October 2003, the Company issued 120,000 shares of its common stock as Part of the purchase of videoing and production equipment. The shares were Valued at \$30,000 in the purchase.

During the three months ended December 31, 2003, the Company issued 1,274,152 shares of its common stock to Bridge Loan Lenders who elected to convert \$637,076 of bridge loans to common stock at the rate of 2 shares



## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

for each dollar of bridge loan converted.

### Non-Qualified Stock Grant and Option Plan

The Company is authorized to issue up to 2,000,000 shares of common stock under its 2003 Non-Qualified Stock Grant and Option Plan (the "Plan") through an S-8 registration. 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 period ended September 30, 2003, the Company had distributed 1,900,000 of the shares through grants. The remaining 100,000 shares were issued in October 2003 as a stock grant.

### 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, 2003 and 2002.

14

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2003  
(UNAUDITED)

### 12. Commitments and Contingencies

#### Satellite Transponder Lease

The Company entered into a Satellite space segment service agreement with Loral Skynet on November 20, 2002 for 6 MHz of satellite bandwidth on Telstar 5 for a period of three year ending on November 21, 2005. For the three months ended December 31, 2003 and 2002, the amount expensed were \$54,129 and \$101,543, respectively.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$414,989 and be due as follows:

|                               |           |
|-------------------------------|-----------|
| Year ended September 30, 2004 | \$162,387 |
| Year ended September 30, 2005 | \$216,516 |
| Year ended September 30, 2006 | \$ 36,086 |

#### Signal Uplink Lease

The Company entered into a Full Time Broadcast Agreement with Verestar, Inc. on November 21, 2002 for a full time redundant 6 MHz digital C-band

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

uplink service for a period of three years ending on November 21, 2005. For the three months ended December 31, 2003 and 2002, the amount expensed for Uplink services was \$24,000 and \$16,000, respectively.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$184,000 and be due as follows:

|                               |          |
|-------------------------------|----------|
| Year ended September 30, 2004 | \$72,000 |
| Year ended September 30, 2005 | \$96,000 |
| Year ended September 30, 2006 | \$16,000 |

### 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. For periods ended September 30, 2003 and 2002, the amount expensed for office space lease was \$14,000 and \$24,000. For the three months ended December 31, 2003 and 2002, the amount expensed for office space was \$6,000, respectively.

Future lease payments due during the term of the lease ending on March 31, 2005 Will be equal \$28,000 and be due as follows:

|                               |          |
|-------------------------------|----------|
| Year ended September 30, 2004 | \$18,000 |
| Year ended September 30, 2005 | \$10,000 |

### 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, the employment agreement of Randy Moseley was 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 salary for the period from October 2, 2002 to September 30, 2003 with this deferred year being added to the end of the original term to make the term of the contract end on September 30, 2008. During the three months ended December 31, 2003, \$45,000 of Mr. Moseley's compensation was accrued as a payable.

### 12. Commitments and Contingencies - continued

Mr. Stanley Woods is employed pursuant to a three-year employment Agreement that commenced on October 2, 2002. The agreement provides for a base annual

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

salary equal to \$50,000 and a possible annual cash bonus as determined by the Board of Directors and/or the Compensation Committee. Mr. Woods was issued 200,000 shares of common stock in 2003 in lieu of his annual salary for the period ended September 30, 2003.

### Contingencies

The Company is involved in various legal actions arising in the normal course of business. Management is of the opinion that any judgment or settlement resulting from pending or threatened litigation would not have a material adverse effect on the financial position or results of operations of the Company.

### 13. Going Concern

The Company has suffered recurring losses from operations. 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 the sale of its equity securities, or debt securities. Subsequent to year end the Company has raised additional capital of approximately \$921,076 from \$621,076 in bridge loans and \$300,000 in cash from the Wright Entertainment LLC subscription agreement.

### 14. Subsequent Events

On February 9, 2004 the Company's Board of Directors approved to amend the Stock subscription agreement with Wright Entertainment. The amendment amends the first four quarterly installments to \$437,500 each beginning April 30, 2004 and the remaining quarterly installments remaining at \$875,000 each until the total subscription amount has been paid including accrued interest.

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

#### Background

Urban Television Network Corporation (the "Company") formerly known as Waste

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

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.

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 72 broadcast television station affiliates in various parts of the country.

