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URBAN TELEVISION NETWORK CORP
Form 10KSB
January 14, 2004

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark One)

/ X / ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2003

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-23105

Urban Television Network Corporation
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

22-2800078
(IRS Employer
Identification No.)

18505 Highway 377 South,
Cresson, Texas
(Address of Principal Executive offices)

76035
(Zip Code)

Issuer's telephone number, including area code: (817) 512-3033

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.0001 par value

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 / /

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. / /

State issuer's revenues for its most recent fiscal year: \$ 242,998

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity as of a specified date within the past 60 days. The aggregate market value of our common stock held by non-affiliates as of December 20, 2003 was approximately \$26,570,000. State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date. As of December 20, 2003, there were approximately 42,319,636 shares of our common stock issued and outstanding.

Transitional Small Business Disclosure Format: Yes / / No / X /

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PART I

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of the Securities Exchange Act of 1934. The words "expect", "estimate", "anticipate", "predict", "believe", and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of of places in this document and include statements regarding the intent, belief, or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations. The readers of this

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document are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results could differ materially from those projected in the forward-looking statements. This report also identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements. The Company does not ordinarily make projections of its future operating results and undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. This section should be read in conjunction with the audited consolidated financial statements of the Company and related notes set forth elsewhere herein.

Item 1. Business

Overview

Urban Television Network Corporation ("Urban Television", "The Company") operates a U.S. based, broadcast television network (as opposed to cable networks discussed in the competition section) focused primarily on serving the African-American population and other ethnic populations in the urban markets. The Company has branded the broadcast television network, for marketing purposes, as Urban TV. The Company operates and has an option to acquire one broadcast television station, KOUT-LP Channel 19 in the Oklahoma City, Oklahoma market.

Urban Television provides free over-the-air programming to television viewing audiences in the communities served through our local affiliate television stations. The programming is delivered 24 hours a day, seven days a week. Currently, we have approximately 72 affiliates located in over 55 markets and with a household coverage of approximately 22 million households. Our affiliates are comprised of broadcast stations with approximately 40% of them being on cable in their local markets.

The affiliates have the right to air all or a portion of the daily program schedule provided by the Company. Generally, we request that an affiliate broadcast a minimum of 12 hours of our programming within a 24 hour period. Approximately 33% of our affiliates broadcast 12 hours or more per day of our Urban Television programming, with the remaining affiliates airing at least 6 hours or less. Generally the network advertising rates are calculated only for that portion of time that the affiliate broadcasts our programming.

We have the broadcast rights to a variety of sports and entertainment programming. Urban Television broadcasts a variety of other shows, including, sports, movies, news, entertainment, variety, and family programming. We obtain our programming from a variety of sources.

We are targeting the African-American market because we believe that it contains numerous marketing opportunities and is currently under-served. According to Census Bureau statistics, the African American population totals approximately 34 million, and is located largely in urban areas. As a whole this population group has a GNP equal to the 11th richest nation in the world. The income of this group has increased by 170% over the last 17 years and exceeds the growth rate of 112% for other ethnic groups over that same period. According to the Selig Center for Economic Growth at the University of Georgia, African-American buying power - the personal income available after taxes for spending on goods and services - stands at over \$645 billion and will increase to over \$850 billion in 2007.

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The vision of the Company focuses on operating a dynamic, quality broadcast television and cable network oriented towards the urban market, which is predominately African-American and multi-ethnic. In turn, a successful broadcast television and cable network will have the ability to serve as the engine of growth for an exciting media company that capitalizes on its position of owning/operating broadcast media properties, possessing excellent talent relations and controlling its capabilities to finance, produce, and distribute entertainment-driven products. The Company's goal is to be a ground-breaking media company that is publicly traded, has a majority of African-American/Minority ownership and control, and presents a positive image of African-American and urban America's varied multi-ethnic culture.

Additionally, the Company has a goal of qualifying as a "Minority Business Enterprise" under the standards established by the National Minority Supplier Development Council. The Company believes that as a certified minority business it may achieve significant advantages when it comes to major advertisers allocating their advertising budgets. Among other requirements, the definition requires that at least 51% of the Company's ownership be held by shareholders who are minority persons.

Urban Television Network

We operate and have the option to purchase one television station that is currently broadcasting Urban Television programming. We have a goal of operating stations through local marketing agreements, or LMA's, pursuant to which we would control all programming, be entitled to all revenues and be liable for all expenses pending acquisition of the stations. We broadcast our programming to a combination of full-power and low-power stations, the latter of which are generally located close to or are directed at urban areas.

In October 2003, the Company assumed the operations and executed an option to purchase KOUT-LP Channel 19 in Oklahoma City, Oklahoma that is rated as the 46th DMA (Designated Market Area) in the country. This station serves the Oklahoma City, Norman and Enid markets. Combined, these markets have a total population of 1.2 million, of which 125,000 are African-American or 99% of the African-American population in this DMA.

Programming

The Company's mission is "to chronicle the beauty, depth and breadth of African-American and other ethnic groups' cultures and histories from yesterday to today and into the future." There are approximately 36 million African-American citizens living in the United States, or 12.8% of the total population. They have an estimated spending power of \$600+ billion.

The Company's policy will be that all programming shown by the Network will be suitable for viewing families, primarily African-American, but will also include other ethnic demographics as the network grows. Further, the goal is to give the African-American community a network that will demonstrate more of its traditional culture and heritage. Urban Television broadcasts first-run and syndicated programming 24 hours a day, seven days a week. To insure the quality of our programming, we have decided that we will limit the airing of "infomercials," or program-like commercials on the Urban Television Network.

Urban Television does not air programming for adult-only audiences. As a new network, Urban Television will initially rely totally on outside sources of programming for the Network. As cash flow allows, the network will look to develop programming for the network. The Company does not currently have sufficient capital to allow it to develop more than a fraction of its programming for the network, and it will have to rely on outside sources of programming for the foreseeable future.

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The Company will seek to develop a library of interest for its African-American markets that includes documentaries, biographies, comedies, kids programming, music, dramas, film shorts, animation, international lifestyle and news. The Company's goal is to target the "trendsetter" marketing demographic (young, urban, African-American teens) that companies such as Nike, Coke, Pepsi, Proctor and Gamble, General Electric, Dell, Microsoft, Apple, General Motors, Ford, Chrysler, Nissan, Exxon-Mobil, Texaco, Prudential Securities, Merrill Lynch, American Airlines, Delta Airlines, and music companies pursue as the major focal point for network, during pivotal prime-time viewing hours. The plan is to "adapt and improve on" key original and other ethnic programming that other networks successfully offer, (e.g., A&E's Biography, a multi-ethnic Soul Train, the Discovery Channel's documentaries, MTV's and Vh-1's music based programming around stars, groups, genres of music, "behind the scenes" looks, etc.) and various other shows that will resonate with the network's audience. The network

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will only have a small amount of original programming from its inception but plans to increase its original programming going forward to set it apart from other minority focused networks. The network's programming can be seen at www.umatv.com by clicking the "Programming" link.

Urban Television believes that there is adequate programming available from program syndicators, independent companies and other minority networks with which it will be bundling (sharing) programming. The network is broadcasting 24 hours daily, seven days per week with a diversified programming schedule that it is continually revising for new programming coming to the network.

A typical 24 hour schedule during the week of network programming is as follows:

UrbanTV Network Program Schedule
December 15, 2003 through December 21, 2003

| EST | Mon 12/15/2003 | Tues 12/16/2003 | Wed 12/17/2003 | Thurs 12/18/2003 | Fri 12/19/2003 | Sat 12/20/2003 |
|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|
| 6:00 A.M. | Tru News | Tru News | Tru News | Tru News | Tru News | Jon |
| 6:30 A.M. | Newswatch | Newswatch | Newswatch | Newswatch | Newswatch | Bla Perspe |
| 7:00 A.M. | American Review | American Review | American Review | American Review | n-Contrast Review | The Bes Tony Br Jour |
| 7:30 A.M. | Black Perspective | Black Perspective | Black Perspective | Black Perspective | Clio Exchange | Cartoon |
| 8:00 A.M. | Reality Talks | Reality Talks | Reality Talks | Reality Talks | Make it Happen | Tama A Frien |
| 8:30 A.M. | First Business | First Business | First Business | First Business | First Business | Zebb |
| 9:00 A.M. | | | | | | Throug Eyes |

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| | | | | | | |
|------------|--|---|---|--|--|---|
| 9:30 A.M. | UrbanTV Movie Get Christi Love (1974) | UrbanTV Movie Pancho Villa (1971) | UrbanTV Movie His Girl Friday (1940) | UrbanTV Movie At War With the Army (1950) | UrbanTV Movie The Swap (1969) | Anim Resc Missi |
| 10:00 A.M. | | | | | | Totally |
| 10:30 A.M. | | | | | | |
| 11:00 A.M. | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | Nu Jo Top Count |
| 11:30 A.M. | Da Blues | Da Blues | Da Blues | Da Blues | Da Blues | |
| 12:00 P.M. | Beverly Hillbillies | Beverly Hillbillies | Beverly Hillbillies | Beverly Hillbillies | Neo Soul Cafe | Racel |
| 12:30 P.M. | Lucy Show | Lucy Show | Lucy Show | Lucy Show | | Racer's |
| 1:00 P.M. | UrbanTV Movie The Jungle Book (1942) | UrbanTV Movie Africa Screams (1949) | UrbanTV Movie Algiers (1938) | UrbanTV Movie Scared to Death (1947) | UrbanTV Movie The Fat Spy (1965) | World Fo Sho Major B College Week |
| 1:30 P.M. | | | | | | |
| 2:00 P.M. | | | | | | Pioneer |
| 2:30 P.M. | | | | | | Georgia Atlant Liv |
| 3:00 P.M. | Crimestrike | Crimestrike | Crimestrike | Crimestrike | Crimestrike | |
| 3:30 P.M. | Missing | Totally Pets | Animal Rescue | American Adventurer | Zebby Zoo | |
| 4:00 P.M. | Cartoon Zone | Cartoon Zone | Cartoon Zone | Cartoon Zone | Cartoon Zone | |
| 4:30 P.M. | Reality Talks | Reality Talks | Through Our Eyes | Reality Talks | Reality Talks | |
| 5:00 P.M. | Nu Joint | Nu Joint | Nu Joint | Nu Joint | Nu Joint | |
| 5:30 P.M. | | | | | | |

| | | | | | | |
|-----------|--|--|--|--|--|--------------------|
| 6:00 P.M. | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | The Best of Tony Brown's Journal | Wild and Christ |
| 6:30 P.M. | American Review | American Review | American Review | American Review | American Review | |

