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URBAN TELEVISION NETWORK CORP  
Form 10QSB  
February 14, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ending December 31, 2004

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, 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  
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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:

127,070,049 shares of common stock, \$0.0001 par value, as of December 31, 2004

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.....3  
    Balance Sheet (unaudited).....4  
    Statements of Operations (unaudited).....5  
    Statements of Cash Flows (unaudited).....6  
    Notes to Financial Statements.....7

Item 2. Management's Discussion and Analysis of Plan  
    of Operation.....18

Item 3. Controls and Procedures.....26

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....27

Item 2. Changes in Securities and Use of Proceeds.....27

Item 3. Defaults upon Senior Securities.....28

Item 4. Submission of Matters to a Vote  
    of Security Holders.....28

Item 5. Other Information.....28

Item 6. Exhibits and Reports on Form 8-K.....29

Signatures.....29

URBAN TELEVISION NETWORK CORPORATION  
FORM 10-QSB

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant for the three months ended December 31, 2004. 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 three months ended December 31, 2004, follow.

PART I - FINANCIAL STATEMENTS

URBAN TELEVISION NETWORK CORPORATION

Consolidated Balance Sheet

	December 31, 2004 (Unaudited)	Septem 2 (Aud
Assets		
Currents assets		
Cash and cash equivalents	\$ 131,406	\$
Accounts receivable	3,940	
	-----	-----
Total current assets	135,346	
	-----	-----
Furniture, fixtures and equipment, net	122,977	
	-----	-----
Other assets		
Network assets, net	88,559	
Organizational costs	360	
	-----	-----
Total other assets	88,919	\$
	-----	-----
Total assets	\$ 347,242	\$
	=====	=====
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 361,642	\$
Due to stockholders	--	
Notes payable to stockholder	600,657	
Accrued compensation	176,000	
Accrued interest payable	7,056	
Deferred revenue	42,250	
	-----	-----
Total current liabilities	1,187,605	
	-----	-----

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Stockholders' equity		
Preferred stock, \$1 par value, 500,000 shares authorized, none issued	--	
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 127,070,049 and 67,135,177 outstanding at December 31, 2004 and September 30,2004, respectively	12,707	
Additional paid-in capital	22,474,092	23,
Stock subscriptions receivable	(6,900,000)	(8,
Retained earnings (deficit)	(16,427,162)	(15,
	-----	-----
Total stockholders' equity (deficit)	(840,363)	(
	-----	-----
Total liabilities and stockholders' equity	\$ 347,242	\$
	=====	=====

See notes to financial statements.

4

URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Operations  
For the three months ended December 31, 2004 and 2003  
(UNAUDITED)

	2004	2003
	-----	-----
Revenues	\$ 100,016	\$ 25,971
	-----	-----
Expenses:		
Satellite and uplink services	80,109	78,129
Master control and production	83,200	129,553
Station operating costs	89,115	80,294
Technology expenses	46,230	28,977
Administration	609,149	288,373
Depreciation and amortization	22,937	17,042
	-----	-----
Total expenses	930,740	622,368
	-----	-----
Income (loss) from operations	(830,724)	(596,397)
Other (income) expense		
Interest income	3	101

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Interest (expense)	(6,007)	(1,983)
	-----	-----
Net loss	\$ (836,728)	\$ (598,279)
	-----	-----
Earnings per share:	\$ (0.01)	\$ (0.02)
Net income (loss)		
Weighted average number of common shares outstanding	72,212,619	36,644,020

See notes to financial statements.

5

URBAN TELEVISION NETWORK CORPORATION

Consolidated Statement of Cash Flows  
For the three months ended December 31, 2004 and 2003  
(UNAUDITED)

	2004	2003
	-----	-----
Operating Activities		
Net (loss)	\$ (836,728)	\$ (598,279)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,937	17,042
Common stock issued for services	294,000	50,000
Changes in operating assets and liabilities:		
Accounts receivable	10,915	(2,505)
Accounts payable	26,489	(27,188)
Accrued interest expense	(2,993)	1,983
Accrued compensation	26,000	45,000
Deferred income	(24,750)	
	-----	-----
Net cash provided by operating activities	(484,130)	(513,947)
	-----	-----
Investing Activities		
Capital expenditures	--	(30,700)
	-----	-----