We are targeting the African American market primarily because we believe that it presents vast marketing opportunities and that it is currently under-served by our competition. With few competitors in this rapidly growing market, we feel that there are unlimited opportunities to provide a quality broadcasting service to the African-American population that is experiencing an explosive growth rate.

Our financial results depend on a number of factors, including the strength of the national economy and the local economies served by our stations, total advertising dollars dedicated to the markets served by our stations, advertising dollars dedicated to the African-American consumers in the markets served by our stations, our stations' audience ratings, our ability to provide interesting 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 stations to be considered must carry for cable systems and the deadlines for television stations converting to digital signals.

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

Management is implementing a revenue generation plan that includes local advertising sales, for company operated stations, securing network advertising at the best available rate, 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 significant positive affect upon sales revenues. In addition, the Company has added a focus to secure carriage agreements with cable and digital distribution companies.

17

OPERATIONS. The Company had revenues of \$25,971 and \$41,577 for the three months ended December 31, 2003 and 2002, respectively. Currently most of our network advertising has been sold to direct response and per inquiry advertisers. The decrease in the first quarter of 2003 compared to 2002 is due to the Company continuing to be in the growth stages and not having an established advertising client base. 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 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.

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.

OPERATING RESULTS. For the three months ended December 31, 2003 and 2002 the Company had operating cost of \$323,548 and \$196,213, respectively. The major components of cost of operations for the three months ended December 31, 2003 and 2002 were as follows:

|                               | 2003<br>----- | 2002<br>----- |
|-------------------------------|---------------|---------------|
| Satellite and uplink services | \$ 84,724     | \$117,543     |
| Master control and production | 129,553       | 6,695         |
| Operations of stations        | 80,294        | 1,950         |
| Technology expenses           | 28,977        | 70,025        |
|                               | -----         | -----         |
| Total                         | \$323,548     | \$196,213     |
|                               | -----         | -----         |

In November of 2002, the Company terminated an arrangement with a company in Florida that provided satellite space, uplinking of the satellite signal to the satellite, master control, and tape editing/formatting. At that time the Company secured its own satellite space on Telstar 5 from Loral Skynet and uplinking services from Verestar, Inc. in Dallas, Texas and is working with a group of the Company's shareholders who are providing digital compression equipment, tape editing and master control tape playback 24 hours per day, 7 days per week. The Company expects this new arrangement to save it approximately \$10,000 per month and give it more flexibility in taking live feeds and changing programming and advertising insertions.

The costs of operations for stations increased by \$78,344 in three months ended December 31, 2003 as compared to 2002 primarily as the result operating a

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

station in Dallas, Texas at a cost of \$70,365 that the Company did not have in 2002.

The technology expenses decreased by \$41,048 for the three months ended December 31, 2003 as compared to 2002 due primarily to a decrease in system software development.

Administration expenses of \$288,373 for the three months ended December 31, 2003 increased by \$190,381 or 1945 over the administrative expenses of \$97,992 for the three months ended December 31, 2002. This increase was attributable primarily to increases in 2003 in the following expense categories:

|                          |           |
|--------------------------|-----------|
| Administration cost      | \$ 70,000 |
| Travel cost              | 39,984    |
| Legal fees               | 32,500    |
| Accounting fees          | 10,000    |
| Public relations costs   | 9,730     |
| Licenses and permit fees | 8,005     |
| Rent expenses            | 3,529     |
| Internet costs           | 6,665     |

The Company had operating losses for the three months ended December 31, 2003 and 2002 of \$596,397 and \$261,044, respectively. The increase of \$335,353 from 2003 to 2002 is due primarily to the \$15,606 decrease in revenues and the \$281,537 increase of expenses of \$70,632 in satellite and uplink expenses, \$78,344 in operations of stations, \$190,381 in administration expenses and a decrease of \$41,048 in technology expenses.

18

**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 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 \$0.02 and \$.022 for the three months December 31, 2003 and 2002, respectively. The 2002 weighted average of outstanding common shares has been adjusted for the 1:20 reverse stock split in November of 2002.

### 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 \$8,667,309 from the inception of the Company through December 31, 2003.

Current assets at December 31, 2003 were \$636,283 which exceeded current liabilities of \$290,238 by \$346,045.

Our continued growth, will require additional funds that may come from a variety

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

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, performing digital upgrades, funding key programming acquisitions, performing station capital upgrades, securing cable connections, funding master control/ network equipment upgrades, acquisition of new stations and making strategic investments.

