

Edgar Filing: URBAN TELEVISION NETWORK CORP - Form 10QSB

URBAN TELEVISION NETWORK CORP  
Form 10QSB  
May 12, 2006

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ending March 31, 2006

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

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

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

URBAN TELEVISION NETWORK CORPORATION

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

NEVADA

22-2800078

-----  
(State of Incorporation)

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

2707 South Cooper, Suite 119, Arlington, TX 76015

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

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

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days. Yes X No  
--- ---

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

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

Applicable only to corporate issuers

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

144,557,277 shares of common stock, \$0.0001 par value, as of March 31, 2006  
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Transitional Small Business Disclosure Format  
(Check One)      Yes      No X  
                      ---      ---

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant for the six months ended March 31, 2006. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. The unaudited financial statements of registrant for the six months ended March 31, 2006, follow.

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URBAN TELEVISION NETWORK CORPORATION

Consolidated Balance Sheet

	March 31, 2006 (Unaudited)	Septem 2 (Aud
	-----	-----
Assets		
Currents assets		
Cash and cash equivalents	\$ 3,353	\$
Accounts receivable	8,765	
	-----	-----
Total current assets	12,118	
	-----	-----
Furniture, fixtures and equipment, net	68,822	
	-----	-----
Other assets		
Coal reserves	4,600,000	4,
Network assets, net	50,562	
Deposits	--	
Organizational costs	360	
	-----	-----
Total other assets	4,650,922	\$ 4,
	-----	-----
Total assets	\$ 4,731,862	\$ 4,
	-----	-----
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 561,857	\$
Due to stockholders	112,908	
Notes payable to stockholders	429,005	
Notes payable to vendor	63,511	
Advances	665,000	
Accrued compensation	531,575	
Accrued interest payable	8,135	
	-----	-----
Total current liabilities	2,371,991	1,
	-----	-----
Stockholders' equity		
Preferred stock, \$1 par value, 500,000 shares authorized, none issued 100,000 outstanding at March 31, 2006 and September 30, 2005	100,000	
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 144,557,277 and 135,461,277 outstanding at March 31, 2006 and September 30, 2005, respectively	14,456	
Additional paid-in capital	28,264,061	27,
Stock subscriptions receivable	(6,650,500)	(6,
Retained earnings (deficit)	(19,368,146)	(18,
	-----	-----
Total stockholders' equity	2,359,871	2,
	-----	-----
Total liabilities and stockholders' equity	\$ 4,731,862	\$ 4,
	-----	-----

See notes to financial statements.

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## URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Operations  
For the six months ended March 31, 2006 and 2005

(UNAUDITED)

	Three months ended March 31,		Six months ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Revenues	\$ 26,992	\$ 70,117	\$ 60,027	\$ 170,000
Expenses:				
Satellite and uplink services	96,003	80,109	198,902	160,000
Master control and production	47,279	64,334	85,314	119,000
Station operating costs	--	94,909	--	184,000
Affiliate Relations	4,160	8,400	31,548	15,000
Programming	4,684	27,782	19,622	48,000
Technology expenses	53,784	38,055	96,914	94,000
Administration	356,121	1,034,129	509,359	1,633,000
Depreciation and amortization	20,609	22,938	41,218	45,000
Total expenses	582,640	1,370,656	982,877	2,301,000
Income (loss) from operations	(555,648)	(1,300,539)	(922,850)	(2,131,000)
Other (income) expense				
Interest income	--	--	--	--
Interest (expense)	(8,767)	(6,007)	(13,303)	(12,000)
Net loss	\$ (564,415)	\$ (1,306,546)	\$ (936,153)	\$ (2,143,000)
Earnings per share:				
Net (loss)	\$ (.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	137,121,277	101,170,716	137,121,277	101,170,716

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See notes to financial statements.

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URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Cash Flows  
For the six months ended March 31, 2006 and 2005  
(UNAUDITED)

	Three months ended March 31, 2006	2005	Six months e 2006
	-----	-----	-----
Operating Activities			
Net (loss)	\$ (564,415)	\$ (1,306,546)	\$ (936,153)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,609	22,938	41,218
Common stock issued for services	172,920	578,000	182,920
Changes in operating assets and liabilities:			
Accounts receivable	497	(3,820)	2,807
Prepaid expense	3,600	(3,600)	3,600
Accounts payable	118,953	(12,037)	158,665
Advances	--	265,000	--
Accrued interest expense	7,322	1,007	3,570
Accrued compensation	106,250	55,000	189,815
Deferred revenue	--	(24,750)	--
	-----	-----	-----
Net cash provided by operating activities	(134,264)	(428,808)	(353,558)
Investing Activities			
Capital expenditures	--	(1,666)	--
	-----	-----	-----
Net cash (used in) investing activities	--	(1,666)	--
Financing Activities			
Proceeds from common stock sales	--	--	--
Proceeds from bridge loans	--	--	--
Proceeds from loans and notes payable	150,753	240,000	300,764
Payments on loans and notes payable	(14,722)	(45,000)	(23,722)
Collection on subscription receivable	--	300,000	39,500
	-----	-----	-----
Net cash provided by financing activities	136,031	495,000	316,542
Increase (decrease) in cash	1,767	64,526	(37,016)
Cash at beginning of period	1,586	131,406	40,369
	-----	-----	-----
Cash at end of period	\$ 3,353	\$ 195,932	\$ 3,353
	-----	-----	-----

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## Supplemental disclosure of cash flow information:

### Cash paid during the period for:

Interest	\$	1,445	\$	5,000	\$	6,953
Income taxes	\$	--	\$	--	\$	--

### Non-cash transactions:

Common stock issued for services	\$	172,920	\$	578,000	\$	182,920
Common stock issued for note conversions	\$	85,000	\$	--	\$	160,000

See notes to financial statements.