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| | | | | | | |
|------------|---------------------------------------|--------------------------------------|--------------------------------------|---|---|-------------------------------|
| 7:00 P.M. | American News Network | American News Network | American News Network | American News Network | American News Network | Christ with t |
| | | | | | | Star |
| 7:30 P.M. | America's Black Forum | America's Black Forum | America's Black Forum | America's Black Forum | America's Black Forum | |
| | Neo Soul Cafe | Master of Illusion Christmas Show IX | Beverly Hillbillies | Gospel Groovez with Charles West | Holy Hip Hop | Santa Favori Home Vi and Pran |
| 8:00 P.M. | | | Steel Dreams | Lucy Show | ComixSpotlight | |
| 8:30 P.M. | | | | | | |
| | Make It Happen | Ballroom Boxing | Thunderbox | | | |
| 9:00 P.M. | | | | | | |
| 9:30 P.M. | Missing | | | UrbanTV Movie Algiers (1938) | Videobob's Stupid Movie Beast From Haunted Cave | Christ Spec The Sto the F Noe |
| 10:00 P.M. | The Clio Exchange | NWA Total Nonstop Action | NWA Southwest | | | |
| 10:30 P.M. | n-Contrast | | | | | |
| | America's Black Forum | Flava TV | Flava TV | Flava TV | Major Black College Sports Weekly | Flava |
| 11:00 P.M. | | | | | | |
| 11:30 P.M. | Crimestrike | | | | Poorman's Bikini Beach | |
| | MBC Network News | MBC Network News | MBC Network News | MBC Network News | MBC Network News | Thunder |
| 12:00 A.M. | | | | | | |
| 12:30 A.M. | Da Blues | Da Blues | Da Blues | Da Blues | Da Blues | |
| 1:00 A.M. | | | | | | |
| 1:30 A.M. | Rhythms | Rhythms | Rhythms | Rhythms | Rhythms | NWA To Nonstop |
| 2:00 A.M. | | | | | | |
| 2:30 A.M. | UrbanTV Movie Get Christi Love (1974) | UrbanTV Movie Pancho Villa (1971) | UrbanTV Movie His Girl Friday (1940) | UrbanTV Movie At War with the Army (1950) | UrbanTV Movie The Swap (1969) | Ameri Interna Wrest |
| 3:00 A.M. | | | | | | Poorma Bikini |
| 3:30 A.M. | | | | | | ComiXSpo |
| 4:00 A.M. | | | | | | |
| 4:30 A.M. | UrbanTV Movie The Jungle Book (1942) | UrbanTV Movie Africa Screams (1949) | UrbanTV Movie Algiers (1938) | UrbanTV Movie Scared To Death (1947) | UrbanTV Movie The Fat Spy (1965) | Videob Stupid Beast Haunted |
| 5:00 A.M. | | | | | | |
| 5:30 A.M. | | | | | | |

Programming Costs

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Urban Television obtains virtually all of the existing programming from outside sources in exchange for allowing the provider to fill a portion of the advertising slots. For example, a thirty-minute program routinely contains six to seven minutes of advertisements or spots that are available to Urban Television. Urban Television generally allows the provider to fill up to 50% of these slots in exchange for use of the programming.

Programming Distribution

There are a number of mediums for distribution of the Urban Television network programming to viewing audiences. Generally, the three largest are traditional broadcast television stations, cable television systems and direct satellite broadcasters such as DirectTV and Dish Network. Presently, the Urban Television network has approximately 72 broadcast television station affiliates (which can be seen at www.uatvn.com and clicking the "Affiliates" link) of which a number are also on cable in their local markets.

The Company's goal is to negotiate with the operators of cable television systems and satellite broadcasters for these operators to carry the network for nominal or no charges, especially with the network having a minority focused programming grid. The Company believes that many of these operators may be willing to offer attractive terms because of their desire to carry additional programming addressed to the African-American and other minority viewers. Because none of these arrangements have yet been negotiated, there can be no assurance that these goals will come to fruition.

The Broadcast Facilities and Satellite Signal.

In November 2002, the Company entered into agreements with Loral Skynet for 6 MHZ of bandwidth on the Telstar 5 for satellite space and with Verestar, Inc. to uplink the Urban Television Network signal to the satellite. The cost to the Company for both agreements is a total of \$26,043 per month for three years.

Licensing Rights.

Our basic form of licensing rights agreement with program suppliers contains terms pursuant to which the Company obtains broadcasting rights to certain

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identified programming and in exchange, we allow the licensor advertising time during the broadcast of such programs. Generally speaking, in a thirty (30) minute program with seven (7) minutes of commercial time, the time is allocated as follows:

- o two and one-half (2.5) minutes to the licensor;
- o two (2) minutes to our affiliate station; and
- o two and one-half (2.5) minutes to Urban Television Network.

The licensor can then sell this advertising time to outside parties, thereby earning income on the licensing of their program. Our licensing agreements are generally for a term of 26 to 52 weeks and are cancelable by either party upon thirty (30) days written notice. We also have the right to refuse any program, without prior notice, if the content, subject matter, or production quality does not meet our standards.

Affiliates

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Currently, we have approximately 72 affiliates located in over 55 markets and with a household coverage of approximately 22 million households. Our affiliates are comprised of broadcast stations with approximately 40% of them being on cable in their local markets.

Generally, we request that an affiliate broadcast a minimum of 12 hours of our programming within a 24 hour period. Approximately 33% of our affiliates broadcast 12 hours or more per day of our Urban Television programming, with the remaining affiliates airing at least 6 hours or less. Generally the network advertising rates are calculated only for that portion of time that the affiliate broadcasts our programming.

We grant the Urban Television affiliates a limited license pursuant to an affiliate license agreement. This limited license permits our affiliates to receive Urban Television programming via satellite transmissions and to exhibit and rebroadcast our programming. Affiliates may rebroadcast any portion of the programming received up to a maximum of two times within 24 hours of receipt. They must broadcast the programming received in its entirety at least one time between the hours of 7:00 a.m. and 1:00 a.m. Additionally, we request affiliates' to submit weekly broadcast logs in order to monitor compliance with these requirements. Our affiliates agree that they will not preempt, cover or in any way disrupt national advertisements contained in any program or portion thereof that they broadcast with the exception of two (2) two-minute spots per hour for local commercial insertions, as well as two (2) ten-second station breaks per hour. Either the network or our affiliate may cancel the agreement at any time with thirty (30) days written notice.

In exchange for providing the affiliate with programming and commercial time, we retain the remainder of the advertising time, which we sell to advertising firms and independent advertisers, or use it to barter with third-parties to acquire additional programs.

Marketing

The Company plans to use (although it has none hired at this time) marketing professionals, known as account executives, to target advertisers and advertising agencies that are interested in the Urban market demographics. They will consist of network and national spot account executives and local spot account executives for markets where the Company by agreement has control of the stations operations. Account executives targeting network advertisers will serve a dual role as national spot sellers. These sales personnel will have the flexibility of offering a network wide sales package or a market specific sales package. Generally, the majority of network and national spot advertising sales is generated from the same advertising agencies. This efficiency will allow us to generate greater profits while controlling our own sales efforts. Account executives responsible for local spot sales will be located in each of the operated station markets. They will target advertising agencies, businesses and service providers in their individual markets.

These marketing efforts will be enhanced through the use of research developed by an in-house research department (which is yet to be established) utilizing both qualitative and quantitative information. This research will allow the sales departments to better negotiate and price our commercial inventory. The research department will further help our sales efforts by identifying and targeting advertisers in this utilized market.

As the Company grows, its goal is to have national and network sales offices in the major markets such as Los Angeles, New York, Miami, Chicago, Dallas, Atlanta

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and Houston.

Competition

The network television broadcasting business is highly competitive and, as a result of the wide range of programming available in both the broadcast and cable formats; the network will compete with a large number of competitors in the television, cable and direct television markets. The network will compete for available airtime, channel capacity, advertiser revenues, revenue from license fees, number of viewing households, and programming material. Competition for sales of broadcast advertising time is based primarily on the anticipated and actually delivered size and demographic characteristics of audiences as determined by various rating services, price, the time of day when the advertising is to be broadcast, competition from other broadcast networks, cable television systems, DBS services and other media and general economic conditions. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public which is often difficult to predict. The Company believes that its strongest competitive advantages are: (1) the quality of and vision of its African-American oriented programming; (2) its competitive advertising rates; (3) the African-American nature of the network's broadcasts and programming; (4) cross promotional and advertising opportunities with other media; (5) its technology plan that will give its affiliates tools that they have never had to manage their stations; and (6) its intention to become a publicly traded majority owned Minority Business Enterprise, which will enable it to access diversity spending by major advertisers and access large capital at cost-effective rates to grow its core business and synergistic entertainment opportunities in film, television, music, the internet and intellectual property.

In its operations, Urban Television will experience substantial competition from others with substantially greater financial resources than the Company. The telecommunications and entertainment industries are very competitive, and many of the other companies are large, well-capitalized entities. The networks currently directed to the African-American market are cable networks with little or no broadcast station distribution. The largest network currently directed to African-American audiences in the United States is BET Holdings, Inc., which is now part of Viacom, Inc., a Fortune 500 company. A number of other networks that will be competitors are owned by some well capitalized companies in the United States. There is no assurance that the Company will be able to compete successfully.

The Company plans to bundle (share) programming with other minority networks (that have significant cable distribution) thus giving the Company substantial cable coverage to add to its broadcast households. In return the other minority networks will be able to count the network's distribution coverage in their total coverage. The Company sees this as a coming trend to increase the total coverage numbers to give it and others the critical mass (total household coverage) needed to sell national advertising quicker than each could achieve on its own. The Company is currently sharing programming with Major Broadcasting Corporation, which is considered as one of the Company's primary competitors as discussed below.

Some of the competition in our market niche are:

Black Entertainment Television (BET): BET, formed and headed by Bob Johnson, and now owned by Viacom, has been in business for 20 years and currently reaches approximately 55+ million homes. BET's annual revenues have hover at around \$160 million. BET's programming basically consists of no-cost music videos, low-cost standup comic shows, infomercials and some talk shows. Programming has always been a sore spot for BET with its relationships with the Multiple Systems Operators (MSOs) and the African-American Community. The sore

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spot comes from the fact that the African-American Community does not believe that BET's programming depicts the true culture and lifestyle of this ethnic group. Bob Johnson's, and now Viacom's, retort has been over the years, "We are a business first and a black network second." This is clear to many and provides Urban TV with a great opportunity to provide a different programming philosophy that will depict the culture and lifestyle of the African-American Community, allowing it to take pride in and support the Urban TV programming. BET will try to obtain more channel space on cable networks to thwart the competition, including the Company's Urban Television network. BET.com, a great website and venture with major media entities as partners, has been launched.

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Major Broadcasting Corporation: MBC launched in 1999 as a cable network but has not acquired the distribution it expected. Our estimate is that MBC has cable subscriber service of less than ten million. Headed by celebrities: Evander Holyfield, Marlon Jackson, Cecil Fielder, attorney Willie Gary and businessman, Alvin James, MBC has chosen to go after the African-American, Christian family audience. The "esprit de corps" and corporate culture are two of MBC's assets.

Overall, Urban Television expects for BET and possibly MBC to be its strongest competitors. It is anticipated that BET will try a competitive move by launching additional BET channels for Family, Movies and Jazz. BET, as part of Viacom, has significant financial resources and has one of cable's most important entrepreneurs ever, John Malone, as a significant minority investor. MBC is not an immediate threat, but poses a threat if each successive MSO that carries MBC will not then carry Urban Television. In addition, there are and always have been other entities, trying to launch similar-themed networks.

Urban Television's response to the competition includes (1) developing a network grid format with family oriented programs that the minority community will endorse and support (2) producing, owning and programming quality shows to make the Urban Television network more appealing to the broadcast television stations, the direct to home broadcast systems, the MSOs and the African-American television consumer; (3) developing a technology component (one developed around an Internet application) that will set it and its affiliate partners apart from all others in the television industry; and (4) become a certified Minority Business Enterprise which will allow it to qualify for diversity dollars set aside by the major corporations.