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Net cash (used in) investing activities	--	(30,700)
	-----	-----
Financing Activities		
Proceeds from common stock sales	100,000	300,000
Proceeds from bridge loans	508,541	621,076
Payment on shareholder loans	(2,000)	--
Proceeds from notes payable	--	17,500
Collection on subscription receivable	--	200
	-----	-----
Net cash provided by financing activities	606,541	938,776
	-----	-----
Increase (decrease) in cash	122,411	394,129
Cash at beginning of period	8,995	235,408
	-----	-----
Cash at end of period	\$ 131,406	\$ 629,537
	-----	-----
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 9,000	\$ --
Income taxes	\$ --	\$ --
Non-cash transactions:		
Acquisition of equipment	\$ --	\$ 30,000
Common stock issued for services	\$ 294,000	\$ 2,050,000

See notes to financial statements.

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(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, 2004, which was filed January 13, 2005. In the opinion of the Company, all adjustments, including normal

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recurring adjustments necessary to present fairly the financial position of Urban Television Network Corporation as of December 31, 2004 and the results of its Operations and cash flows for the quarter then ended, have been included. The results of operations for the interim period are not necessarily indicative of the results for the full year.

### ACCOUNTING POLICIES:

There have been no changes in accounting policies used by the Company during the quarter ended December 31, 2004.

## 2. Significant Accounting Policies

### Description of Business

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

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

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

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

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

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



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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(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.

#### Accounting Method

The Company records income and expenses on the accrual method.

#### Revenue Recognition

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

#### Principles of Consolidation

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

#### Non Goodwill Intangible Assets

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

#### Income (Loss) Per Share

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

#### Comprehensive Income

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

### Cash

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

### Concentration of Credit Risk

The Company at times maintains cash in excess of federally insured limits. The amount in excess of the federally insured limits at December 31, 2004 was \$-0-.

8

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

## 2. Significant Accounting Policies - continued

### Advertising Costs

The Company expenses non-direct advertising costs as incurred. The Company did not incur any direct response advertising costs for the three months ended December 31, 2004 and 2003.

### 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 May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for classifying and measuring as liabilities Certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 is effective at the beginning of the first interim period beginning

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after June 15, 2003; including all financial instruments created or modified after May 31, 2003. SFAS No. 150 currently has no impact on the Company.

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

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

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

9

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(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 Issed to Employees" and its related implementation guidance. It establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement No. 123 as originally issued and EITF Issue No. 96-18. This Statement is effective for public entities that file as small business issuers as of the beginning of the first fiscal period that begins after December 15, 2005. The Company has not yet determined the impact of SFAS

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No. 123 (revised) on its financial statements.

### 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".

### 3. Accounts receivable

Accounts receivable consists of normal trade receivables. The Company assesses the collectibility of its accounts receivable regularly. Based on this assessment, an allowance for doubtful accounts is recorded. At December 31, 2004 and 2003, 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 \$117,069 and the amortization for the three months ended December 31, 2004 and 2003 was \$9,781.

Future amortization of the Network assets at December 31, 2004 will be \$88,559 and on an annual basis be as follows:

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

### 5. Furniture, Fixtures and Equipment

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

	Range of Lives in Years	December 31, 2004	September 30, 2003
	-----	-----	-----
Master Control, Editing Equipment	3-5	\$ 67,749	\$ 67,749
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
		-----	-----
		191,496	191,496
Less: Accumulated Depreciation		(68,519)	(55,363)
		-----	-----
		\$ 122,977	\$ 136,133
		=====	=====

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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

5. Furniture, Fixtures and Equipment - continued

The Company acquired equipment totaling \$ -0- and \$60,700 during the three months ended December 31, 2004 and 2003, respectively. Total depreciation expense for the three months ended December 31, 2004 and 2003 was \$13,156 and \$11,478, respectively.

6. Related Party Transactions

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

The Company has leased office space from one its shareholders and director for \$2,000 per month. The total rental expense for the years ended September 30, 2004 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 periods ended September 30, 2004 and 2003, the total expense paid out for these services was \$229,062 and \$192,691, 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.