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006  
(UNAUDITED)

## 1. BASIS OF PRESENTATION:

The unaudited financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such SEC rules and regulations; nevertheless, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes hereto should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for the year ended September 30, 2005, which was filed January 13, 2006. In the opinion of the Company, all adjustments, including normal recurring adjustments necessary to present fairly the financial position of Urban Television Network Corporation as of March 31, 2006 and the results of its Operations and cash flows for the six months then ended, have been included. The results of operations for the interim period are not necessarily indicative of the results for the full year.

### ACCOUNTING POLICIES:

There have been no changes in accounting policies used by the Company during the quarter ended March 31, 2006.

## 2. Significant Accounting Policies

### Description of Business

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

In January 2002, the Company underwent a change of control in connection With Urban Television Network Corporation, a Texas corporation, (Urban-Texas) Agreeing to deposit \$100,000 into an attorneys escrow account

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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. In June of 2003, the remaining 10% of Urban-Texas common stock was contributed to the Company.

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

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

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006  
(UNAUDITED)

2. Significant Accounting Policies - continued

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

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

The Company is actively pursuing the sale of the mined coal reserves to utility companies and other companies that use coal as an alternative fuel.



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Also the coal reserves have related federal income tax credits resulting from the Super Fund established by The Federal Government that can be sold to other companies and the Company is actively pursuing buyers for these tax credits.

### Accounting Method

The Company records income and expenses on the accrual method.

### Revenue Recognition

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

### Principles of Consolidation

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

### Coal Reserves

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

### Non Goodwill Intangible Assets

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

### Issuance of Common Stock

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

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### 2. Significant Accounting Policies - continued

#### Income (Loss) Per Share

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

#### Comprehensive Income

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

#### Cash

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

#### Concentration of Credit Risk

The Company maintains cash in excess of federally insured limits. The amount in excess at March 31, 2006 was \$0.

#### Advertising Costs

The Company expenses non-direct advertising costs as incurred. The Company did not incur any direct response advertising costs for the six months ended March 31, 2006 and 2005.

#### Stock Based Compensation

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

#### Use of Estimates

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

#### Recent Accounting Standards

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary

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Assets - an amendment of APB Opinion No. 29." This Statement eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect application of SFAS No. 153 to have a material affect on its financial statements.

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006  
(UNAUDITED)

### 2. Significant Accounting Policies - continued

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

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

#### Stock Options

The Company accounts for non-employee stock options under SFAS 123, whereby option costs are recorded at the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliable measurement, in accordance with EITF 96-18 "Accounting for Equity" instruments that are issued to other than employees for acquiring or in conjunction with selling goods or services.

#### Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform with current

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year presentation.

### 3. Accounts receivable

Accounts receivable consists of normal trade receivables. The Company assesses the collectibility of its accounts receivable regularly. Based on this assessment, an allowance for doubtful accounts is recorded. At March 31, 2006, an allowance for doubtful accounts was not considered necessary.

### 4. Network Assets - Amortization

Network assets consist of intangibles other than Goodwill. These assets are recorded at cost and consist of amounts paid to acquire the television network affiliate base from Hispanic Television Network, plus technology consulting directly related to setting up the affiliate network. These assets automatically renew every year unless either party terminates the agreement by such notification to the other party. A useful life of five (5) years is estimated for the assets. These agreements are not expected to be terminated by either party prior to its useful life period. Total amortization of these assets has been \$138,806 and the amortization for the six months ended March 31, 2006 and 2005 was \$12,520 and \$19,563, respectively.

Future amortization of the Network assets at March 31, 2006 will be \$50,562 and on an annual basis be as follows:

Year ended September 30, 2006	\$12,520
Year ended September 30, 2007	\$25,040
Year ended September 30, 2008	\$13,002

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006  
(UNAUDITED)

### 5. Coal Reserves

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

### 6. Property, Plant and Equipment

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

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	Range of Lives in Years	March 31, 2006	September 30, 2005
	-----	-----	-----
Master Control, Editing Equipment	3-5	\$ 84,074	\$ 84,074
Studio and Production Equipment	3-5	60,500	60,500
Production Van	5	45,000	45,000
Affiliated Receiver Equipment	5	20,247	20,247
		-----	-----
		209,821	209,821
Less: Accumulated Depreciation		(140,999)	(112,301)
		-----	-----
		\$ 68,822	\$ 97,520
		=====	=====

The Company acquired equipment totaling \$-0- and \$1,666 during the six months ended March 31, 2006 and 2005, respectively. Total depreciation expense for the six months ended March 31, 2006 and 2005 was \$28,698 and \$26,312, respectively.

7 Related Party Transactions

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

The Company leased office space from one its shareholders and director for \$2,000 per month. The total rental expense for the years ended September 30, 2004 and 2003 was \$24,000 and \$14,000, 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 periods ended September 30, 2004 and 2003, the total expense paid out for these services was \$430,367 and \$345,081, respectively.

The Company uses the services of a company owned by shareholders to provide it with technology services including Internet and affiliate relations. During the six months ended March 31, 2006 and 2005, the total expense paid out for these services was \$96,914 and \$84,285, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006  
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### 7 Related Party Transactions - continued

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. During the period ended September 30, 2004, the Company repaid \$130,000 and the remaining \$2,200 was repaid during the year ended September 30, 2005.

The Company executed an interest bearing note with a shareholder of the Company during the year ended September 30, 2004 to pay operating expenses. During the year ended September 30, 2004 the amounts loaned totaled \$400,000. In September 2005, \$228,290 of this note was converted to 2,282,900 shares of common stock by the noteholder and the remaining balance of \$171,710 was extended to March 31, 2006 and the balance at March 31, 2006 had increased to \$191,005. See Note 8 disclosure of terms, interest rate and conversion privileges.