For Urban Television to continue to grow, particular emphasis has to be placed on (1) securing affiliations from broadcast television stations, cable MSOs and direct to home systems in the major African American demographic markets, (2) implementation of an effective sales force and (3) securing innovative programming to attract advertisers, sponsors and viewers and (4) becoming a certified Minority Business Enterprise which will allow it to qualify for diversity dollars set aside by the major corporations.

Competitive Strategy

Urban Television's goal is to become the best managed, highest quality, multimedia company that focuses on the African-American and other minority ethnic markets. Led, initially, by its broadcast television station network and later as it adds cable and direct-to-home systems, Urban Television plans to build a network that will make it one of the predominate television programming networks focusing on the depth, breadth, history and beauty of African-American people and their culture. Urban Television will pursue a strategy of differentiation within the broadcast television, cable and direct to home industry.

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Urban Television's competitive strategy consists of the following key points:

1. Hire and retain a strong management team. Develop a Board of Directors and Advisory Board who will help lead and advise Urban Television, in addition to bringing in valuable resources and relationships.
 2. Produce (or partner with producers) and broadcast as many high-concept, quality original programs and series as it can economically and prudently afford to do each year. Such original productions will enable Urban Television to build brand loyalty, attract advertisers and sponsors and build a library of media copyrights to exploit worldwide
 3. In regards to cost and risk management, Urban Television will seek to minimize overhead; obtain no-cost, low-cost and barter programming, and establish strong financial relationships with strategic partners;
 4. Pursue parallel strategies of distribution for the network with MSOs for analog and digital cable carriage, satellite systems, and broadcast television stations;
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5. Pursue affiliate and distribution deals with independent television stations and MSOs where there is a heavy African-American and/or multi-ethnic population;
 6. Obtain and maintain the status of being a certified Minority Business Enterprise to attract major corporate and governmental advertisers/sponsors;
 7. Establish a strong sales presence in New York, Los Angeles, Dallas-Fort Worth, Chicago, San Antonio, Detroit, Orlando, Houston, Philadelphia, Memphis, Washington D.C., Nashville, New Orleans, Atlanta to obtain the maximum penetration of the African-American market that will translate into higher advertising rates;
 8. Establish a lobbying presence in Washington, DC to push for Urban Television's interest with the FCC, congress, governmental agencies and to certify Urban Television as a minority vendor;
 9. Establish a working committee for Business Development to serve as an incubator for ventures utilizing Urban Television's management skills and unsold commercial inventory;
 10. Feature prominent stars and writer-producers for Urban Television's programming;
 11. Develop and launch a cost-effective, profitable, strategic internet business(s);
 12. Use corporate sponsors; especially other media entities, to co-finance and co-promote Urban Television programming;
 13. Develop "franchise" intellectual properties in-house to develop

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revenue streams in all media;

14. Develop a merchandising/licensing arm to create revenue streams for Urban Television's intellectual properties;
15. Develop a music division at the appropriate time to take advantage of opportunities, when they arise in the future to brand Urban Television products;
16. Establish a technology relationship with Cresson Technology, Inc. to help Urban Television maximize its technology opportunities in all areas of media distribution;
17. Program the most profitable shows for the day-part, especially in regards to the late night and early morning time slots;
18. When appropriate, develop, produce and sell television programming to other networks and/or syndicators via the Company's in-house production unit as capital sources allow;
19. Develop and nurture strong community relations through the use of fund raisers, scholarships, tie-ins to national and local groups, contests for viewers, awards shows, programming, use of the web sites, education and information, etc.

Our affiliate stations also face competition from direct broadcast satellite services which transmit programming directly to homes equipped with special receiving antennas and from video signals delivered over telephone lines. Satellites may be used not only to distribute non-broadcast programming and distant broadcasting signals but also to deliver certain local broadcast programming which otherwise may not be available to a station's audience.

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The broadcasting industry is continuously faced with technological change and innovation and the possible rise in popularity of competing entertainment and communications media. The rules and the policies of the FCC also encourage increased competition among different electronic communications media. As a result, we may experience increased competition from other free or pay systems that deliver entertainment programming directly to consumers and this could possibly have a material adverse effect on our operations and results. For example, commercial television broadcasting may face future competition from interactive video and data services that provide two-way interaction with commercial video programming, along with information and data services that may be delivered by commercial television stations, cable television, direct broadcast satellites, multi-point distribution systems, multi-channel multi-point distribution systems, Class A low-power television stations, digital television and radio technologies, or other video delivery systems.

In addition, actions by the FCC, Congress and the courts all presage significant future involvement in the provision of video services by telephone companies. The Telecommunications Act of 1996 lifts the prohibition on the provision of cable television services by telephone companies in their own telephone areas subject to regulatory safeguards and permits telephone companies to own cable systems under certain circumstances. It is not possible to predict the effect on our television stations of any future relaxation or elimination of the existing limitations on the ownership of cable systems by telephone companies. The elimination or further relaxation of the restriction, however, could increase competition that our affiliate stations face from other distributors of video

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programming.

Factors that are material to a television station's competitive position include signal coverage, local program acceptance, network affiliation, audience characteristics, assigned frequency and strength of local competition. Although there is competition for our target market, we believe that we possess certain competitive advantages over our competitors, including:

Our Ability to Broadcast in Digital. Unlike many television networks, we Broadcast our programming in a digital format from a fully-digital earth station. We chose this format in anticipation of an FCC regulation requiring all television stations to broadcast in digital by 2006. The operation of a digital control room requires much less input and effort than a traditional analog station. Although, not all of our affiliate stations have the ability to broadcast in digital, sending out a digital signal helps reduce our operating costs because the cost of a digital signal is less than leasing an analog signal on the satellite transponder.

Our Management Team Reflects our Target Audience. From President and CEO, Lonnie Wright to Executive Vice President of Network Operations, Jacob R. Miles III, and Executive Vice President of Development and Production, Conrad H. Bullard, our team is expected to be comprised of many African-Americans. We believe that the best way to understand the needs and wants of our target market is to include people that share a similar cultural background to our target audience. The nature of our management team is also reflective of our dedication to the creation of an African American television network.

In the course of its business our network uses various trademarks including its logo in its advertising and promotions. We believe the strength of our trademarks are important to our business and intend to continue to protect and promote our marks as appropriate. Currently, we have applied for trademark protection on Urban Television and certain other brand identification. There can be no assurance that we will receive each of these trademarks. Other than these pending trademarks, we do not hold or depend upon any material patent, government license, franchise or concession.

Federal Communications Commission Regulation

FCC Licenses

In general, the television broadcast industry in the U.S. is highly regulated by Federal Laws and regulations issued and administered by various Federal agencies, including the FCC. The FCC regulates television broadcast stations pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act permits the operation of television broadcast stations only in accordance with a license issued by the FCC upon a finding that

grant of the license would serve the public interest, convenience and necessity. The FCC grants television station license for specific periods of time and upon application, may renew the licenses for additional terms. Under the Communications Act, television broadcast licenses may be granted for a maximum permitted term of eight years. Generally the FCC renews broadcast licenses upon finding that (i) the television station has served the public interest, convenience and necessity, (ii) there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations, and (iii) there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse. After

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considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a term shorter than the maximum other permitted, or hold an evidentiary hearing. In addition to the above powers, the Communications Act empowers the FCC, among other things:

- o to decide whether to approve a change of ownership or control of station licenses;
- o to regulate the equipment used by stations; and
- o to adopt and implement regulations to carry out the provisions of the Communications Act.

Failure to observe FCC or other governmental rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of short, or less than maximum, license renewal terms or, for particularly egregious violations, the denial of a license renewal application, the revocation of a license or denial of FCC consent to acquire additional broadcast properties.

We recently executed a lease agreement with KOUT Channel 19, which is a low power UHF television station in Oklahoma City, Oklahoma. The lease term is for 60 months starting on October 1, 2003. The monthly lease payment due by the Company is \$3,000 through month three, \$4,500 for months 4 through 6, \$6,000 for months 7 through 24 and will vary between \$6,500 and \$7,800 for months 25 through 60 depending on whether the station is upgraded to a higher power station. The Company also has an option to purchase the station during the five year lease period for \$3,250,000. The Company will file an application to get FCC approval of the license transfer at the time that the Company elects to exercise its option on KOUT Channel 19.

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than one-fifth of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. The Communications Act further provides that no FCC broadcast license may be granted to any corporation directly or indirectly controlled by any other corporation of which more than one-fourth of its capital stock is owned or record or voted by non-U.S. citizens if the FCC finds the public interest will be served by the refusal of such.

On June 2003, the FCC concluded the 2002 biennial review of its broadcast ownership Regulations required by the 1996 Telecom Act by amending its rules governing ownership of television and radio stations and by replacing its newspaper/broadcast cross-ownership ban the radio/television cross-ownership restrictions with a new set of cross-media ownership limits. The new rules would (i) permit an entity to have an attributable ownership interest in an unlimited number of television stations nationally so long as the audience reach of such stations does not exceed, in the aggregate and after the application of the UHF Discount, 45% of the U.S. television households; (ii) permit common ownership of up to three television stations in DMAs with 18 or more television stations, and two television stations in DMAs with between five and 17 television stations, provided, in both cases, that a single entity cannot have an attributable interest in two television stations ranked among the top four (in terms of audience share) in any DMA (the "Local Restriction"); (iii) permit (A) in markets with nine or more television stations, common ownership of daily newspapers and up to the maximum number of television and radio stations permitted by the Local Restriction and the local radio ownership rule, and in (B) in markets with between four and eight television stations, common ownership of a daily newspaper and up to 50% of the television and radio stations permitted by the Local Restriction and the local radio ownership rule, or a daily newspaper and up to the maximum number of radio stations permitted by the

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local radio ownership rule.

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Several parties have appealed the FCC's biennial review decision and/or petitioned the FCC to reconsider the new rules. In addition, several legislative measures have been introduced in Congress to repeal or prevent the implementation of some or all of the new rules. On September 3, 2003 the United States Court of Appeals for the Third Circuit issued an Order staying the effectiveness of the new rules. It is not possible to predict the timing or outcome of the appeals, petitions or Congressional action or their effect on the Company.

Common ownership of multiple television stations in a market could adversely affect the Company's future affiliate possibilities, if the larger networks control most of the television stations in given markets.

Transfers or Assignment of License

The Communications Act prohibits the assignment of a broadcast license or transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to permit the assignment or transfer of control of, or the grant or renewal of, a broadcast license, the FCC considers a number of factors pertaining to the licensee, including:

- o compliance with various rules limiting common ownership of media properties;
- o the character of the licensee and those persons holding attributable interests therein; and
- o compliance with the Communications Act's limitations on alien ownership.

Character generally refers to the likelihood that the licensee or applicant will comply with applicable law and regulation. Attributable interests generally refers to the level of ownership or other involvement in station operations that would result in the FCC attributing ownership of that station or other media outlets to the person or entity in determining compliance with FCC ownership limitations.

