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URBAN TELEVISION NETWORK CORP  
Form 10QSB  
May 15, 2003

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

FORM 10-QSB  
(Mark One)

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

For the quarterly period ending March 31, 2003

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

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

Commission file number 33-58972  
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URBAN TELEVISION NETWORK CORPORATION

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

NEVADA 22-2800078

-----  
(State of Incorporation) (IRS Employer Identification No.)

18505 Highway 377 South, Fort Worth, TX 76126

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

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

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

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

Check whether the registrant filed all documents and reports required to be

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filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No  
--- ---

Applicable only to corporate issuers

State the number of shares outstanding of each of the issuer's class of common equity, as of the latest practicable date: March 31, 2003, 14,664,636 shares of common stock, \$.0001 par value.

Transitional Small Business Disclosure Format  
(Check One)  
Yes No X  
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URBAN TELEVISION NETWORK CORPORATION  
FORM 10-QSB

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements. (Unaudited)

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As prescribed by Item 310 of Regulation S-B, the independent auditor has reviewed these unaudited interim financial statements of the registrant for the six months ended March 31, 2003. The financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. The unaudited financial statements of registrant for the six months ended March 31, 2003, follow.

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Jack F. Burke, Jr.  
Certified Public Accountant  
P.O. Box 15728  
Hattiesburg, Mississippi 39404

### Independent Auditor's Letter

Urban Television Network Corporation  
18505 S. Hwy 377  
Fort Worth, Texas 76126

I have reviewed the accompanying balance sheet, statement of operations, statement of stockholders equity and statement of cash flows of Urban Television Network Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and for the three-month periods then ended. These financial statements are the responsibility of the company's management.

I conducted my review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 14 to the financial statements, the company has suffered losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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/s/ Jack F. Burke, Jr.

-----  
 Jack F. Burke, Jr.  
 May 14, 2003

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PART I - FINANCIAL STATEMENTS

URBAN TELEVISION NETWORK CORPORATION  
 and Subsidiaries  
 Consolidated Balance Sheet

| Assets                                 | March 31,<br>2003<br>(Unaudited) | Sept<br>(A |
|--|----------------------------------|------------|
| Currents assets                        |                                  |            |
| Cash and cash equivalents              | \$ 198,083                       | \$         |
| Accounts receivable                    | 11,291                           |            |
| Prepaid expenses                       | 18,043                           |            |
|  | -----                            | -----      |
| Total current assets                   | 227,417                          | -----      |
|  | -----                            | -----      |
| Furniture, fixtures and equipment, net | 57,912                           | -----      |
|  | -----                            | -----      |
| Other assets                           |                                  |            |
| Network assets                         | 456,516                          |            |
| Goodwill                               | 943,721                          |            |
| Organizational costs                   | 360                              |            |
|  | -----                            | -----      |
| Total other assets                     | 1,400,597                        | -----      |
|  | -----                            | -----      |
| Total assets                           | \$ 1,685,926                     | \$         |
|  | -----                            | -----      |
| Liabilities and stockholders' equity   |                                  |            |
| Current liabilities                    |                                  |            |
| Accounts payable                       | \$ 243,465                       | \$         |
| Bridge loan payable                    | 219,000                          |            |
| Notes payable to stockholder           | 419,517                          |            |
| Accrued interest expense               | 44,062                           |            |
| Accrued payroll                        | 125,000                          |            |
|  | 9,563                            |            |
|  | -----                            | -----      |
| Liabilities                            | 1,060,607                        | -----      |
|  | -----                            | -----      |
| Total current                          |                                  |            |
| Deferred income tax                    | 182,685                          |            |
|  | -----                            | -----      |

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|   |  |              |       |
|---|--|--------------|-------|
| Minority Interest   |  | 61,826       |       |
|   |  | -----        |       |
| Stockholders' equity  |  |              |       |
| Preferred stock, \$1 par value, 500,000 shares authorized, none issued  |  | --           |       |
| Common stock, \$0.0001 par value, 200,000,000 shares authorized; 14,664,636 shares outstanding at March 31, 2003  |  | 1,467        |       |
| Common stock, \$0.01 par value, 50,000,000 shares authorized; 22,331,667 shares outstanding at September 30, 2002 |  | --           |       |
| Additional paid-in  |  | 6,991,711    | 5     |
| Retained earnings (deficit)   |  | (6,019,484)  | (5)   |
|   |  | -----        | ----- |
|   |  | 973,694      |       |
| Less: Treasury stock  |  | (592,886)    |       |
|   |  | -----        | ----- |
| Total stockholders' equity  |  | 380,808      |       |
|   |  | -----        | ----- |
| Total liabilities and stockholders' equity  |  | \$ 1,685,926 | \$    |
|   |  | -----        | ----- |

See notes to financial statements.  
See accountants reew report

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URBAN TELEVISION NETWORK CORPORATION  
and Subsidiaries

Consolidated Statement of Operations  
(UNAUDITED)

|                               | Three months ended March 31, |       | Six months ended March 31, |       |
|-------------------------------|------------------------------|-------|----------------------------|-------|
|                               | 2003                         | 2002  | 2003                       | 2002  |
|                               | -----                        | ----- | -----                      | ----- |
| Revenues                      | \$ 43,870                    | \$ -- | \$ 93,888                  | \$ -- |
|                               | -----                        | ----- | -----                      | ----- |
| Expenses:                     |                              |       |                            |       |
| Satellite and uplink services | 161,122                      | --    | 301,572                    | --    |
| Production expenses           | 36,438                       | --    | 56,554                     | --    |
| Technology expenses           | 61,034                       | --    | 132,534                    | --    |
| Administration                | 64,688                       | 9,645 | 228,603                    | 6,945 |
| Depreciation and amortization | 34,450                       | --    | 59,650                     | --    |
|                               | -----                        | ----- | -----                      | ----- |