On October 30, 2003, the Company completed a stock subscription agreement with Wright Entertainment, LLC, a Nevada limited liability company, whose owner and managing director is Lonnie G. Wright, Chairman and Chief Executive Officer of the Company. Wright Entertainment, LLC entered into the stock subscription agreement for Fourteen Million (14,000,000) common shares for Seven Million (\$7,000,000) Dollars or Fifty (\$.50) Cents per share. The stock sale was structured as an installment stock sale. The terms of the stock sale are as follows: \$500,000 down, the \$6,500,000 balance payable on a promissory note at \$875,000 Dollars quarterly, including 6% interest on the declining balance. A portion (\$200,000) of the \$500,000 down payment was satisfied by one of the Company's lenders forgiving \$198,515 of advances due the lender and \$1,485 of accrued interest on a note payable to the lender. As part of the definitive agreement, between the Company, Wright Entertainment LLC and World One Media Group, Inc. discussed in the next paragraph this stock subscription agreement for 14,000,000 shares was termination and the 4,000,000 shares that had been issued to Wright Entertainment LLC's for management services and to be vested upon Wright Entertainment LLC's completed the payment for its subscription agreement were cancelled. The definitive agreement calls for the Company to pay Wright Entertainment LLC, owned by Lonnie G. Wright, \$300,000 (\$60,000 at the signing and \$15,000 per month for sixteen months beginning January 15, 2005) and issue Wright Entertainment LLC 1,000,000 shares of the Company's restricted common stock.

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

All the shares were pledged as collateral for the promissory note and were physically held by the Company. Additionally, World One was to be issued warrants for 30,000,000 (reduced by mutual agreement from the original 80,000,000 warrants) shares of common stock that were exercisable for \$.01 per share at any time after the Company's stock price maintained a \$10 bid

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price for 20 consecutive trading days.

On July 26, 2005, the Board of Directors voted to (1) terminate the stock subscription agreement with Dove Media Group, Inc. (formerly known as World One Media Group, Inc.) due to its nonpayment of required installment payments, (2) cancel the 70,000,000 shares issued and held by the Company as security on the stock subscription agreement and the 30,000,000 warrants, (3) reissue 2,500,000 shares to Dove Media Group, Inc. for \$250,000 that it paid towards the stock subscription Agreement and (4) cancel the 5,000,000 shares that had been authorized for Dr. Ajibike Akinkoye for services to be rendered.

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Urban Television Network Corporation  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2006  
 (UNAUDITED)

7 Related Party Transactions - continued

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

8. Notes Payable and Advances

	March 31, 2006	September 30, 2005
	-----	-----
Notes payable to stockholders at 6% interest payable on September 30, 2004	\$ --	\$ 657
Note payable to stockholder at 6% interest payable March 31, 2006 (1)	191,005	171,710
Note payable to stockholders at 6% due upon sale of coal reserves	148,000	--

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Note payable to stockholder at no interest payable \$15,000 per month, on 15th of month, final payment due April 15, 2006 (2)	90,000	165,000
Note payable to vendor at 12% interest payable on April 30, 2006 (3)	63,511	--
Advances from shareholders (4)	112,908	151,015
Advances from a non-related party that is currently being claimed by Receiver (5)	665,000	665,000
	\$ 1,270,424	\$ 1,153,382

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

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

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

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

(5) See Note 12 - Commitments and Contingencies for a discussion of this liability.

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Urban Television Network Corporation  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2006  
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9. Income Tax

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

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities did not give rise to significant portions of deferred taxes at March 31, 2006 and 2005.



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

	March 31, 2006	September 30, 2005
Current	\$ 0	\$ 0
Deferred	0	0
	-----	-----
	\$ 0	\$ 0
	=====	=====

The Company's utilization of any tax loss carryforward available to it will be significantly limited under Internal Revenue Code Section 382, if not totally, by recent stock issuances and changes in control. The Company has established a 100% valuation allowance until such time as it is decided that any tax loss carryforwards might be available to it. The Company accounts for income taxes pursuant to the Statement of Financial Accounting Standards No.109. The Company has no current or Deferred income tax component. For the year ended September 30, 2005, the Valuation Allowance increased by approximately \$425,000. During the six months ended March 31, 2006, the Valuation Allowance increased by approximately \$900,000.

### 10. Capital Stock

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

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

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 amending its Articles of Incorporation to increase its authorized common shares to 200,000,000 and adjust its par value to \$0.0001 per share.

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

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

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Urban Television Network Corporation  
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10. Capital Stock - continued

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

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

During the period ended September 30, 2004, the Company issued 4,135,441 shares of its common stock to Bridge Loan Lenders who elected to convert \$1,852,648 of bridge loans to common stock at an average conversion price of \$.45 per share.

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

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

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

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

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

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

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

In December 2005, the Company issued 100,000 shares of its restricted common stock for consulting services rendered to the Company, which the Company valued at \$10,000.

In February 2006, the Company issued 750,000 shares of its restricted common stock to management for services rendered, which the Company valued at \$22,500.

In March 2006, the Company issued 4,000,000 shares of its restricted common stock to management and the board of directors for services rendered, which the Company valued at \$120,000.

In March 2006, the Company issued 809,000 shares of its restricted common stock to consultants for services rendered, which the Company valued at \$24,270.

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Urban Television Network Corporation  
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### 10. Capital Stock - continued

In March 2006, the Company issued 205,000 shares of its restricted common stock to employees for services rendered, which the Company valued at \$6,150.

In March 2006, the Company issued 2,482,000 of its restricted common stock to lenders who elected to convert \$85,000 of loans to the Company's common stock.

#### Warrants

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

The Company issued management 950,000 warrants in March 2006 which are vested immediately and exercisable at \$0.05 per shares on or before December 31, 2007 in return for loans made to the Company for operating expenses. The Company has not recognized any expense related to these warrants as the market price of the Company's stock at issuance was equal to the exercise price.