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 of the note principal.

The Company executed an interest bearing note with a shareholder of the Company during the period ended September 30, 2004 to pay operating expenses. During the period ended September 30, 2004 the amounts loaned totaled \$400,000. See Note 6, 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

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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.

11

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

6. Related Party Transactions - continued

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

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

In summary, World One Media Group, Inc.'s acquisition of 70,000,000 Million restricted common shares and the cancellation of 18,000,000 common shares in the name of Wright Entertainment LLC leaves World One Media Group, Inc. owning approximately 57% of the Company's 127,070,049 outstanding shares.

7. Notes Payable

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Notes payable consist of:

	December 31, 2004	September 30, 2004
	-----	-----
Notes payable to stockholders at 6% interest payable on September 30, 2004	\$ 657	\$ 2,657
Note payable to stockholder at 6% interest payable July 31, 2005	228,290	228,290
Note payable to stockholder at 6% interest payable August 31, 2005	171,710	171,710
Note payable to stockholder at 6% Interest payable December 31, 2005	200,000	--
	-----	-----
	\$ 600,657	\$ 402,657
	-----	-----

The holders of the July and August 2005 notes have a UCC-1 lien against the Company's assets.

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

### 8. Income Tax

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This standard requires, among other things, recognition of future tax consequences, measured by enacted tax rates attributable to taxable and deductible temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are established, when

12

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

### 8. Income Tax - continued

necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in the deferred tax asset and liability.

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities did not give rise to significant portions of deferred taxes at December 31, 2004 and September 30, 2004.

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

December 31,      September 30,

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	2004	2004
	-----	-----
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, 2004, the Valuation Allowance increased by approximately \$1,100,000.

9. Capital Stock

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

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

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

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

On February 7, 2003, the Company entered into an Exchange Agreement with the majority shareholders of Urban Television Network Corporation, a Texas corporation (Urban-Texas). The Company acquired 90% of the issued and outstanding capital stock of Urban-Texas in return for 13,248,000 shares of the Company's common stock - See footnote 1.

In May 2003, the Company issued 5,075,000 shares of its common stock for consulting services, which the Company had approved in February of 2003 and valued at \$253,750.

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

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

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



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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

### 9. Capital Stock - continued

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

In October 2003, the Company issued 100,000 shares of its common stock for services rendered, which the Company valued at \$60,000.

In October 2003, the Company issued 100,000 shares of its common stock to management for services, which the Company valued at \$25,000.00.

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

In April 2004, the Company issued 8,300,000 shares of its common stock to management, directors and advisory board members for management services, which the Company valued at \$2,075,000.

In April 2004, the Company issued 7,167,000 shares of its common stock for legal services, strategic planning services, financial planning services and technology consulting services, which the Company valued at \$1,791,750.

In April 2004, the Company issued 15,000 shares of its common stock in lieu payments due on a television station lease agreement, which the Company valued at \$19,500.

In July 2004, the Company issued 1,000,000 shares of its common stock to directors, which the Company valued at \$100,000.

In August 2004, the Company issued 2,900,000 shares of its common stock to employees, directors and advisory board members for management services, which the Company valued at \$290,000.

In August 2004, the Company issued 100,000 shares of its common stock in lieu Payments due on a television station lease agreement, which the Company valued at \$9,000.

In September 2004, the Company issued 1,506,000 shares of its common stock

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for services rendered, which the Company valued at \$301,200.

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 \$.447 per share.

During the three months ended December 31, 2004, the Company issued 5,074,872 Shares of its common stock to Bridge Loan Lenders who elected to convert \$508,541 of bridge loans to commons tock at an average conversion price of \$.10 per share.

14

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

### 9. Capital Stock - continued

In October 2004, the Company issued 600,000 shares of its common stock to Directors, which the Company valued at \$60,000.

In October 2004, the Company issued 100,000 shares of its common stock in Lieu of payments due on a television station lease agreement, which the Company valued at \$18,000.

In October 2004, the Company issued 500,000 share of its common stock for for services rendered, which the Company valued at \$50,000.

In December 2004, the Company issued 1,000,000 shares of its common stock to Wright Entertainment, LLC as part of the Definitive Agreement discussed in Footnote 6, which the Company valued at \$200,000.