We had net losses \$602,496 and \$263,996 for the three months ended December 31, 2003 and 2002, respectively. We expect these losses to continue as we incur operating expenses in the growth of the Company's television network and its affiliate base and convert them to an African-American format. We currently anticipate that our revenues as well as cash from financings and equity sales will be sufficient to satisfy operating expenses by the end of fiscal 2004. 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.

Financing activities for the three months ended December 31, 2003 include:

1) Issuance of common stock in lieu of cash payments totaling \$50,000 for consulting services.

2) Bridge loan subscriptions of \$621,076 for the \$1,500,000 convertible Bridge loan agreement with interest at the rate of six percent (6%) per annum with a consortium of private investors. The bridge loan lenders have the option to convert their loans before the maturity date of February 14, 2004 into common stock of the Company at the rate of two shares of common stock for every dollar invested. During the three months ended December 31, 2003, bridge loan lenders of \$637,076 had elected to convert their bridge loan to 1,274,152 shares of common stock.

3) The Company received \$300,000 cash as part of the downpayment on a common Stock purchase by Wright Entertainment, LLC as described in Item 2 of this Quarterly Report

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.

### Impact of Inflation

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

### Other Events

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

On February 9, 2004 the Company's Board of Directors approved to amend the stock subscription agreement (See Exhibit 10.1) with Wright Entertainment. The amendment amends the first four quarterly installments to \$437,500 each beginning April 30, 2004 the remaining quarterly installments remaining at \$875,000 each until the total subscription amount has been paid including accrued interest

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.

### 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, 2003, 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. Based upon the evaluation, the Chairman and the Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodical SEC filings.

#### (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 a party to various legal actions and claims arising in the ordinary course of its business. In the Company's opinion, the Company has adequate legal defenses for each of the actions and claims, and believes that their 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 2003, 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 7, 2003, we issued Jacob R. Miles III, 100,000 shares 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 \$25,000 by the Company.

On October 19, 2003, the Company issued 120,000 shares of its common stock as Part of the purchase of videoing and production equipment. The shares were Valued at \$30,000 in the purchase.

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.

On February 14, 2003, we entered into a \$1,500,000 Loan Agreement between certain lenders and our Company. The Loan Agreement provides for the periodic advance of monies with interest payable at the rate of six (6%) percent per annum. During the quarter ended December 31, 2003, a total of \$621,076 was advanced on the agreement. The lenders may convert their loans, including accrued interest, to our common stock at the rate of two (2) shares for each dollar loaned, at any time prior to maturity on February 14, 2004. During the quarter ended December 31, 2003, a total of \$637,076 in bridge loans were converted to 1,274,152 shares of the Company's common stock.

These securities that have been and will be issued above were issued in a private transaction pursuant to Section 4(2) of the Securities Act of 1933, as amended, (the "Securities Act"). These convertible securities 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

## Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

### 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

On October 30, 2003, the Board of Directors nominated Lonnie G. Wright, as the Chairman of the Board of Directors and President, Chief Executive Officer replacing Randy Moseley. Mr. Moseley will continue to serve the company as a board director, Executive Vice President and Chief Financial Officer. In connection with Wright Entertainment's stock purchase, our board of directors amended the By-Laws increasing the number of board seats. The board nominated four new board members and officer positions. Justin Nemec resigned his board seat creating a vacancy. Conrad Bullard was named board director and Executive Vice President of Development and Productions. Anthony K. Campbell was named board director and Executive Vice President of Programming. C. Bruno Olivier was named board director and Executive Vice President of Marketing and Corporate Operations. Joseph R. Miles III was named board director and Executive Vice President of Network Operations.

21

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

#### (a) Exhibits

| Exhibit No. | Description and Method of Filing  |
|-------------|---|
| -----       | -----   |
| 10.1        | Amended Subscription Agreement with Wright Entertainment, LLC.  |
| 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.

On October 10, 2003, the Company filed an 8K Report detailing Item 4, titled, "Changes in Registrant's Certifying Accountant" and Item 7, titled, "Financial Statements and Exhibits".

On October 30, 2003, the Company filed an 8K Report detailing Item 1, titled,

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

"Change in Control of Registrant".

On December 2, 2003, the Company filed an 8K Report detailing Item 4, titled, "Change in Registrant's Certifying Accountant".

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 16, 2004

Urban Television Network Corporation

By: /s/ Lonnie G. Wright

-----

Lonnie G. Wright  
Title: President

By: /s/ Randy Moseley

-----

Randy Moseley  
Title: Executive Vice President/CFO