#### Non-Qualified Stock Grant and Option Plan

The Company is authorized to issue up to 6,800,000 shares of common stock under its 2003 Non-Qualified Stock Grant and Option Plan (the "Plan") through an S-8 registration, as amended. This Plan is intended to serve as an incentive to and to encourage stock ownership by certain directors, officers, employees of and certain persons rendering service to the Company, so that they may acquire or increase their proprietary interest in

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the success of the Company, and to encourage them to remain in the Company's service. During the year ended September 30, 2003, the Company had distributed 1,900,000 of the shares through grants. During the year ended September 30, 2004, the Company had distributed 1,586,000 of the shares through grants. During the year ended September 30, 2005, the Company distributed 200,000 of the shares through grants.

### 11. Preferred Stock

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

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

### 12. Commitments and Contingencies

#### Satellite Transponder Lease

In December 2005, the Company renewed its Satellite space segment service agreement with Intelsat, Inc. for 6 MHz of satellite bandwidth on Intelsat 5 for a period of five years ending on October 31, 2010 at the rate of \$17,850 per month. For the periods ended March 31, 2006 and 2005, the amounts expensed were \$107,179 and \$108,258, respectively.

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### 12. Commitments and Contingencies - continued

Future lease payments due during the term of the lease ending on October 31, 2010 will equal \$946,050 and be due as follows:

Year ended September 30, 2006	\$107,100
Year ended September 30, 2007	\$214,200
Year ended September 30, 2008	\$214,200
Year ended September 30, 2009	\$214,200
Year ended September 30, 2010	\$196,350

#### Signal Uplink Lease

The Company renewed its Full Time Broadcast Agreement with Westar Satellite

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Services, LP on October 15, 2005 for a full time redundant 6 MHz digital C-band uplink service for a period of five years ending on October 31, 2010 at the rate of \$8,800 per month. For periods ended March 31, 2006 and 2005 the amounts expensed for Uplink services were \$26,400 and \$25,800, respectively.

Future lease payments due during the term of the lease ending on October 31, 2010 will equal \$466,400 and be due as follows:

Year ended September 30, 2006	\$ 52,800
Year ended September 30, 2007	\$105,600
Year ended September 30, 2008	\$105,600
Year ended September 30, 2009	\$105,600
Year ended September 30, 2010	\$ 96,800

### Facilities Space Lease

The Company entered into a lease for office and uplink space on March 1, 2004 for a period of one year ending on February 28, 2005 and renewed the lease through February 28, 2006 at the rate of \$2,447 per month. For periods ended March 31, 2006 and 2005, the amount expensed for this office space lease was \$14,682 and \$13,980, respectively.

The Company entered into a lease for additional space at the its corporate Headquarters facilities on April 1, 2005 for one year ending on March 31, 2006 With an option to renew for five years at 5% increase per year at the initial Rate of \$4,130 per month. For the six month period ended March 31, 2006 the amount expensed for this office space lease was \$24,780. The Company exercised its option to terminate this lease on its March 31, 2006 Anniversary date.

Future lease payments due during the year ended September 30, 2006 will equal \$14,682 assuming that the leases are renewed at their current rate plus the 5% annual increase.

### Employment Agreements

Mr. Randy Moseley is employed pursuant to a five-year employment agreement that commenced on October 2, 2002. The agreement provides for a base annual salary equal to \$200,000 and a possible annual cash bonus as determined by the Board of Directors and/or the Compensation Committee. In October 2003, the employment agreement of Mr. Moseley was extended and amended to allow for the naming of a new President and Chief Executive Officer for the Company. Mr. Moseley accepted the officer position of Executive Vice President and Chief Financial Officer and agreed to defer the payment of his salary for the period from October 2, 2002 to September 30, 2003 with this deferred year being added to the end of the original employment term to make the term of the employment agreement now end on September 30, 2008. During the period ended March 31, 2006, \$50,000 of Mr. Moseley's annual compensation was accrued as a payable. At March 31, 2006, a total of \$376,000 in compensation was accrued as a payable to Mr. Moseley.

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### 12. Commitments and Contingencies - continued

Mr. Jacob R. Miles III, is employed as the Company's President and Chief Executive Officer pursuant to a three-year employment agreement that commenced effective January 1, 2006. The agreement provides for a base annual salary equal to \$225,000 with a minimum of annual increases of 5% and a possible annual cash bonus as determined by the Board of Directors and/or the Compensation Committee. During the period ended March 31, 2006, \$56,250 of Mr. Miles' annual compensation was accrued as a payable. At March 31, 2006, a total of \$121,750 in compensation was accrued as a Payable to Mr. Miles.

#### Legal Matters

The Company's motion to dismiss was granted on February 23, 2006 by the United States District Court, Central District of California, Los Angeles Division In a legal action styled Walter E. Morgan, Jr. vs. Urban Television Network Corporation et al. The Company claimed that the Plaintiff claims should have been brought in a previous case wherein the Company took a judgment against Mr. Morgan in excess of \$1,500,000 in June 2204 in the U.S. District Court for the Northern District of Texas, Fort Worth Division. Mr. Morgan and his related companies appealed the judgment which was dismissed sua sponte by the U.S. Court of Appeals for the Fifth Circuit. The Company has made the decision not to record the default judgment as an asset until at such time as it is confident that asset value can be recovered from the defendants.

The Company is party to legal action pending in the United States District Court for the Northern District of Texas. The Company has been served with a summons in a civil case styled Michael J. Quilling, Receiver For MegaFund Corporation and Stanley A. Leitner vs. Urban Television Network Corporation. The Receiver has filed complaint against the Company to recover advances in the amount of \$665,000 to the Company by Mega Fund Corporation on behalf of Dove Media Group, Inc. related to its stock subscription agreement.

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

### 13. Going Concern

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

The Company may raise additional capital through operating cash flows, the sale of its equity securities, or debt securities. Subsequent to March 31, 2006, the Company has raised additional capital of approximately \$21,000 from shareholder advances.