To obtain the FCC's prior consent to assign a broadcast license or transfer control of a broadcast licensee, an application must be filed with the FCC. If the application involves a substantial change in ownership or control, the application must be placed on public notice for a period of no less than 30 days during which petitions to deny the application or other objections may be filed by interested parties, including certain members of the public. If the FCC grants the application, interested parties have no less than 30 days from the date of public notice of the grant to seek reconsideration or review of that grant by the full commission or, as the case may be, a court of competent jurisdiction. The full FCC has an additional 10 days to set aside on its own motion any action taken by the FCC's staff acting under delegated authority. When passing on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

Programming and Operation

The FCC continues to enforce strictly its regulations concerning "indecent"

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programming, political advertising, environmental concerns, technical operating matters and antenna tower maintenance. Although not required by FCC regulation, the Company has committed to provide program ratings information for its broadcast network programming. FCC regulations governing network affiliation agreements mandate that television broadcast station licensees retain the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee believes to be of greater local or national importance.

The Communications Act requires broadcasters to serve the public interest, convenience and necessity. The FCC has gradually restricted or eliminated many of the more formalized procedures it had developed to promote the broadcast of programming responsive to the needs of the station's community of license. Licensees continue to be required, however, to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. Complaints from listeners concerning a station's programming will be considered by the FCC when it evaluates the licensee's renewal application, but these complaints may be filed and considered at any time.

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Stations must also pay regulatory and application fees and follow various FCC rules that regulate, among other things:

- o political advertising;
- o children's programming;
- o commercial advertising on children's programming;
- o the broadcast of obscene or indecent programming;
- o sponsorship identification; and
- o technical operations and equal employment opportunity requirements.

Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of short or less than the maximum renewal terms, or for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

Must-Carry / Retransmission Consent

As part of the Cable Television Consumer Protection and Competition Act of 1992, television broadcasters are required to make triennial elections to exercise either "must-carry" or "retransmission consent" rights with respect to their carriage by cable systems in each broadcaster's local market. By electing must-carry rights, a broadcaster demands carriage on a specified channel on cable systems within its television market or DMA. Alternatively, if a broadcaster chooses to exercise retransmission consent rights, it can negotiate the terms under which the cable system will carry its broadcast signal.

The United States Supreme Court upheld the validity of the must-carry rules in a 1997 decision. These must-carry rights are not absolute and their exercise is dependent on a variety of factors, including: (i) the number of active channels on the cable system; (ii) the location and size of the cable system; and (iii) the amount of programming on a broadcast station that duplicates the programming of another broadcast station carried by the cable system. Therefore, under

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certain circumstances, a cable system may decline to carry a given station.

Under the FCC's rules, television stations were required to make their election between must-carry and retransmission consent status by October 1, 1999, for the period from January 1, 2000 through December 31, 2002. Television stations that failed to make an election by the specified deadline were deemed to have elected must-carry status for the relevant three-year period.

The FCC is currently conducting a rulemaking proceeding to determine the scope of the cable systems' carriage obligations with respect to digital broadcast signals during and following the transition from analog to digital broadcasting.

Review of Must Carry Rules

FCC regulations implementing the Cable Television Consumer Protection and Competition Act of 1992 require each full-power television broadcaster to elect, at three year intervals beginning October 1, 1993, to either:

- o require carriage of its signal by cable systems in the station's market, which is referred to as must carry rules; or
- o negotiate the terms on which such broadcast station would permit transmission of its signal by the cable systems within its market, which is referred to as retransmission consent.

The United States Supreme Court upheld the must-carry rules in a 1997 decision. These must carry rights are not absolute, and their exercise is dependent on a variety of factors such as:

- o the number of active channels on the cable system;

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- o the location and size of the cable system; and
- o the amount of programming on a broadcast station that duplicates the programming of another broadcast station carried by the cable system.

Therefore, under certain circumstances, a cable system may choose to decline to carry a given station. We are currently exploring the possibilities with cable providers to obtain carriage for our low-power affiliate broadcast stations, which will give the Company a higher percentage of potential viewing audience and allow the Company to increase its advertising rates for advertising spots sold to advertisers. We can offer no assurances, however, that we will obtain such cable carriage.

Local Marketing Agreements

We may, from time to time, enter into local marketing agreements, or LMAs, generally in connection with pending station acquisitions. By using LMAs, we can provide programming and other services to a station that we intend to acquire before we receive all applicable FCC and other governmental approvals that are necessary to consummate that assignment.

FCC rules and policies generally permit LMAs if the station licensee retains ultimate responsibility for and control of the applicable station, including finances, personnel, programming and compliance with the FCC's rules and policies. We cannot be sure that we will be able to air all of our scheduled programming on a station with which we have LMAs or that we will receive the anticipated revenue from the sale of advertising for such programming.

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For purposes of its national and local multiple ownership rules, the FCC attributes LMAs that involve more than 15% of the brokered station's weekly program time. Thus, if an entity owns one television station in a market and has a qualifying LMA with another station in the same market, this arrangement must comply with all of the FCC's ownership rules including the television duopoly rule.

Digital Television Services

In February 1998, The FCC has adopted rules for implementing digital television service in the United States. Implementation of digital television will improve the technical quality of television signals and provide broadcasters the flexibility to offer new services, including high-definition television and data broadcasting. The FCC has established service rules and adopted a table of allotments for digital television. The table of digital allotments provides each existing television station licensee or permittee with a second broadcast channel to be used during the transition to digital television, conditioned upon the surrender of one of the channels at the end of the digital television transition period.

The spectrum to provide a variety of ancillary or supplemental services including, for example, data transfer, subscription video, interactive materials, and audio signals, subject to the digital television implementing rules permit broadcasters to use their assigned digital requirement that they continue to provide at least one free, over-the-air television service. The FCC established May 1, 2002 as the deadline for initiation of digital television service for all television stations and 2006 as the date that television broadcasters must return their analog license to the FCC unless specified conditions exist, that in effect limit the public's access to digital television in a particular market. These dates are subject to biennial reviews that will evaluate the progress of the DTV transition, including consumer acceptance. The FCC also has adopted rules that require broadcasters to pay a fee of 5% of gross revenues received from ancillary or supplementary uses of the digital spectrum for which they receive subscription fees or compensation other than advertising revenues derived from free over-the-air broadcasting services.

Equipment and other costs associated with the digital television transition, including the necessity of temporary dual-mode operations, will impose some near-term financial costs on television stations in their conversion to digital television transmission. The potential also exists for new sources of revenue to be derived from digital television. We cannot predict the overall effect the transition to digital television might have on our business.

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Satellite Home Viewer Improvement Act

The Satellite Home Viewer Improvement Act ("SHVIA") enables satellite carriers to provide more television programming to subscribers. Specifically, SHVIA: (1) provides a statutory copyright license to enable satellite carriers to retransmit a local television broadcast station into the station's local market (i.e., provide "local-into-local" service); (2) permits the continued importation of distant network signals (i.e., network signals that originate outside of a satellite subscriber's local television market or DMA) for certain existing subscribers; (3) provides broadcast stations with retransmission consent rights; and (4) mandates carriage of broadcast signals on a "local-into-local" basis after a phase-in period. "Local markets" are defined to include both a station's DMA and its county of license.

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SHVIA requires that, with several exceptions, satellite carriers may not retransmit the signal of a television broadcast station without the express authority of the originating station. Such express authorization is not needed, however, when satellite carriers retransmit a station's signal into its local market (i.e., provide local-into-local transmissions) prior to May 28, 2000. This retransmission can occur without the station's consent. Beginning May 29, 2000, however, a satellite carrier must obtain a station's consent before retransmitting its signal within the local market. Additional exceptions to the retransmission consent requirement exist for noncommercial stations, certain superstations and broadcast stations that have asserted their must-carry rights.

In addition, SHVIA permits satellite carriers to provide distant or nationally broadcast programming to subscribers in "unserved" households (i.e., households are unserved by a particular network if they do not receive a signal of at least Grade B intensity from a station affiliated with that network) until December 31, 2004. However, satellite television providers can retransmit the distant signals of no more than two stations per day for each television network.

SHVIA also provides for mandatory carriage of all television broadcast stations by satellite carriers, effective January 1, 2002, under certain circumstances. Effective January 1, 2002, a satellite carrier that retransmits one local television broadcast station into its local market under a retransmission consent agreement, must carry upon request all television broadcast stations in that same market. Satellite carriers are not required, however, to carry the signal of a station that substantially duplicates the programming of another station in the market, and are not required to carry more than one affiliate of the same network in a given market unless the television stations are located in different states.

In addition, SHVIA requires the FCC to commence a rulemaking proceeding that extends the network nonduplication, syndicated exclusivity and sports blackout rules to the satellite retransmission of nationally distributed superstations. The FCC already has initiated several rulemaking proceedings, as required by SHVIA, to implement certain aspects of this Act.

Therefore, under certain circumstances, a SHVIA system may choose to decline to carry a given network or broadcast station. We are currently exploring the possibilities with SHVIA providers to obtain carriage for the Urban Television Network, which would give the Company another source of viewers in addition to the current broadcast station affiliates. This increase in potential viewers would give the Company the potential to increase its advertising rates for advertising spots. We can offer no assurances, however, that we will obtain such SHVIA system carriage.

Children's Television Act

The FCC's rules limit the amount of commercial matter that may be broadcast during programming designed for children 12 years of age and younger to 12 minutes per hour on weekdays and 10.5 minutes per hour on weekends. Violations of the children's commercial limitations may result in monetary fines or non-renewal of a station's broadcast license. FCC rules further require television stations to serve the educational and informational needs of children 16 years old and younger through the stations' own programming as well as through other means. The FCC has guidelines for processing television station renewals under which stations are found to have complied with the children's programming requirements if they broadcast three hours per week of "core"

children's educational programming, which among other things, must have as a

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significant purpose serving the educational and informational needs of children 16 years of age and younger. A television station that the FCC finds not to have complied with the "core" programming processing guideline could face sanctions, including monetary fines and the possible non-renewal of its broadcasting license, if it has not demonstrated compliance with the children's programming requirements in other ways. The FCC has indicated its intent to strictly enforce its children's television rules. Television broadcasters must file periodic reports with the FCC to document their compliance with foregoing obligations.

The Company takes these rules into considerations when preparing its program schedule, to give its affiliates the ability to similarly comply with the rules when broadcasting Urban Television programming over their local television station.

Proposed Regulations and Legislation

In 1995, the FCC issued notices of proposed rulemaking proposing to modify or eliminate most of its remaining rules governing the broadcast network-affiliate relationship. The network-affiliate rules were originally intended to limit networks' ability to control programming aired by affiliates or to set station advertising rates and to reduce barriers to entry by networks. The dual network rule, which generally prevents a single entity from owning more than one broadcast television network, is among the rules under consideration in these proceedings. Although the Telecommunications Act substantially relaxed the dual network rule by providing that an entity may own more than one television network, none of the four major national television networks may merge with each other or acquire certain other networks in existence on February 8, 1996. We cannot predict how or when the FCC proceeding will be resolved or how those proceedings or the relaxation of the dual network rule may affect our business.