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

As part of the definitive agreement, Wright Entertainment LLC which had previously entered into a stock subscription agreement for 14,000,000 shares agreed to the termination and cancellation of that agreement by the Company and further agreed to the termination and cancellation of 4,000,000 shares that had been issued in Wright Entertainment LLC's name and were to

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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.

### Non-Qualified Stock Grant and Option Plan

The Company is authorized to issue up to 6,800,000 shares of common stock under its 2003 Non-Qualified Stock Grant and Option Plan (the "Plan") through an S-8 registration, as amended. This Plan is intended to serve as an incentive to and to encourage stock ownership by certain directors, officers, employees of and certain persons rendering service to the Company, so that they may acquire or increase their proprietary interest in the success of the Company, and to encourage them to remain in the Company's service. During the period ended September 30, 2003, the Company had distributed 1,900,000 of the shares through grants. During the period ended September 30, 2004, the Company had distributed 1,606,000 of the shares through grants.

### 10. Preferred Stock

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

No preferred shares had been issued as of December 31, 2004 and September 30, 2004.

15

Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

### 11. Commitments and Contingencies

#### Satellite Transponder Lease

The Company entered into a Satellite space segment service agreement with Loral Skynet (now Intelsat, Inc.) on November 20, 2002 for 6 MHz of satellite Bandwidth on Telstar 5 (now Intelsat 5) for a period of three year ending on November 21, 2005. For the three months ended December 31, 2004 and 2003, the amounts expensed were \$54,129, respectively.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$198,473 and be due as follows:

Year ended September 30, 2005	\$162,387
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Urban Television Network Corporation  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004  
(UNAUDITED)

### 11. Commitments and Contingencies - continued

Mr. Stanley Woods is employed pursuant to a three-year employment agreement that commenced on October 2, 2002. The agreement provides for a base annual salary equal to \$50,000 and a possible annual cash bonus as determined by the Board of Directors and/or the Compensation Committee. Mr. Woods was issued 200,000 shares of common stock in 2003 in lieu of his annual salary for the period ended September 30, 2003.

#### Legal Matters

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

In August of 2004, the Company settled a lawsuit brought by Three F Productions, Inc. vs. Pacific Family Entertainment LLC, et al. which included the Company as a defendant as the result of the Company airing a program that Pacific Family Entertainment had represented as having the copyright and rights to air. The settlement amount for the Company was \$50,000 to be paid at the rate of \$5,000 per month beginning September 1, 2004. At December 31, 2004, the Company owed \$30,000 on the settlement amount.

### 12. 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 year end the Company has raised additional capital of approximately \$508,541 from bridge loans, that were subsequently converted to common stock and \$250,000 from World One towards the payment on its stock subscription agreement.

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, 2004 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 18505 Highway 377 South, Cresson, Texas 76035.

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

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

On February 7, 2003, the Company entered into a Stock Exchange Agreement with

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

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

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

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

18

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. In December 2004, this subscription agreement was terminated by mutual agreement between the Company and Wright Entertainment LLC as well as the termination of 4,000,000 shares that has been issued to Wright Entertainment and were to be vested to Wright Entertainment upon the full payment of the subscription agreement.

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

As part of the definitive agreement, Wright Entertainment LLC which had previously entered into a stock subscription agreement for 14,000,000 shares agreed to the termination and cancellation of that agreement by the Company and further agreed to the termination and cancellation of 4,000,000 shares that had been issued in Wright Entertainment LLC's name and were to be vested when Wright

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Entertainment LLC completed the payment for its subscription agreement. The definitive agreement calls for the Company to pay Wright Entertainment LLC, owned by Lonnie G. Wright, \$300,000 (\$60,000 at the signing and \$15,000 per month for sixteen months beginning January 15, 2005) and issue Wright Entertainment LLC 1,000,000 shares of the Company's restricted common stock.

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

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

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

On July 10, 2004, the Company received a certificate from Nevada Minority Business Council, an affiliate of the National Minority Supplier Development Council, indicating that the Company qualifies as a Minority Owned and Managed Company, which has met the certification criteria established by the National Minority Supplier Development Council. The certification was renewed on February 1, 2005.