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

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

Readers are urged to carefully review and consider the various disclosures made by us in this Quarterly Report on Form 10-QSB and our Form 10-KSB for the period ended September 30, 2005 and our other filings with the U.S. Securities and Exchange Commission. These reports and filings attempt to advise interested parties of the risks and factors that may affect our business, financial condition and results of operations and prospects. The forward-looking statements made in this Form 10-QSB speak only as of the date hereof and we disclaim any obligation to provide updates, revisions or amendments to any forward-looking statements to reflect changes in our expectations or future events.

#### Background

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

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. The remaining 10% was contributed

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to the Company in June of 2003.

Urban-Texas is considered the accounting acquirer, and the accompanying financial statements include the operations of Urban-Texas from the earliest period presented. The May 2002 and February 2003 transactions with the Company are 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.

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On October 30, 2003, the Company completed a stock subscription agreement with Wright Entertainment, LLC, a Nevada limited liability company, whose owner and managing director is Lonnie G. Wright, Chairman and Chief Executive Officer of the Company. Wright Entertainment, LLC entered into the stock subscription agreement for Fourteen Million (14,000,000) common shares for Seven Million (\$7,000,000) Dollars or Fifty (\$0.50) Cents per share. The stock sale was structured as an installment stock sale. The terms of the stock sale are as follows: \$500,000 down, the \$6,500,000 balance payable on a promissory note at \$875,000 Dollars quarterly, including 6% interest on the declining balance. A portion (\$200,000) of the \$500,000 down payment was satisfied by one of the Company's lenders forgiving \$198,515 of advances due the lender and \$1,485 of accrued interest on a note payable to the lender. In December 2004, this subscription agreement was terminated by mutual agreement between the Company and Wright Entertainment LLC as well as the termination of 4,000,000 shares that has been issued to Wright Entertainment and were to be vested to Wright Entertainment upon the full payment of the subscription agreement.

On December 13, 2004, we entered into a definitive agreement with World One Media Group, Inc., a Nevada corporation. The definitive agreement called for World One to purchase 70,000,000 restricted common shares for \$7,000,000. The subscription agreement signed on December 23, 2004 set the terms of the installment purchase at \$100,000 being paid on December 23, 2004 and with a promissory note bearing no interest being executed for the remaining \$6,900,000 and being paid at the rate of \$150,000 every 45 days beginning on January 31, 2005 until promissory note has been paid in full. All the shares are pledged as collateral for the promissory note and will be physically held by the Company. Additionally, World One was to be issued warrants for 30,000,000 (reduced by mutual agreement from the original 80,000,000 warrants) shares of common stock that can be exercised for \$.01 per share at any time after the Company's stock price maintained a \$10 bid price for 20 consecutive trading days.

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

On July 26, 2005, the Board of Directors voted to (1) terminate the stock subscription agreement with Dove Media Group, Inc. (formerly known as World One Media Group, Inc.) due to its nonpayment of required installment payments, (2) cancel the 70,000,000 shares issued and held by the Company as security on the



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stock subscription agreement, (3) reissue 2,500,000 shares to Dove Media Group, Inc. for \$250,000 that it paid towards the stock subscription Agreement and (4) cancel the 5,000,000 shares that had been authorized for Dr. Ajibike Akinkoye for services to be rendered.

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

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

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

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

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

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Company, which has met the certification criteria established by the National Minority Supplier Development Council. The certification was renewed on February 1, 2005 for a one year period. On January 31, 2006, the Company renewed its certification with the Dallas/Fort Worth Minority Business Council, Inc. for a one year period ending January 31, 2007.

Our financial results depend on a number of factors, including the strength of the national economy and the local economies served by our affiliate stations, total advertising dollars dedicated to the markets served by our affiliate stations, advertising dollars dedicated to the African American and Hispanic consumers in the markets served by our affiliate stations, our affiliate stations' audience ratings, our ability to provide interesting minority focused programming, local market competition from other television stations and other media, and government regulations and policies, such as the multiple ownership rules, the ability of Class A affiliate stations to be considered must carry for cable systems to increase their distribution and the deadlines for television stations converting to digital signals.

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

### Revenues

The Company's business plan includes multiple sources of revenues that are now available to companies that have the ability to reach viewers through television, the Internet and wireless devices that are delivering programming and messages viewers that have access to these sources. Following is a discussion of these revenue sources;

1. Advertising spots 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 local spots that the Company may obtain on local stations, as well as the overall demand for African-American and English-speaking Hispanic television advertising time by advertisers.

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

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

Local Spot Advertising. Advertising agencies and businesses located in

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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.

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 is being 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 will market our advertising time on the Urban Television network to:

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

To measure the size of a viewing audience, networks and stations generally subscribe to nationally recognized rating services, such as Nielsen. We have executed an agreement with Nielsen Media Research To measure the viewing audience of certain of our programs that are Aired in the must carry programming on our affiliate network. This Agreement will allow us to approach the larger advertising agencies. 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 full-power television stations located in the top demographic market areas do not have the ability to obtain Nielsen ratings for their individual station. Urban Television believes that it can offer these stations a proposal that will give them the

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benefit of Nielsen ratings on a local basis while giving the UATV Network the ability to cumulate local ratings into a national rating for its national advertisers.

- 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

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would then sell to outside advertisers, and the network would receive a fee from the affiliate station. As mentioned above, our goal is to move our network from its predominate low-power station affiliates to a full-power affiliate base. The basic plan would continue to share advertising time in return for providing the programming. By aggregating a number of the affiliate stations and accumulating a large household coverage base, Urban Television will be able to sell its national advertising spots for the best rate possible.

- o Program Owners: In exchange for licensing rights to select programming, the program owner retains a portion (usually 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 agencies and corporate advertisers. 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 distribution 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.