Low-Power Television

Low-power television stations are regarded by the FCC as having secondary status to full-power television stations and are subject to being displaced by changes in full-power stations resulting from digital television allotments. On November 29, 1999, Congress enacted the Community Broadcasters Protection Act, which created a new "Class A" low-power television station. Class A low-power television stations are entitled to protection from future displacement by full-power television stations under certain circumstances. The FCC has adopted rules governing the extent of interference protection that must be afforded to Class A stations and the eligibility criteria for these stations. Station KLHO-LP Channel 18 in Oklahoma City, Oklahoma was granted a Class A License

In addition, the U.S. Congress and the FCC have under consideration, and in the future may consider and adopt new laws, regulation and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership and profitability of our affiliate broadcast stations. Any such changes could result in the loss of audience share and advertising revenues for broadcast stations, and affect our ability to acquire broadcast stations or finance such acquisitions. Also potential FCC changes could possibly eliminate certain broadcast stations, which would reduce the total affiliate base and household coverage of Urban Television. In addition to the issues noted above, such changes may include:

- o spectrum use fees;
- o political advertising rates;
- o potential restrictions on the advertising of certain products (beer, wine and hard liquor);
- o further revisions in the FCC's cross-interest, multiple ownership and

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attribution policies;

- o foreign ownership of broadcast licenses;
- o technical and frequency allocation matters; and
- o DTV tower siting issues.

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The FCC also has initiated a notice of inquiry to examine whether additional public interest obligations should be imposed on DTV licensees. We cannot predict the resolution of these issues or other issues discussed above, although their outcome could, over a period of time, affect, either adversely or favorably, the broadcasting industry generally or us specifically.

Restrictions on Broadcast Advertising

Advertising of cigarette and certain other tobacco products on broadcast stations has been banned for many years. Various states also restrict the advertising of alcoholic beverages and certain members of Congress are currently contemplating legislation to place restrictions on the advertisement of such alcoholic beverage products. FCC rules also restrict the amount and type of advertising which can appear in programming broadcast primarily for an audience of children twelve years old and younger.

The Communications Act and FCC rules also place restrictions on the broadcasting of advertisements by legally qualified candidates for elective office. Among other things,

- o stations must provide "reasonable access" for the purchase of time by legally qualified candidates for federal office,
- o stations must provide "equal opportunities" for the purchase of equivalent amounts of comparable broadcast time by opposing candidates for the same elective office, and
- o during the 45 days preceding a primary or primary run-off election and during the 60 days preceding a general or special election, legally qualified candidates for elective office may be charged no more than the station's "lowest unit charge" for the same class of advertisement, length of advertisement, and daypart.

The foregoing summary of FCC and other governmental regulations is not intended to be comprehensive. For further information concerning the nature and extent of federal regulation of broadcast stations, you should refer to the Communications Act, the Telecommunications Act, other Congressional acts, FCC rules and the public notices and rulings of the FCC.

Facilities

We currently lease our principal offices of approximately 2,000 square feet located at 18505 Highway 377 South, Cresson, Texas 76035. The space is leased from M3X Development, Inc. Marc Pace, a stockholder and director of the Company, is a director and principal of M3X Development, Inc. The term of the lease is three years at the rate of \$2,000 per month. The lease term ends March 31, 2005 with the total lease expense for the term of the lease being \$72,000.00. We use this space for our general office and administrative purposes, as well as for programming services. We broadcast our programming to our operated and affiliate stations from Verestar, Inc. in Cedar Hill, Texas. The Company contracts its

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master control functions to Clear Fork Communications, owned by shareholders of the Company. We believe that this space is adequate for our current needs. See Related Party Transactions for details on ownership by Company directors and shareholders.

Employees

As of September 30, 2003, we had no full time employees. The Company has contractual Relationships with its Executive Vice President and Chief Financial Officer and the Company's corporate secretary. Our employees are not represented by any collective bargaining organization, and we have never experienced a work stoppage. We believe that our relations with our employees are satisfactory.

Item 2. Properties

A description of the Company's properties is included in Item 1, Business, and is incorporated herein by reference.

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Item 3. Legal Proceedings and Administrative Matters

During the first week of October 2001, the Company was served as a defendant in Jules Nordlicht v. Stan Abrams, individually; Waste Conversion Systems, Inc. in the District Court for the City and County of Denver. Mr. Nordlicht alleges: (1) that the Company breached a contract by failing market and resell certain equipment and by failing to keep said equipment insured; and, (2) that the Company was negligent or careless in causing some or all said equipment to be shipped to Ireland. Mr. Nordlicht has asserted that he is owed \$62,500 and requests that he be awarded interest as provided by law, costs and any other relief that the Court deems just and proper. The Company denies that it in any way acted in breach of the alleged contract or that its actions were in any way negligent. In addition, the Company believes that the action is subject to certain valid defenses. During October 2001, the Company entered into an Assumption of Liability, Indemnification and Hold Harmless Agreement with Stan Abrams, the Company's former President, whereby Mr. Abrams has agreed, upon the receipt of \$20,000, to: (1) assume and promptly pay, any and all liability with regard to this litigation, including any costs, expenses, attorney and expert fees, and travel costs; and (2) indemnify and hold the Company harmless from paying any and or all claims relating to this litigation. (See Exhibit 10.0 filed with the 10-QSB report for the period ending December 31, 2001).

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

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

PART II

Item 5. Market for Company's Common Equity and Related Stockholder Matters:

There was no active market for the Company's common stock. The stock was traded on a very limited basis in limited volumes on the over-the-counter market. It was included in the NASD's OTC Bulletin Board under the symbol, "WSCY" until the Company changed its name in June 2002 to Urban Television Network Corporation at which time the symbol was changed to "UNTV." The Company effectuated a 1 to 20 reverse stock split on November 28, 2002 at which time the NASD gave the Company

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the new symbol "URBT". Prices for the common stock were also published in the National Quotation Bureau, Inc.'s Pink Sheets.

A range of high and low quotations for the Company's Common Stock for fiscal years 2002 and 2003 are listed below. The information was obtained from the NASDAQ web site (www.nasdaq.com). The prices reported may not be indicative of the value of the Common Stock or the existence of an active trading market. The Company does not know whether these quotations reflect inter-dealer prices without retail mark-up, markdown or commissions. These quotations may not represent actual transactions.

| | 2003 | | 2002 | |
|----------------|------------|--------------|------------|--------------|
| | Low --- | High ---- | Low --- | High ---- |
| First Quarter | \$0.500 | \$6.000 | \$0.010 | \$0.090 |
| Second Quarter | \$0.500 | \$6.000 | \$0.010 | \$0.510 |
| Third Quarter | \$0.500 | \$1.900 | \$0.010 | \$0.510 |
| Fourth Quarter | \$0.630 | \$1.950 | \$0.010 | \$0.550 |

The Company common stock commenced trading on the NASD's OTC Bulletin Board in August of 2002.

At September 30, 2003 there were 576 holders of record. No dividends have been paid to date and it is not anticipated that dividends will be paid in the near future. We currently intend to retain future earnings to finance the growth of our business. Therefore, it is unlikely that you will receive any funds from your investment in our common stock without selling your shares. We cannot assure you that you will receive a gain on your investment when you sell your shares or that you will not lose the entire amount of your investment.

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Recent Sales of Unregistered Securities

During the period July 1 through September 30, 2003, we sold the following securities in exempt transactions not requiring registration:

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 period ended September 30, 2003, a total of \$1,105,650 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 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.

We believe these securities were issued in private transactions pursuant to Sections 3(a) (9) and, or 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 6. Management's Discussion and Analysis of Financial Condition and Results

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of Operations

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.

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 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.

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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

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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.

As is common in other media companies, our performance is measured by our ability to generate broadcast cash flow, earnings before extraordinary items, net interest expense, income taxes, depreciation, amortization (EBITDA) and after-tax cash flow. Broadcast cash flow consists of operating income before depreciation, amortization and corporate expenses. After-tax cash flow consists of income before income tax benefit (expense) and extraordinary items, minus the current income tax provision, plus depreciation and amortization expense. Although broadcast cash flow, EBITDA and after-tax cash flow are not measures of performance calculated in accordance with generally acceptable accounting principals, we feel that broadcast cash flow, EBITDA and after-tax cash flow are useful in evaluating us because these measures are acceptable by the broadcasting industry as generally recognized measures of performance and are used by securities industry analysts who publish reports on the performance of broadcasting companies. Broadcast cash flow, EBITDA and after-tax cash flow are not intended to be substitutes for operating income as determined in accordance with generally acceptable accounting principles, or alternatives to cash flow from operating activities (as a measure of liquidity) or net income.

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 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 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:

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- 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.
- 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.

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 up front 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

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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

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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.

Network Advertising. All operated stations as well as affiliates have a percentage of available commercial time dedicated for "network" sales. The commercials sold on the network are broadcast simultaneously and aired in the affiliate markets that are at that time airing the network's programming.

National Spot Advertising. National advertisers have the opportunity to buy "spot" advertising in specific markets. For example, an advertising agency in New York would use spot advertising to purchase commercials in Dallas or Oklahoma City.

Currently the Company generates its Network and National spot advertising sales. 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 market. The sales of our local spot advertising would then be generated by these local sales staff personnel placed at each of our television stations.

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 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 of Operations Year ended September 30, 2003 compared to the year ended September 30, 2002.

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Revenues. Revenues are primarily derived from sales of advertising and programming time. Revenues for fiscal 2003 were \$242,998 compared to \$142,811 for fiscal 2001, an increase of \$100,187. The increase in revenues is primarily attributable to the growth of the network's affiliate base and the resulting increase in household coverage, which led to the Company bringing in more advertising and program revenues.

Cost of Operations. Costs of operations were \$858,102 for the 2003 fiscal year and \$434,463 for the 2002 fiscal year. The increase in 2003 is primarily due to the Company having a complete year (8 months versus 12 months) of network operating costs resulting in increased costs for satellite, uplink, master control services and technology expenses.

General and Administrative. General and administrative expenses for the fiscal year ended September 30, 2003 were \$1,348,992 compared to \$215,215 for the 2002 fiscal year. The 2003 general and administrative expenses increased by \$1,133,777 and is primarily due to a \$733,750 expenses for stock grants relating to consulting services and executive compensation, increases of \$126,586 in cost of operating television stations under the Company's control, \$23,938 in Internet costs, \$40,066 in legal expenses, \$17,500 in accounting fees, \$10,525 in transfer agent fees, \$22,794 in supplies, expense, \$10,735 in affiliate supplies, \$27,927 in contract labor costs, and \$8,436 in rent expense.

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Interest expense for the fiscal year 2003 was \$27,664 compared to \$40,571 for fiscal year 2002. The 2003 and 2002 interest expense is a result of accrued interest on note payable to shareholders.

Operating Results. We had a net operating loss of \$2,039,109 for fiscal year ended September 30, 2003 compared to a net operating loss of \$581,106 for the fiscal year ended September 30, 2002. The increased loss for 2003 was primarily attributed to the Company having a complete year (8 months versus 12 months) of network operating costs resulting in increased costs for satellite, uplink, master control services and technology expenses and general and administrative expenses increasing resulting from the growth in operations.

Earnings Per Share of Common Stock. The net loss per common share is based upon the weighted average of outstanding common stock. In 2003, the net loss per share of common stock was \$0.15. For fiscal 2002, net loss per share of common stock was \$0.90.

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 \$8,064,813 from the inception of the Company through September 30, 2003.

Current liabilities at September 30, 2003 were \$468,943, which exceeds current assets of \$239,649 by \$229,294.

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

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investments.

We had net losses \$2,039,109 in 2003 and \$581,106 in 2002. 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.