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

19

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



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local advertising time. Management intends to increase rates as affiliate stations are added to the network. The implementation of this comprehensive plan is expected to have a positive affect upon sales revenues. In addition, the Company has added a focus to secure carriage agreements with cable and digital distribution companies.

### Revenues

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

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

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

Currently most of our network advertising has been sold to direct response and per inquiry advertisers. Going forward, we plan to deploy a network advertising team consisting of account executives that will solicit advertising directly from national advertisers as well as soliciting advertising from national advertising agencies. Locally managed stations will also have account executives that will solicit local and national advertising directly from advertisers and from advertising agencies in the local markets.

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

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

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

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would in turn justify charging higher rates for our advertising time.

20

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

### Expenses

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

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

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

### Advertising and Program Time Sales

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

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

21

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

Currently the Company generates its Network and National spot advertising sales. The Company's plan is to have the yet to be established sales personnel located in all major markets that have a large concentration of advertising agencies targeting the African-American market. The sales of our local spot advertising would then be generated by these local sales staff personnel placed at each of our television stations.

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

Program Time Sales. Also known as long-form programs are sold on the network and on locally managed stations to companies wanting to purchase the television time and air their own programs.

### Results of Operations

Urban Television Network Corporation - Historical Results for the three months

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ended December 31, 2004 compared to the three months ended December 31, 2003.

Revenues. Revenues are primarily derived from sales of advertising and programming time. Revenues for the three months ended December 31, 2004 and 2003 were \$100,016 and \$25,971, respectively, an increase of \$74,045. The increase in revenues is primarily attributable to increase revenues from sales of program time and advertising spots. The Company is still in the process of implementing its 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. The Company has increased its affiliate base over the last twelve months from 72 to 74 affiliates and 22 million to 24 million household coverage of its affiliate base.

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

Cost of Operations. Costs of operations for the three months ended December 31, 2004 and 2003 were \$298,654 and \$323,548, respectively. The major components of cost of operations for the three months ended December 31, 2004 and 2003 were as follows:

	2004	2003
	-----	-----
Satellite and uplink services	\$ 80,109	\$ 84,724
Master control, production, programming	83,200	129,553
Station operating costs	89,115	80,294
Technology expenses	46,230	28,977
	-----	-----
Total Cost of Operations	\$298,654	\$323,548
	=====	=====

Master control, production, programming expenses decreased in 2004 due primarily To the Company's reduction of personnel costs resulting from the consolidation Of three facilities into the Arlington location.

The costs of operations for stations increased by \$8,821 in three months ended December 31, 2004 as compared to 2003 primarily as the result increased monthly lease amounts for the Dallas and Oklahoma City stations.

The technology expenses increased by \$17,253 for the three months ended December 31, 2004 as compared to 2003 due primarily to an increase in system software development.

Administration expenses of \$609,149 for the three months ended December 31, 2004 increased by \$320,776 or 112% over the administrative expenses of \$288,373 for the three months ended December 31, 2003.

Following is a comparative of the general administrative expense categories for the three months ended December 31, 2004 and 2003.

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	2004	2003
	-----	-----
Administration cost	\$112,000	\$ 64,000
Stock based compensation	276,000	50,000
Consulting	23,181	13,500
Contract labor	2,500	--
Travel, conventions	14,094	34,324
Legal fees	75,750	32,500
Las Vegas office expenses	25,000	16,464
Commissions	9,550	3,194
Accounting fees	10,000	10,000
Public relations costs	--	2,480
Transfer Agent, permit fees	6,898	12,065
Rent and utilities	10,457	10,546
Internet costs	4,912	6,665
Supplies - digital operations	6,511	6,585
Supplies	1,048	3,659
Telephone	24,675	6,964
Postage and shipping	1,302	2,992
Marketing, printing, promotions	800	5,734
Other	4,471	6,701
	-----	-----
TOTAL	\$609,149	\$288,373
	=====	=====

The increase in administrative cost is due primarily to the \$60,000 paid to Wright Entertainment LLC as set forth in the Definitive Agreement between the Company, Wright Entertainment LLC and World One Media Group, Inc. See Footnote 9 to the Financial Statements for a discussion of this transaction.