2. Syndication: The Company also plans to become a leading syndicator to independent stations outside the Urban Television Network and advertising agencies of television programming targeting African-American, English-speaking Hispanics, and Asian urban households. The Company's long-term strategic objective is to be the dominant integrated urban media company; developing, producing, and distributing entertainment content in the television and other media channels that target the wide audience of consumers who enjoy urban entertainment content, including African-Americans, English-speaking Hispanics, Asian, suburban and urban consumers. The Company believes that it is well positioned to achieve this objective, given the strength of its management leadership, operating discipline, long-standing relationships, product mix, and executional capabilities.

The size of the syndication television market is currently estimated to be \$2.6 billion. (1) African-American households represent 13,171,160 of the total household universe of 109,600,000 or roughly 12%. (2) The value of Company's market segment, focused on African-American household television advertising dollars, is thus conservatively estimated by the Company at \$312 million, representing 12% of the aforementioned \$2.6 billion in advertising sales in broadcast syndication. The Company believes that a similar size market is on the horizon for English speaking Hispanic-Americans. According to

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HispanIntelligence,(3) a national media organization focused on Hispanic advertising, the overall size of the market for advertising directed to Hispanics is \$2.8 billion per year. Ninety percent (90%) of these dollars are dedicated to Spanish-language programming, leaving the size of the English speaking market at 10%, or approximately \$279 million per year. However, 52% of Hispanics surveyed by HispanIntelligence, with the results reported in the same publication, indicated that they prefer English as the communication medium for advertisements across a broad base of programming, including the Internet. Thus, HMG believes that this segment is poised to experience explosive growth in the near future.

### 3. Multi-Platform Strategy in Wireless and other Digital Applications

After over five years of operation of the Urban Television Network, the Company believes that it is solidly positioned with seasoned management experience to translate its leadership into a diversified multi-platform distribution media company generating multiple cash flow streams from produced and acquired urban focused content. The Company believes that this platform would extend the Company's offerings to its targeted urban consumers by enabling those consumers to access UATV content through alternative distribution channels. To achieve this end, the Company intends to expand its distribution to other media platforms such as cable television, video-on-demand ("VOD"), wireless, broadband internet, internet protocol TV ("IPTV"), home video, personal digital appliances ("PDA's), cellular phones utilizing G-3 broadband streaming infrastructure, and like digital and wireless applications now known and hereinafter conceived and/or invented. The Company intends to create equity value by monetizing cost-efficiently produced content across multiple distribution channels generating multiple revenue streams, while building a library of content assets that will have annuity value.

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(1) Television Week, March 7, 2006, p. 30, citing to data provided by Syndicated National Television Association.

(2) Black and Hispanic DMA Market Demographic Rank, Nielsen Media Research, September 2004, p. 40.

(3) Volume 4, #68, April 27, 2004.

### 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 assets and amortization of costs associated with the acquisition of additional stations are also significant elements in determining our total expense level.

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

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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.

### Results of Operations

Urban Television Network Corporation - Historical Results for the three month and six month periods ended March 31, 2006 and 2005.

**REVENUES.** Revenues are primarily derived from sales of advertising and programming time. Revenues for the three months and six months ended March 31, 2006 were \$26,992 and \$60,027 compared to \$70,117 and \$170,133 for the three months and six month periods ended March 31, 2005. The decrease in revenues is primarily attributable to decrease revenues from event productions and sales of program time. The Company is still in the process of implementing its revenue generation plan that includes national and local advertising sales, uplinking other parties' signals to the satellite, plus implementing a technology plan to assist its affiliates with sale of their local advertising time. The Company has maintained its affiliate base of approximately 70 with a household coverage of approximately 22 million.

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

**OPERATING RESULTS.** For the three months ended March 31, 2006 and 2005 the Company had operating cost of \$205,910 and \$313,589, respectively. For the six months ended March 31, 2006 and 2005, the Company had operating cost of \$432,300 and \$621,993, respectively. The major components of cost of operations for the three month and six month periods ended March 31, 2006 and 2005 were as follows:

	Three months ended		Six months ended	
	2006	2005	2006	2005
Satellite and uplink services	\$ 96,003	\$ 80,109	\$198,902	\$160,218
Master control and production	47,279	64,334	85,314	119,734
Affiliate relations	4,160	8,400	31,548	15,200
Programming cost	4,684	27,782	19,622	48,782
Operations of stations	--	94,909	--	184,024
Technology expenses	53,784	38,055	96,914	94,035
	-----	-----	-----	-----
Total	\$205,910	\$313,589	\$432,300	\$621,993
	-----	-----	-----	-----

The cost of satellite and uplink services increased by \$15,894 in the three months ended March 31, 2006 as compared to 2005 primarily as the result of the Company's cost of uplink increasing on its annual renewal with Westar Satellite Services.

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The cost of satellite and uplink services increased by \$38,684 during the six months ended March 31, 2006 as compared to 2005 primarily as the result of the Company's cost of uplink services increasing on its annual renewal with Westar Satellite Services.

The cost of master control and production decreased by \$17,055 and \$34,420 for the three and six month periods ending March 31, 2006 and 2005, respectively, primarily as the result reduction in production costs.

Affiliate relations costs increased by \$16,348 for the six months ended March 31, 2006 as compared to the six months ended March 31, 2005 primarily as the result of adding additional personnel to manage the networks television affiliates.

Programming costs decreased by \$23,098 and \$29,160 for the three and six month periods ending March 31, 2006, respectively, primarily as the result reduction in programming personnel during the 2006 periods.

The costs of operations for stations decreased by \$94,909 and \$184,024 for the three and six month periods ending March 31, 2006, respectively, primarily as the result of the Company canceling its station management agreements for stations in Dallas and Oklahoma City in fiscal year 2005.

The technology expenses increased by \$15,729 for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005 due primarily to increased technology consulting services incurred by the Company.

Administration expenses of \$356,121 for the three months ended March 31, 2006 decreased by \$678,008 or 66% from the administrative expenses of \$1,034,129 for the three months ended March 31, 2005.