Impact of inflation

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

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements and Financial Statement Schedule filed as a part of this Annual Report on Form 10-KSB are listed on the Index to Consolidated Financial Statements and Consolidated Financial Statement Schedule on page F-1.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Although there were no changes during fiscal 2002, the Company received formal notice on October 6, 2003, from Jack Burke, Jr. C.P.A. that he had resigned as the Company's certifying independent accountant, effective September 22, 2003. There were no disagreements related to accounting principles or practices, financial statement disclosure, internal controls or auditing scope or procedure during the past two fiscal years and interim periods, including the interim period up through the date the relationship ended.

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On November 21, 2003 we retained Comiskey & Company as our new independent auditor.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons: Compliance with Section 16(a) of the Exchange Act

The directors and executive officers of the Company as of September 30, 2003 are as follows:

| Name ---- | Age --- | Position ----- |
|--------------------------|------------|--|
| Lonnie G. Wright..... | 51 | Chairman of the Board President and Chief Executive Officer |
| Randy Moseley..... | 56 | Executive Vice President, Chief Financial Officer, Director |
| Conrad H. Bullard..... | 68 | Executive Vice President, Director |
| Anthony K. Campbell..... | 38 | Executive Vice President, Director |

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| | | |
|-------------------------|----|------------------------------------|
| Carl Olivieri..... | 41 | Executive Vice President, Director |
| Jacob R. Miles III..... | 50 | Executive Vice President, Director |
| Marc Pace..... | 48 | Director |
| Stanley Woods | 51 | Director, Secretary |

The term of office for each director is one (1) year, or until his/her successor is Elected at the Company's annual meeting and is qualified. The term of office for Each officer of the Company is at the pleasure of the board of directors, except for Randy Moseley and Stan Woods - See Item 10 - Executive Compensation.

Lonnie G. Wright, age 51, President, Chief Executive Officer and Chairman of the Board. Mr. Wright has over 25 years of hotel and gaming experience in Las Vegas resorts and is currently President of Hospitality International and Wright Entertainment based in Las Vegas, Nevada. Mr. Wright is also an Associate Vice President at the Community College of Southern Nevada where he has worked in various capacities for the past 15 years. For the four years previous to being appointed as an Associate Vice President, Mr. Wright served as the Chairperson of the Resorts and Gaming Department. Most recently, Mr. Wright worked with the management of the largest hotel in the world, Las Vegas MGM Hotel and Casino, where he developed a pilot program entitled "Race and Cultureconomics". Mr. Wright holds a Masters Degree in Post-Secondary Education and a B.S. in Hotel Management both from the University of Nevada - Las Vegas and is a PH.D. Candidate in Hotel Administration.

Randy Moseley, age 56, Executive Vice President, Chief Financial Officer, Director. Mr. Moseley was co-founder of the Company in October 2001 and was the President and Chief Executive Officer and Chief Financial Officer until the Company's officers was reorganized In October of 2003 when Wright Entertainment, LLC purchased 51% of the Company's common stock. Prior to the founding of Urban Television Network Corporation in October 2001, Mr. Moseley was Executive Vice President and Chief Financial Officer of Tensor Information Systems, Inc., a custom software development company based in Fort Worth, Texas from November 1999. Prior to joining Tensor, Moseley served as Executive Vice President and Chief Financial Officer for American Independent Network, Inc. ("AIN"), a network for independent broadcast television stations and cable operators. AIN merged with Hispanic Television Network, Inc. in November 1999 and its name changed to Hispanic Television Network, Inc. Previously, Moseley held positions with Jerry Lancaster & Associates Inc. and Ernst & Young. Moseley received a bachelor's degree in business administration from Southern Methodist University and is a certified public accountant. Moseley has affiliations with the Texas Society of CPAs and the American Institute of CPAs.

Conrad H. Bullard, age 68, Executive Vice President of Development and Production, Director. Mr. Bullard has served as Managing Director and CEO of Creative Imagery Enterprises, L.L.C. for the past ten years with the responsibility of consulting, researching, developing, budgeting, writing and producing and directing feature films, television shows, broadcast television commercials, documentaries and live musical concerts. Mr. Bullard also serves as Chief Consultant for the Hydeia L. Broadbent Foundation Incorporated. A native of Los Angeles, he is producer, director and writer who has a long and

distinguished record of achievements comprised of thirty years diverse experience in the production of feature films, broadcast television, artist bookings, artist management, promotion, recording industry, corporate training films/videos, legitimate theatre, and the promotion of live musical concerts. Mr. Bullard is a member of the University of California Los Angeles (UCLA) alumni Association, the American Federation of Television Radio Artists

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(A.F.T.R.A.), Entertainment Direct Television, Incorporated (ED.TV.INC.), the Writer's Guild of America (W.G.A.), the Screen Actor's Guild (S.A.G.), and the A.F.A.M. Scottish-Rite Masonry. Mr. Bullard is a honorably discharged Korean and Viet Nam War Veteran, having served in the United States Navy.

Jacob R. Miles III, age 50, Executive Vice President of Network Operations, Director. Mr. Miles is also currently President of Grapevine Entertainment Services and Production, Inc., which position he has held since 2002. Prior to 2002, Mr. Miles served as President and CEO of Urban Cool Network, Inc., an Internet Portal targeted at the Urban Community from 1997 to 2002. Mr. Miles also serves as President of the Dallas-Fort Worth chapter of the National Association of Minorities in Cable.

Carl Olivieri, age 41, Executive Vice President of Marketing and Corporate Operations, Director. Mr. Olivieri has been President since May 2002 of Soul to Sole Ventures, Inc. in Los Angeles, CA. Sole to Soul provides retail clients with services relating to customer service shopping, loss prevention, store safety, operating expense control, and in-store marketing evaluations. Mr. Olivieri served as field operations manager for U.S. Retail from January 2000 to May 2002. He managed 165 stores nationwide and was responsible for directing the operations and HR/Training for the managers to insure that the policies and training programs were linked to both strategic and sales goals. Mr. Olivieri served as regional manager for U.S. Retail from January 1997 to January 2000 and was responsible for the sales performance, personnel and operations for 30 stores in a seven state area. Mr. Olivieri is also the Chief Executive Officer of Black Buddha Music, which is preparing to release its first artist in February 2004. He is also an independent film producer and his latest project is the just-released, 60-minute documentary on Tupac Shakur titled, "2Pac 4Ever".

Anthony K. Campbell, age 38, Executive Vice President of Programming, Director. Mr. Campbell has been Executive Producer for Beatnik Entertainment in Los Angeles, CA. for the past five years. Beatnik Entertainment operates a recording studio, publishing, and a video/commercial production. Mr. Campbell also has his own record label, titled "Black Buddha Music".

Stanley Woods, age 51, Corporate Secretary and Director. He has served as President of Cresson Investments, Inc., a corporate planning and consulting firm, since October of 2001. Mr. Woods taught at the junior college and high school levels from 1997 to 2001. He received a Bachelor's Degree in Business Administration from Tarleton State University in 1978.

Marc Pace, age 48, Corporate Director. He presently owns and operates M3X Real Estate Development and has been involved in the real estate development business for the past ten years plus being involved in several oil and gas development projects. He received a Bachelor's Degree in Business Management from Texas Tech University in 1976.

Compensation of Directors

The Company does not pay any cash compensation for attendance at directors meetings or participation in directors' functions.

Committees of the Board of Directors

Audit Committee

During the year ending September 30, 2001, we did not have a formal Audit Committee of the Board of Directors. On September 30, 2002, our Board approved an Audit Committee Charter. During 2003, the Board of Directors appointed Marc Pace and Stanley Woods to serve on the on the audit committee. The audit committee will make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and

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results of such audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of our internal accounting controls.

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Compensation Committee

We did not have a formal Compensation Committee during 2002 or 2003. We anticipate forming such a committee to make recommendations to the Board concerning compensation of our executive officers.

Compensation Committee Interlocks and Insider Participation

No executive officer or director of the company serves as an executive officer, director or member of a compensation committee of any other entity for which an executive officer, director or member of such entity is a member of the Board or the Compensation Committee of the Board. There are no other interlocks.

Advisory Committee

The Company has named three individuals to its advisory committee (the "Advisory Committee") with additional individuals to follow as the Company grows. Its members are expected to come from major demographic areas across the country and include people from corporate and entertainment fields. The advisory committee members named are as follows:

Ramon Palameros - Deputy Director of U.S. Department of Housing and Urban Development since 1977. Mr. Palomares helps manage the public housing systems of about 300 cities in Texas. A native of San Antonio, Texas, Mr. Palomares earned his undergraduate degree from Our Lady of the Lake University. He earned a fellowship to the Nation's capital in Washington, D.C. where he earned a Masters Degree in Public Administration from Washington, D.C. Branch of the University of Southern California. Mr. Palomares was elected as a State Director for Latin United of Latin American Countries (LULAC) in 1999 and was instrumental in establishing the LULAC Texas State Office in Austin and opening the Texas Civil Rights Office in San Antonio. Some of the creative initiatives led by Mr. Palomares and his Executive Board include the Legislative Gala, the Annual Civil Rights Symposium, the Leadership Academy for Adult Officers and joining with the NAACP for promotion of civil rights for all Americans.

Jill Darden - Publisher of the Fort Worth Black News, a newspaper highlighting activities and accomplishments in the local African-American community. She also produces and hosts a television show that is featured on the local cable system. Ms. Darden graduated with a degree in Broadcast Journalism from the University of Texas at Arlington. While in college, she was elected Miss UTA and became the first African-American to hold the title. She was pictured in the national publication of Ebony Magazine among black college queens. Ms. Darden has received the Leadership Award From the U.S. Department of Commerce Minority Business Development Agency. She has published a book of poetry call Back Talk, poetic confessions from the soul and received the Paul R. Ellis Media Award from the American Heart Association for her story, Search Your Heart.

Christian Diaz - Mr. Diaz is Co-Founder and Sr. Executive President of Interkard International. Mr. Diaz, with over 25 years experience in direct sales and international marketing, he brings a wealth of marketing and communications experience to the Interkard team. Prior to Interkard, Chris served as Executive Vice President of XENO Development, Inc., a holding company comprised of

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Prodika, Inc., POWERmedia, Inc. and EyeQ Corp. As part of XENO's executive team, he also served as Marketing Director of Prodika and President of XENO de las Americas, a corporate division of XENO based in Puerto Rico that targets Latin America. Diaz joined XENO from AmeriPlan USA where he held the position of Director of Creative Services and Vice President of Marketing for the Eastern Division and National Hispanic Market.

Since 1998, Mr. Diaz has served on Senator Orin Hatch's Senate Advisory Board on Hispanic Affairs and also has served on the US Congressional Advisory Board since 1984.

After formation, the Advisory Committee shall meet with the Company's Board of Directors no less than quarterly for the purpose of discussing the Company's operations. The Advisory Committee shall have no binding authority, but it may advise and consult with the Chief Executive Officer and report to the Board of Directors. The Company will reimburse the members of the Advisory Committee for their expenses, but they shall not be paid any compensation for serving on the Advisory Committee.

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Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of the Company's Common Stock, to file with the Securities and Exchange Commission (a) initial reports of beneficial ownership (Form 3), (b) reports of changes in beneficial ownership of Common Stock of the Company (Form 4) and (c) annual reports of beneficial ownership (Form 5). Copies of those reports must also be furnished to us. Randy Moseley was delinquent in filing two Form 4 and one Form 5. Lonnie G. Wright, Marc Pace and Stanley Woods were delinquent in filing one Form 4 each. Lonnie G. Wright, Conrad H. Bullard, Anthony K. Campbell and Carl Olivieri were delinquent in filing their initial beneficial reports on Form 3.