The increase in stock based compensation is due primarily to the Company's issuance of common stock to directors and consultants for services rendered and the issuance of common stock to Lonnie Wright as part of the Definitive Agreement between the Company, Wright Entertainment LLC and World One Media Group, Inc. See Footnote 9 to the Financial Statements for a discussion of this transaction.

The increase in consulting fees is due the Company engaging outside consultants for specific projects relating to financial and strategic planning rather than adding permanent staff.

The increase in contract labor is due to the Company hiring outside labor for production crew on events and studio productions.

Travel and convention expenses decreased as the amount of travel related to The Las Vegas office decreased significantly during the three months ended December 31, 2004 as compared to the three months ended December 31, 2003.

Legal expenses increased in 2004 as result of the Company's search for capital and minority investors.

Commissions increased in 2004 due to an increase in advertising and programming Revenues produced by commissioned sales people.

Public relations decreased due to a decrease in expenses for public functions, announcements and support for minority groups.

Transfer agent expenses decreased in 2004 as the company expenses related to the Issuance of common stock for bridge loan investors converting their bridge loans to common stock of the company.

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Internet cost decreased as the result of the Company installing its own high Speed Internet lines at the Arlington offices versus outsourcing this service in 2003.

Telephone expenses increased in 2004 versus 2003 primarily as the result of the Company installing its own high speed Internet lines at the Arlington offices versus outsourcing this service in 2003 and the installation of fiber lines to the Verestar uplink facilities in 2004.

23

Marketing, printing and promotions expenses for 2004 compared to 2003 decreased by \$4,934 due to the Company not having the brochure and marketing materials printing costs incurred during the three months ended December 31, 2003.

Interest expense for the three months ended December 31, 2004 was \$6,007 compared to \$1,983 for the three months ended December 31, 2003. The increase of \$4,024 is due to the increase of stockholder loans.

Operating Results. We had a net operating losses of \$830,724 and \$596,397, for the three months ended December 31, 2004 and 2003, respectively. The increased loss of \$234,327 for 2004 was primarily attributed to the \$320,776 increase in administrative expenses of which \$48,000 was attributable to an increase in management expense, \$226,000 was attributable to an increase in stock based compensation and \$43,250 to an increase in legal expenses.

Earnings Per Share of Common Stock. Income (loss) per common share is calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." Basic Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed similar to basic net income (loss) per share, except that the denominator is increased to include the number of additional common shares that would have outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Stock options and warrants are anti-dilutive, and accordingly, are not included in the calculation of income (loss) per share. The basic and diluted net loss per share of common stock was \$0.01 and \$0.02 for the three months ended December 31, 2004 and 2003, 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 \$16,427,162 from the inception of the Company through December 31, 2004.

Current liabilities at December 31, 2004 were \$1,187,605 which exceeded current assets of \$135,346 by \$1,052,259. The Company's cash position at December 31, 2004 was \$131,406, a increase of \$122,411 from the position at September 30, 2004. 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. Amounts due to stockholders increased from \$402,657 at September 30, 2004 to \$600,657 at December 31, 2004 as the result of \$200,000 being reinstated as the result of the cancellation of the Wright Entertainment LLC subscription agreement which originally has a stockholder pledging \$200,000

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of debt owed by the Company as part of the Wright Entertainment LLC down payment amount. Accrued compensation is the result of management deferring a portion of their annual compensation until the Company has funds available. Deferred income is the result of the Company receiving full payment for a year contract to air programming, which amount is being amortized on a monthly basis as the programming is aired.

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.

24

We had net losses \$836,728 and \$598,279 for the three months ended December 31, 2004 and 2003, respectively. We expect these losses to continue as we incur operating expenses in the growth of the Company's television network and its affiliate base and convert them to an African American format. We currently anticipate that our revenues as well as cash from financings and equity sales will be sufficient to satisfy operating expenses by the end of fiscal 2005. We may need to raise additional funds, however. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be materially adversely affected.

### RISK FACTORS

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

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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, 2005.

Financing activities for the three months ended December 31, 2004 include:

1) Issuance of common stock in lieu of cash payments totaling \$276,000 for management and consulting services.