Administration expenses of \$509,359 for the six months ended March 31, 2006 decreased by \$1,124,169 or 69% from the administrative expenses of \$1,633,528 for the six months ended March 2005.

Following is a comparative of the major expense categories for the three month and six month periods ending March 31, 2006 and 2005.

	Three months ended		Six months ended	
	2006	2005	2006	2005
Administrative management	\$ 127,750	\$ 90,500	\$ 212,250	\$ 142,500
Stock based compensation	132,500	520,000	142,500	696,000
Consulting	10,000	5,000	11,000	28,189
Nielsen Market Research	10,109	--	10,109	--
Payroll taxes	4,285	--	8,140	--
Property taxes	--	--	4,215	--
Las Vegas office	--	287,500	--	473,129
Commissions	--	8,066	--	12,229
Travel, conventions	8,868	8,399	15,497	22,493
Legal fees	--	49,784	--	125,534
Accounting fees	137	2,000	10,137	10,000
Public relations costs	2,120	2,460	2,910	2,460
Transfer Agent, permit fees	2,713	9,245	5,086	16,143
Rent and utilities expense	22,717	10,387	44,284	20,844
Internet costs	4,390	2,447	7,475	7,359
Supplies - digital operations	--	14,713	--	21,224
Supplies	3,941	2,745	4,328	3,793

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Telephone	11,045	7,664	17,386	32,339
Postage and shipping	2,150	2,803	3,529	4,105
Marketing, printing, promotions	--	4,131	--	4,931
Other	13,396	6,285	10,513	10,256
	-----	-----	-----	-----
TOTAL	\$ 356,121	\$1,034,129	\$ 509,359	\$1,633,528
	-----	-----	-----	-----

The increase in administrative management expense for the three months and six Months ended March 31, 2006 as compared to the same periods for 2005 is due to the Company adding a salaried President and Chief Executive Officer in the three and six months period ended March 31, 2006 that was not there in the same periods ended March 31, 2005.

Stock based compensation decreased for the three and six months periods ended March 31, 2006 as compared to the same periods for 2005 primarily due to a decrease in the number shares being issued to management and board members.

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The decreases in consulting fees of \$17,189 for the six months ended March 31, 2006 as compared to the same period for 2005, is due the Company replacing consultants with additional management personnel.

The Nielsen Market Research expenses increased by \$10,109 for the three and six month periods ended March 31, 2006 as compared to the same periods for 2005 as the result of the Company's contract with Nielsen beginning January 1, 2006.

Payroll taxes increased by \$4,285 and \$8,140 for the three and six months periods ended March 31, 2006 as compared to the same periods for 2005 as the result of the Company converting its master control, programming and production personnel from a contract labor status to the Company's payroll in May of 2005.

Property taxes for the six months ended March 31, 2006 are the result of the Company establishing its own master control and uplink facilities in Arlington, Texas versus outsourcing them in previous years.

The decreases in expenses associated with the Las Vegas office is due to the costs in the three and six months ended March 31, 2005 periods associated with the resignation and termination of the stock subscription agreement by Lonnie G. Wright and Wright Entertainment LLC. These direct expenses were \$287,500 for the three months ended March 31, 2005 and \$473,129 for the six months ended March 31, 2005. The \$473,129 is made up of \$307,500 in cash and note payable, \$140,000 value assigned to 1,200,000 shares of common stock issued to Wright Entertainment LLC and \$25,629 for office rent and telephones.

Commissions decreased in the three and six months periods ended March 31, 2006 due to the not having any advertising or programming revenues produced by commissioned sales people during these periods.

The decreases in travel and conventions for the six months ended March 31, 2006 as compared to the same period in 2005 is related to the Company's reduced travel related cost associated with the minority ownership no longer being located in Las Vegas, Nevada.

Legal expenses in the 2005 periods were related to the Company's search for capital and minority investors and with the continued legal requirements regarding the permanent injunction obtained by the Company against Walter E.



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Morgan, Jr. and his appeals.

Transfer agent expenses decreased in the three and six months periods ended March 31, 2006 as compared to the same periods in 2005 due primarily to the Company not incurring the expenses for issuance of stock certificates for the conversion of bridge loans that were incurred in 2005.

The increase in Rent and utilities expense by \$12,330 and \$23,440 for the three and six months periods ended March 31, 2006 as compared to the same period for 2005 was due primarily to the Company having additional space for production facilities in the 2006 periods that it did not have in the 2005 periods.

The decrease in supplies - digital operations for the three and six month periods ended March 31, 2006 is due the Company having completed its conversion from a tape format to digital format in the 2005 periods.

Telephone expense decreased by \$14,953 for the six months ended March 31, 2006 as compared to the same period in 2005 primarily as the result of the one time expense of \$14,500 in 2005 period for the installation of the Company's own high speed Internet lines at its Arlington offices and the installation of fiber lines to the Westar Satellite Uplink Services facilities in DeSoto, Texas.

### Operating Results:

Operating Results. We had a net operating losses of \$555,648 and \$1,300,539, for the three months ended March 31, 2006 and 2005, respectively. The decreased loss of \$744,891 for 2006 was primarily attributed to the \$678,008 decrease in administrative expenses, which was primarily attributable to decreases in the following expense categories;

Stock based compensation	\$387,500
Legal expense	\$ 49,784
Las Vegas offices	\$287,500

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The Company had operating losses for the six months ended March 31, 2006 and 2005 of \$922,850 and \$2,131,263, respectively. The decreased loss of \$1,208,413 for 2006 was primarily attributed to the \$1,124,169 decrease in administrative expenses, which was primarily attributable to decreases in the following expense categories;

Stock based compensation	\$553,500
Legal expense	\$125,534
Las Vegas offices	\$473,129

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

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of common stock was \$0.01 and \$0.01 for the three months March 31, 2006 and 2005, respectively. The basic and diluted net loss per share of common stock was \$0.01 and \$0.02 for the six months March 31, 2006 and 2005, respectively.

### LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations through a combination of loans from stockholders, proceeds from convertible promissory notes and revenues generated from operations. The Company has incurred cumulative losses of \$19,368,146 from the inception of the Company through March 31, 2006.

Current liabilities at March 31, 2006 were \$2,371,991 which exceeded current assets of \$12,118 by \$2,359,873. The Company's cash position at March 31, 2006 was \$3,353, a decrease of 37,016 from the position at September 30, 2005. As discussed below, the Company's ability to continue its growth will require additional funds from various sources. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be materially adversely affected. In a worse case scenario, we would have to scale back or cease operations, and we might not be able to remain a viable entity. Accrued compensation is the result of management deferring a portion of their annual compensation until the Company has funds available.

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

The Company's licensing agreements with program suppliers are generally for a term of 13 to 52 weeks and are cancelable by either party upon thirty (30) days written notice. These license agreements provide the Company with a source of revenue by the Company's right to insert commercial spots during the programs. The Company's policy is to recognize the revenue associated with these sources of revenue at the time that it inserts the short-form advertising spots or airs the long-form program at the network or local level. As the Company continues to grow, it has been entering into new license agreements to replace existing licenses for programs that do not fit into the Company's business model for a minority focused television network. The cancelable feature of these license agreements could effect the Company's source of revenue generation should a program be cancelled by a licensor and the Company not be able to replace it within the 30 day notice of cancellation period.

We had net losses \$564,415 and \$1,306,546 for the three months ended March 31, 2006 and 2005, respectively and \$ 936,153 and \$2,143,274 for the six months ended March, 31 2006 and 2005, respectively. We expect these losses to continue as we incur operating expenses in the growth of the Company's television network and its affiliate base and convert them to an African-American and English speaking Hispanic 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 2006. We may need to raise additional funds, however. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be materially adversely affected.

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### RISK FACTORS

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

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

Financing activities for the three months ended March 31, 2006 include:

- 1) Shareholders loaned the Company \$150,753 for operating expenses.
- 2) Issuance of common stock in lieu of cash payments totaling \$172,920 for management and consulting services.
- 3) Lenders converted \$85,000 of loans to 2,482,000 shares of the restricted common stock of the Company.

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

### Impact of Inflation

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

### Critical Accounting Policies

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

We believe the following to be critical accounting policies and estimates. That is, they are both important to the portrayal of the Company's financial condition and results, and they require significant management judgment and estimates about matters that are inherently uncertain. As a result of inherent

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uncertainty, there is a likelihood that materially different amounts would be reported under different conditions or using different assumptions. Although we believe that our judgments and estimates are reasonable, appropriate and correct, actual future results may differ materially from our estimates.

### Revenue Recognition

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

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### Non Goodwill Intangible Assets

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

### Stock Based Compensation

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

### Contingencies

In the normal course of business, the Company is subject to certain claims and legal proceedings. The Company records an accrued liability for these matters when an adverse outcome is probable and the amount of the potential liability is reasonably estimable. The Company does not believe that the resolution of these matters will have a material effect upon its financial condition, results of operations, or cash flows for an interim or annual period.

### Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements and their effect on us are discussed in the notes to the financial statements in our September 30, 2004 audited financial statements.

### Other Events

None

Item 3. Controls and Procedures.

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

Within the 90 days prior to the date of this Quarterly Report for the quarter ended March 31, 2006, we carried out an evaluation, under the supervision and with the participation of our management, including the Company's Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-4 of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified by the SEC's rules and forms.

### Limitations on the Effectiveness of Controls

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

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### Conclusions

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

### (b) Changes in Internal Control.

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

## PART II-OTHER INFORMATION

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### Item 1. Legal Proceedings.

The Company's motion to dismiss was granted on February 23, 2006 by the United States District Court, Central District of California, Los Angeles Division in a legal action styled Walter E. Morgan, Jr. vs. Urban Television Network Corporation et al. The Company claimed that the Plaintiff claims should have been brought in a previous case wherein the Company took a judgment against Mr. Morgan in excess of \$1,500,000 (as discussed above) in the U.S. District Court for the Northern District of Texas, Fort Worth Division. Mr. Morgan and his related companies appealed the judgment which was dismissed sua sponte by the U.S. Court of Appeals for the Fifth Circuit.

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

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

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

### Item 2. Changes in Securities

#### Recent Sales of Unregistered Securities

During the quarter ending March 31, 2006, the Company offered and sold the following securities pursuant to securities transaction exemption from the registration requirements of the Securities Act of 1933, as amended.

In February 2006, the Company issued 750,000 shares of its restricted common stock to management for services rendered, which the Company valued at \$22,500.

In March 2006, the Company issued 4,000,000 shares of its restricted common stock to management and the board of directors for services rendered, which the Company valued at \$120,000.

In March 2006, the Company issued 809,000 shares of its restricted common stock to consultants for services rendered, which the Company valued at \$24,270.

In March 2006, the Company issued 205,000 shares of its restricted common stock to employees for services rendered, which the Company valued at \$6,150.

In March 2006, the Company issued 2,482,000 of its restricted common stock to lenders who elected to convert \$85,000 of loans to the Company's common Stock.

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

Item 3. Defaults Upon Senior Securities.

None

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

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

Item 5. Other Information

None

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

(a) Exhibits

Exhibit No. -----	Description and Method of Filing -----
10.01	Employment Agreement with Jacob R. Miles III
31.1	Certification by Chief Executive Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Chief Financial Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed with previous filing

(b) Reports on Form 8-K.

None

SIGNATURES

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

Dated: May 13, 2006

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Urban Television Network Corporation

By: /s/ Jacob R. Miles III

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Jacob R. Miles III  
Title: Chief Executive Officer

By: /s/ Randy Moseley

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Randy Moseley  
Title: Executive Vice President/CFO