Item 10. Executive Compensation

Randy Moseley, President, Chief Executive Officer and Chief Financial Officer at September 30, 2003, and currently Executive Vice President and Chief Financial Officer, received stock (see table below) issued under the 2003 Non-Qualified Stock Grant and Option Plan discussed below. Randy Moseley, President, Chief Executive Officer and Chief Financial Officer and Stanley Woods, Secretary of the Company have employment agreements as set forth below in this Item 10. There is no health insurance, retirement, pension, profit sharing or similar program currently in effect.

Stock Option Plan. In February 1993, the Company adopted, with stockholder approval, The 1993 Stock Option Plan (the "Plan"). Options granted under the Plan may be either (i) options intended to qualify as "incentive stock options" under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), or (ii) nonqualified stock options. Incentive stock options may be granted under the Plan to employees, including officers and directors who are employees. Nonqualified options may be granted to non-employee directors and to such other persons, as the Board of Directors shall select.

The 1993 Stock Option Plan is administered by the Board of Directors. The Board of Directors has the authority to determine the person to whom options will be granted, the number of shares to be covered by each option, whether the options granted are intended to be incentive stock options, the duration and rate of exercise of each option, the option price per share, the manner of exercise, and the time, manner and form of payment upon exercise of an option. The Company has

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76,000 shares of common stock reserved for issuance under the Plan.

2003 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 for consulting services.

The 2003 Non-Qualified Stock Grant and Option Plan is administered by the Board of Directors. The Board of Directors has the authority to determine the person to whom Grants and options will be granted, the number of shares to be covered by each grant or option, whether the options granted are intended to be incentive stock options, the duration and rate of exercise of each option, the option price per share, the manner of exercise, and the time, manner and form of payment upon exercise of an option.

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The following table provides information about our Chief Executive Officer and each of our executive officers who received salary and bonus in the years ended September 30, 2003 and 2002, that exceeded \$100,000, these persons being collectively referred to as "named executive officers."

| Name and principal position ----- | Year ---- | Salary ----- | Bonus ----- | Other Annual Compensation ----- | All Other Compensation ----- |
|---|--------------|-----------------|----------------|---------------------------------------|------------------------------------|
| Stan Abrams Chief Executive Officer (Sept. - Feb) | 2002 | \$ 00.00 | -- | -- | -- |
| Randy Moseley Chief Executive Officer (Feb. - Sept) | 2002 | \$150,000.00 | -- | -- | -- |
| | 2003 | \$ 00.00 | -- | -- | -- |
| Stan Woods Secretary | 2002 | \$ 0.00 | -- | -- | -- |
| | 2003 | \$ 50,000.00 | -- | -- | -- |

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Annual compensation represents 600,000 shares of common stock issued to Mr. Moseley and 200,000 shares of common stock issued to Mr. Woods under the 2003 Non-Qualified Stock Grant and Option Plan.

Option Grants in Last Fiscal Year

We did not grant any options to our named executive officers during fiscal year 2003.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

During fiscal year 2002, no options were exercised.

Stock Grants in Last Fiscal Year

During the 2003 fiscal year the Company issued stock grants for common stock under the 2003 Non-Qualified Stock Grant and Option Plan for executive compensation. Randy Moseley, President, Chief Executive Officer and Chief Financial Officer was issued 600,000 common shares with 500,000 of the shares being vested on January 9, 2004 if he holds the corporate office of President or Chief Financial Officer on such date. The Company also issued Stan Woods, the corporate Secretary, 200,000 common shares with 100,000 of the shares being vested on January 9, 2004 if he holds the office of corporate secretary on such date.

During the 2003 fiscal year the Company issued stock grants for common stock under the 2003 Non-Qualified Stock Grant and Option Plan for legal and consulting services. The Company issued 400,000 shares for legal services and 700,000 shares for consulting services.

Employment Agreements with Executive Officers

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.

Subsequent to September 30, 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 rather than on September 30, 2007.

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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 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 June 2003 in lieu of his annual salary for the period ended September 30, 2003.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 20, 2003, we had 42,319,636 shares of common stock outstanding. The following table sets forth information concerning beneficial ownership of

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shares of our common stock as of December 20, 2003:

- o each person (or group within the meaning of Section 13(d)(3) of the (Exchange Act) known to us to own more than 5% of our outstanding common stock;
- o each director;
- o each executive officer; and
- o all directors and executive officers as a group.

Except as otherwise noted, the named beneficial holder has sole voting and investment power. The address for all officers and directors is 18505 Highway 377 South, Cresson, Texas, 76035.

| | Shares of Common Stock Beneficially Owned (*) | |
|---|--|---------|
| | Number | Percent |
| | ----- | ----- |
| Wright Entertainment, LLC (2)..... | 22,000,000 | 52.7% |
| Lonnie Wright (1) (2) (3)..... | 22,000,000 | 52.7% |
| Randy Moseley... (1) (2) (4)..... | 24,070,000 | 56.9% |
| Marc Pace (1)..... | 980,000 | 2.3% |
| Stanley Woods (1)..... | 405,803 | 1.0% |
| Jacob R. Miles, III (1)..... | 150,000 | .4% |
| All officers and directors as a group (8 persons)..... | 25,605,803 | 61.4% |

(1) Directors and Officers

(2) 5% Beneficial shareholder

(3) Lonnie Wright is a director and President of the Company. He is also President of Wright Entertainment, LLC, a Nevada Limited Liability Corporation, the company that is the majority shareholder of Urban Television Network Corporation, a Nevada corporation.

(4) Randy Moseley's shares includes 500,000 shares owned by his spouse, 500,000 shares that are eligible to become vested in January, 2004 and the 22,000,000 shares owned by Wright Entertainment LLC which he has the authority to vote, therefore he is deemed a beneficial owner of these shares.

 (*) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security) and includes the ownership of a security through corporate, partnership, or trust entities. In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

Item 12. Certain Relationships and Related Transactions

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.

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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.

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 leases office space from one its shareholders and director for \$2,000 per month. The office space consist of approximately 2,000 square feet located at 18505 Highway 377 South, Cresson, Texas 76035. The total rental expense for the years ended September 30, 2003 and 2002 was \$24,000 and \$14,000, respectively.

On May 7, 2002, the new majority company shareholder, Urban Television, a Texas corporation, authorized an amendment to the Articles of Incorporation changing the corporate name from Waste Conversion Systems, Inc. to Urban Television Network Corporation. This authorization was implemented by the written consent of the majority shareholders in lieu of a special meeting. The new corporate name became effective in June 2002 when the Amendment to the Company's Articles of Incorporation were filed with the Nevada Secretary of State. This filing took place after notice to the Company shareholders in accordance with the disclosure provisions of the Schedule 14C Information Statement.

Urban Television Network Corporation (Urban-Texas), a Texas corporation, was organized in October 2001 for the purpose of acquiring the original American Independent Network (AIN) television broadcast signal and television network affiliate base from Hispanic Television Network, Inc. AIN provided a general market, family-oriented programming to its network affiliates. Urban-Texas changed the AIN programming format when it acquired the broadcast signal and affiliate base from HTVN to focus the programming content on the ethnic minority programming interests of African-American viewers across the United States.

In year 2003, the Company began using the services of Clear Fork Communications, a company (in which Marc Pace, a director of Urban Television, owns a 15% interest), 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 period ended September 30, 2003, the total expense paid out for these services was \$345,081.

The Company uses the services of a Cresson Technology, Inc., company owned by shareholders to provide it with technology services including Internet and affiliate relations. During the period ended September 30, 2003, the total expense paid out for these services was \$192,691.

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During the periods ended September 30, 2003 and 2002, the Company executed interest bearing notes with shareholders for money to pay operating expenses on behalf of the Company. The Company borrowed \$298,127 and \$263,165 from the shareholders and made repayments of \$164,177 and \$66,400 during the periods 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. As discussed in Note 12, a shareholder agreed to reduce the Company Payable by \$198,515 to apply towards the purchase of common stock.

During the period ended September 30, 2003, the Company executed an interest bearing note with a shareholder for money to pay operating expenses on behalf of the Company. During the periods ended September 30, 2003 the amounts loaned totaled \$132,200.

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Item 13. Exhibits, LISTS and Reports on Form 8-K

(a) EXHIBITS

| Exhibit No. | Description and Method of Filing |
|-------------|--|
| ----- | ----- |
| 2.0 | Asset Purchase Agreement w/o Exhibits |
| 10.1 | Promissory Note |
| 10.2 | Satellite Transponder Space Service Agreement between Hispanic Television Network, Inc. and Urban Television Network Corporation dated on, or about October 28, 2001 |
| 10.3 | Agreement between Hispanic Television Network, Inc. and Urban Television Network Corporation dated November 13, 2001 |
| 10.5 | Satellite Space Agreement with Loral Skynet dated on, or about November 22, 2002 |
| 10.6 | Employment Agreement by and between Randy Moseley and Urban Television Network Corporation, dated October 2, 2002. |
| 10.7 | Employment Agreement by and between Stanley Woods and Urban Television Network Corporation, dated October 2, 2002. |
| 21* | Subsidiaries of the Registrant. |
| 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 1850 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification by Chief Financial Officer, pursuant to 18 USC |

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Section 1850 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith.

(b) Reports on Form 8-K.

None

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Urban Television Network Corporation

By: /s/ Lonnie G. Wright

Lonnie G. Wright
Chairman of the Board and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities indicated on January 14, 2004.

| | | |
|--|--|------------------------|
| By:/s/ Lonnie G. Wright ----- Lonnie G. Wright | Title: Chairman of the Board | Date: January 14, 2004 |
| By:/s/ Lonnie G. Wright ----- Lonnie G. Wright | Title: Chief Executive Officer and Director | Date: January 14, 2004 |
| By:/s/ Randy Moseley ----- Randy Moseley | Title: Executive Vice President Chief Financial Officer and Director | Date: January 14, 2004 |
| By:/s/ Conrad H. Bullard ----- Conrad H. Bullard | Title: Executive Vice President and Director | Date: January 14, 2004 |
| By:/s/ Carl Olivieri ----- Carl Olivieri | Title: Executive Vice President and Director | Date: January 14, 2004 |
| By:/s/ Marc Pace ----- Marc Pace | Title: Director | Date: January 14, 2004 |

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By:/s/ Stanley Woods

Title: Secretary, Director

Date: January 14, 2004

Stanley Woods

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Independent Auditors' Report

Board of Directors
Urban Television Network Corporation
Cresson, Texas

We have audited the accompanying consolidated balance sheets of Urban Television Network Corporation (a Nevada corporation) and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, capital deficit and cash flows for the years ended September 30, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Television Network Corporation as of September 30, 2003 and 2002, and the results of its operations and changes in its cash flows for the years ended September 30, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

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The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements may not include all adjustments that might result from the outcome of this uncertainty.

/s/ Comiskey & Company, P.C.