2) Bridge loan subscriptions of \$508,541 for convertible bridge loans with interest at the rate of six percent (6%) per annum with a consortium of private investors. The bridge loan lenders have the option to convert their loans before the maturity date of February 14, 2004 into common stock of the Company. During the three months ended December 31, 2004, bridge loan lenders of \$508,541 elected to convert their bridge loan to 5,074,872 shares of common stock, which averaged of \$.10 per shares.

3) The Company received \$100,000 cash as the initial payment on the World One Media Group, Inc. subscription agreement as discussed in Footnote 9 to the Financial Statements and in Item 2 of this Quarterly Report

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

### Impact of Inflation

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

### 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 1 of the Notes describes the significant accounting policies essential to the financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

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



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### Revenue Recognition

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

### Non Goodwill Intangible Assets

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

### Stock Based Compensation

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

### Contingencies

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

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

Within the 90 days prior to the date of this Quarterly Report for the quarter ended December 31, 2004, 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

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time periods specified by the SEC's rules and forms.

26

### Limitations on the Effectiveness of Controls

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

### Conclusions

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

#### (b) Changes in Internal Control.

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

## PART II-OTHER INFORMATION

### Item 1. Legal Proceedings.

The Company is a party to various legal actions and claims arising in the ordinary course of its business. In the Company's opinion, the Company has adequate legal defenses for each of the actions and claims, and believes that their ultimate disposition will not have a material adverse effect on the Company's consolidated financial position, results of operations and liquidity.

### Item 2. Changes in Securities

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### Recent Sales of Unregistered Securities

During the first quarter of 2003, the Company offered and sold the following securities pursuant to securities transaction exemption from the registration requirements of the Securities Act of 1933, as amended.

On October 7, 2003, we issued Jacob R. Miles III, 100,000 shares for business consulting services relating to the growth of the company's affiliate base and addition of programming to the company's program schedule. The shares were valued at \$25,000 by the Company.

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

In October 2004, the Company issued 600,000 shares of its common stock to Directors, which the Company valued at \$60,000.

27

In October 2004, the Company issued 100,000 shares of its common stock in lieu of payments due on a television station lease agreement, which the Company valued at \$18,000.

In October 2004, the Company issued 500,000 share of its common stock for services rendered, which the Company valued at \$50,000.

In December 2004, the Company issued 1,000,000 shares of its common stock to Wright Entertainment, LLC as part of the Definitive Agreement discussed in Footnote 6, which the Company valued at \$200,000.

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

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

During the three months ended December 31, 2004, the Company issued 5,074,872 Shares of its common stock to Bridge Loan Lenders who elected convert \$512,700 of bridge loans to commons tock at an average conversion price of \$.10 per share.

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

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resale with appropriate governmental agencies or unless exempt from any applicable registration requirements.

### Item 3. Defaults Upon Senior Securities.

None

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

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

### Item 5. Other Information

On December 14, 2004, we accepted the resignation of Lonnie G. Wright as Chief Executive Officer and member of our Board of Directors, to be effective on December 14, 2004. Mr. Wright's resignation was not the result of any disagreement between us and him. Rather, Mr. Wright voluntarily resigned in conjunction with the Company's entering into a definitive agreement with World One Media Group, Inc. to purchase of controlling interest in the Company.

On December 28, 2004, the Company's Board of Directors elected Ajibike Olukunle Akinkoye as a member of the Board of Directors and Chief Executive Officer of the Company.

28

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

#### (a) Exhibits

Exhibit No.	Description and Method of Filing
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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

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Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

On December 16, 2004, the Company filed an 8K Report detailing Item 1, titled, "Change in Control of Registrant".

On January 3, 2005, the Company filed an 8K/A Report detailing Item 1, titled, "Change in Control of Registrant".

On January 28, 2005, the Company filed an 8K Report detailing Item 8, titled, "Other Events".

SIGNATURES

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

Dated: February 14, 2005

Urban Television Network Corporation

By: /s/ Ajibike Olunkunle Akinkoye

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Ajibike Olunkunle Akinkoye  
Title: Chief Executive Officer

By: /s/ Randy Moseley

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Randy Moseley  
Title: Executive Vice President/CFO