December 10, 2003

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Urban Television Network Corporation

Consolidated Balance Sheet

September 30, 2003 and 2002

| | 2003 | 2002 |
|--|------------|-------|
| ASSETS | | |
| ----- | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 235,408 | \$ |
| Accounts receivable | 4,241 | 7, |
| | ----- | ----- |
| Total current assets | 239,649 | 7, |
| | ----- | ----- |
| Furniture, fixtures and equipment, net | 29,938 | 33, |

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| | | |
|----------------------|------------|---------|
| Other assets | | |
| Network assets, net | 137,465 | 176, |
| Organizational costs | 360 | |
| | ----- | ----- |
| | 137,825 | 176, |
| | ----- | ----- |
| Total Assets | \$ 407,412 | \$ 217, |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

| | | |
|--|-------------|---------|
| Current liabilities: | | |
| Accounts payable | \$ 96,678 | \$ 60, |
| Due to stockholders | 198,515 | - |
| Notes payable to stockholders | 132,200 | 196, |
| Bridge loans payable | 37,000 | - |
| Accrued interest payable | 4,550 | 12, |
| | ----- | ----- |
| Total current liabilities | 468,943 | 270, |
| | ----- | ----- |
| Stockholders' equity (deficit): | | |
| Preferred stock, \$1 par value, 500,000 shares authorized, none issued | -- | - |
| Common stock, \$.0001 par value, 200,000,000 shares authorized, 23,711,736 and 1,116,636 outstanding at September 30, 2003 and 2002 | 2,371 | |
| Additional paid-in capital | 8,058,311 | 5,973, |
| Stock subscription receivable | (57,400) | - |
| Accumulated deficit | (8,064,813) | (6,025, |
| | ----- | ----- |
| Total stockholders' equity (deficit) | (61,531) | (52, |
| | ----- | ----- |
| | \$ 407,412 | \$ 217, |
| | ===== | ===== |

See notes to financial statements.

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| | 2003 ===== | 2002 ===== |
|---|-------------------------|-----------------------|
| Revenues | \$ 242,998 ----- | \$ 142,811 ----- |
| Expenses: | | |
| Satellite and uplink services | 312,730 | 327,500 |
| Master control and production | 352,681 | 106,963 |
| Technology expenses | 192,691 | -- |
| Administration | 1,348,992 | 215,215 |
| Depreciation and amortization | 47,349 ----- | 33,668 ----- |
| Total expenses | \$ 2,254,443 ----- | \$ 683,346 ----- |
| Income loss from operations | (2,011,445) | (540,535) |
| Other income (expense) | | |
| Interest expense (net) | (27,664) ----- | (40,571) ----- |
| Net income (loss) | \$ (2,039,109) ===== | \$ (581,106) ===== |
| Earnings per share: | | |
| Net income (loss) | \$ (0.15) | \$ (0.90) |
| Weighted average number of common shares outstanding | 13,303,804 | 645,100 |

See notes to financial statements.

Urban Television Network Corporation
 Consolidated Statements of Capital Deficit
 For the years ended September 30, 2003 and 2002

| | Common Stock Shares | Stock Amount | Additional Paid-In Capital | Stock Subscription Receivable | De |
|--|------------------------|-----------------|----------------------------------|-------------------------------------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Balance, September 30, 2001 | 311,636 | \$ 31 | \$ 5,444,567 | \$ 0 | \$ (5 |
| Recapitalization of private company | 800,000 | 80 | 518,785 | | |
| Stock issued to Hispanic Television Network | 5,000 | 1 | 9,999 | | |
| Net loss for year ended September 30, 2002 | | | | | |
| Balance, September 30, 2002 | 1,116,636 | 112 | 5,973,351 | 0 | (6 |
| Recapitalization of private company | 13,248,000 | 1,325 | 238,594 | | |
| Stock issued for services | 7,275,000 | 727 | 810,523 | | |
| Stock issued for bridge loan conversions | 1,957,300 | 196 | 978,454 | | |
| Stock Subscription | 114,800 | 11 | 57,389 | \$ (57,400) | |
| Net loss for year ended September 30, 2003 | | | | | (2 |
| Balance, September 30, 2003 | 23,711,736 | \$ 2,371 | \$ 8,058,311 | \$ (57,400) | \$ (8 |
| | ===== | ===== | ===== | ===== | ===== |

See notes to financial statements.

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Urban Television Network Corporation
 Consolidated Statements of Cash Flows
 For the years ended September 30, 2003 and 2002

| | 2003 ===== | 2002 ===== |
|---|----------------|---------------|
| Operating activities: | | |
| Net (loss) | \$ (2,039,109) | \$ (581,106) |
| Adjustments to reconcile net (loss) to cash provided (used) by operating activities: | | |
| Depreciation and amortization | 47,349 | 33,668 |
| Stock issued for services | 811,250 | |
| Net change in assets and liabilities: | | |
| Accounts receivable | 2,827 | (7,068) |
| Accounts payable | 35,875 | 60,803 |
| Accrued interest payable | (8,021) | 12,571 |
| | ----- | ----- |
| Net cash provided (used) by operating activities | (1,149,829) | (481,132) |
| | ----- | ----- |

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| | | |
|-------------------------------------|------------|-----------|
| Investing Activities: | | |
| Purchase of equipment | (5,084) | (37,708) |
| Investment in network assets | -- | (195,628) |
| Organizational costs | | (360) |
| Recapitalization of private company | 239,919 | 518,865 |
| | ----- | ----- |
| Total investing activities | 234,835 | 285,169 |
| | ----- | ----- |
| Financing activities: | | |
| Proceeds from shareholders advances | 298,127 | 263,165 |
| Repayments on shareholder advances | (164,177) | (66,400) |
| Proceeds from bridge loans | 1,015,650 | -- |
| | ----- | ----- |
| Total financing activities | 1,149,600 | 196,765 |
| | ----- | ----- |
| Net increase in cash | 234,606 | 802 |
| Cash, beginning of period | 802 | -- |
| | ----- | ----- |
| Cash, end of period | \$ 235,408 | \$ 802 |
| | ===== | ===== |

Supplemental disclosure of cash flow information:

Cash paid during the year for:

| | | |
|----------------------------------|------------|-------|
| Interest | \$ 6,936 | \$ -- |
| Income taxes | \$ -- | \$ -- |
| Non cash transactions: | | |
| Common stock issued for services | \$ 811,250 | \$ -- |

See notes to financial statements.

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September 30, 2003 and 2002

1. 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.

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 16,000,000 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.

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.

Accounting Method

The Company records income and expenses on the accrual method.

Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

1. Significant Accounting Policies - continued

Revenue Recognition

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

Principles of Consolidation

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

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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 September 30, 2003 was approximately \$129,700.

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Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

1. Significant Accounting Policies - continued

Advertising Costs

The Company expenses non-direct advertising costs as incurred. The Company did not incur any direct response advertising costs for the periods ended September 30, 2003 and 2002.

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

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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.

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Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

1. Significant Accounting Policies - continued

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

2. 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 September 30, 2003 and 2002, an allowance for doubtful accounts was not considered necessary.

3. Network Assets - Amortization

Network assets consist of intangibles other than Goodwill. These assets automatically renew every year unless either party terminates the agreement

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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 \$68,163 and the amortization for the periods ended September 30, 2003 and 2002 was \$39,125 and \$29,038, respectively.

Future amortization of the Network assets at September 30, 2003 will be \$137,465 and on an annual basis be as follows:

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

4. 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. Equipment is recorded at cost and depreciation is calculated on a straight-line basis over five (5) years. Total depreciation of the equipment has been \$12,854 and depreciation for the periods ended September 30, 2003 and 2002 was \$8,224 and \$4,630, respectively.

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Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

5. 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 \$2,000 per month. The total rental expense for the years ended September 30, 2003 and 2002 was \$24,000 and \$14,000, respectively. Amounts payable were \$28,000 and \$12,000, 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 period ended September 30, 2003, the total expense paid out for these services was \$345,081.

The Company uses the services of a company owned by shareholders to provide it with technology services including Internet and affiliate relations.

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During the period ended September 30, 2003, the total expense paid out for these services was \$192,691.

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 periods 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. As discussed in footnote 13, a shareholder agreed to reduce the Company payable by \$198,515 to apply towards the purchase of common stock after year end.

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.

6. Notes Payable

Notes payable at September 30, 2003 and 2002 consist of:

| | 2003 | 2002 |
|--|------------|------------|
| | ----- | ----- |
| Notes payable to stockholders at 6% interest payable on September 30, 2004 | \$ 132,200 | \$ 196,765 |
| | ----- | ----- |

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Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

7. Convertible Bridge Loan

Convertible bridge loans at September 30, 2003 and 2002 consist of:

| | 2003 | 2002 |
|--|-----------|-------|
| | ----- | ----- |
| Convertible bridge loan payable to individuals at 6% interest payable on February 14, 2004 | \$ 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

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interest through the date of conversion. Subsequent to year end all of the convertible bridge loans outstanding were converted to common stock.

8. 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 September 30, 2003 and 2002.

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

| | 2003 | 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.

9. Capital Stock

In May 2002, the Company issued 16,000,000 (800,000 after the 1 for 20

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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.

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.

The accompanying financial statements have been restated to reflect the reverse of 1 for 20 stock split.

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.

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Urban Television Network Corporation NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 30, 2003 and 2002

10. 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.

11. 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 period ended September 30, 2003, the amount expensed was \$201,887.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$469,118 and be due as follows:

| | |
|-------------------------------|-----------|
| Year ended September 30, 2004 | \$216,516 |
| 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 uplink service for a period of three years ending on November 21, 2005. For period ended September 30, 2003 the amount expensed for Uplink services was \$110,843.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$208,000 and be due as follows:

| | |
|-------------------------------|----------|
| Year ended September 30, 2004 | \$96,000 |
| 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.

Future lease payments due during the term of the lease ending on March 31, 2005 Will be equal \$34,000 and be due as follows:

| | |
|-------------------------------|----------|
| Year ended September 30, 2004 | \$24,000 |
|-------------------------------|----------|

Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

11. Commitments and Contingencies - continued

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. Mr. Moseley's employment agreement was restructured in October 2003 -See footnote 13.

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 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.

12. 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 additional capital of approximately \$900,000 from \$600,000 in bridge loans and \$300,000 in cash from the Wright Entertainment LLC subscription agreement discussed in Note 13.

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13. Subsequent Events

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 a note payable to the lender. The first \$875,000 installment payment will be due December 31, 2003. 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 and to be amortized over four years.

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Urban Television Network Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003 and 2002

13. Subsequent Events - continued

In addition to raising capital for the Company, a second major goal was to achieve the status of being 50+% owned by minorities and allow the Company to become a certified Minority Business Enterprise, which will allow the Company to qualify for diversity spending by major corporations. To achieve the 50+% minority ownership level, a group of the Company's shareholders entered into an agreement, that became effective on October 31, 2003 to sell Four Million (4,000,000) common shares to Wright Entertainment, LLC for Two Million (\$2,000,000) Dollars. The stock sale was structured as an installment stock sale. The terms of this sale are \$100,000 down, the \$1,900,000 Dollar balance payable on a promissory note at \$250,000 Dollars quarterly, including 6% interest on the declining balance. The first installment payment will be due December 31, 2003.

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.

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

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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.

Subsequent to September 30, 2003, the employment agreement of Randy Moseley was restructured 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 rather than on September 30, 2007.

Subsequent to September 30, 2003, the \$37,000 in bridge loans due have been converted to common stock at the rate of two shares for each dollar of bridge loan converted.