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|  |              |            |              |            |
|--|--------------|------------|--------------|------------|
| Total expenses                                       | 354,732      | 9,645      | 778,913      | 6,945      |
|  | -----        | -----      | -----        | -----      |
| Income (loss) from operations                        | (310,862)    | (9,645)    | (685,025)    | (6,945)    |
| Other (income) expense                               |              |            |              |            |
| Interest income (expense)                            | (14,357)     | --         | (21,584)     | --         |
| Gain on extinguishment of debt                       | --           | --         | --           | 424,665    |
|  | -----        | -----      | -----        | -----      |
| Net loss   | \$ (325,219) | \$ (9,645) | \$ (706,609) | \$ 417,720 |
|  | -----        | -----      | -----        | -----      |
| Earnings per share:                                  |              |            |              |            |
| Net income (loss)                                    | \$ (0.03)    | \$ (0.03)  | \$ (0.12)    | \$ 1.37    |
| Weighted average number of common shares outstanding | 10,181,969   | 311,583    | 5,732,636    | 311,583    |

See notes to financial statements.

See accountants review report

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URBAN TELEVISION NETWORK CORPORATION  
and Subsidiaries  
Consolidated Statement of Stockholders' Equity  
(UNAUDITED)

|  | Common Stock<br>Shares | Amount    | Additional<br>Paid-In<br>Capital | Retained<br>Earnings<br>(Deficit) |
|--|------------------------|-----------|----------------------------------|-----------------------------------|
|  | -----                  | -----     | -----                            | -----                             |
| Balance at September 30, 2000                  | 6,207,236              | \$ 62,072 | \$ 4,879,134                     | \$ (5,361,824)                    |
| Net loss for year ended<br>September 30, 2001  | --                     | --        | --                               | (82,774)                          |
|  | -----                  | -----     | -----                            | -----                             |
| Balance at September 30, 2001                  | 6,207,236              | 62,072    | 4,879,134                        | (5,444,598)                       |
| Contributed capital                            | 85,428                 | --        | 85,428                           |                                   |
| Stock issued for asset<br>Acquisition          | 16,000,000             | 160,000   | 389,000                          | --                                |
| Stock issued to Hispanic<br>Television Network | 100,000                | 1,000     | 9,000                            | --                                |
| Stock issued for prior<br>year agreements      | 24,431                 | 244       | --                               | --                                |

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|  |              |           |              |                |
|--|--------------|-----------|--------------|----------------|
| Net income for year ended<br>September 30, 2002                    | --           | --        | --           | 131,723        |
| Balance September 30, 2002   | 22,331,667   | 223,316   | 5,362,562    | (5,312,875)    |
| Adjust outstanding shares to<br>reflect reverse stock              | (21,215,031) | (212,150) | 212,150      | --             |
| Adjustment to reflect<br>restated par value                        | --           | (11,054)  | 11,054       | --             |
| Issuance of shares for services                                    | 300,000      | 30        | 82,470       | --             |
| Stock issued for majority interest in<br>Urban Television of Texas | 13,248,000   | 1,325     | 1,323,475    | --             |
| Net loss for six months ended<br>March 31, 2003                    | --           | --        | --           | (706,609)      |
| Balance March 31, 2003   | 14,664,636   | \$ 1,467  | \$ 6,991,711 | \$ (6,019,484) |

See notes to financial statements.  
See accountants review report

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URBAN TELEVISION NETWORK CORPORATION  
and Subsidiaries

Consolidated Statement of Cash Flows  
(UNAUDITED)

|  | Three months ended March 31,<br>2003 | 2002       | Six months<br>2003 |
|--|--------------------------------------|------------|--------------------|
|  | -----                                | -----      | -----              |
| Operating Activities   |                                      |            |                    |
| Net income (loss)  | \$ (325,219)                         | \$ (9,645) | \$ (706,609)       |
| Adjustments to reconcile net income to net cash provided<br>by operating activities: |                                      |            |                    |
| Depreciation and amortization  | 31,450                               | --         | 59,650             |
| Issuance of common stock for services rendered                                       | --                                   | 82,500     | --                 |
| Changes in operating assets and liabilities:   |                                      |            |                    |
| Accounts receivable  | 3,171                                | --         | (5,520)            |
| Prepaid expenses   | --                                   | --         | (18,040)           |
| Accounts payable   | 107,672                              | (5,000)    | 181,890            |
| Accrued interest expense   | 14,356                               | --         | 22,470             |
| Accrued payroll expense  | 62,500                               | --         | 125,000            |
| Accrued payroll tax expense  | 4,782                                | (2,355)    | 9,560              |
| Bridge loan payable  |                                      |            |                    |
| Notes payable  | 219,000                              | --         | 219,000            |
|  | 100,500                              | --         | 185,740            |

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|   |            |          |           |
|---|------------|----------|-----------|
| Net cash provided by operating activities | 218,212    | (17,000) | 225,17    |
| Investing Activities                      |            |          |           |
| Capital expenditures                      | (23,145)   | --       | (27,08    |
| Net cash (used in) investing              | (23,145)   | --       | (27,08    |
| Financing Activities                      |            |          |           |
| Issuance of stock for debt extinguishment | --         | --       | --        |
| Contributed capital                       | --         | 17,000   | --        |
| Cancellation of shares                    | --         | --       | --        |
|   | --         | 17,000   | --        |
| Increase (decrease) in cash               | 195,957    | --       | 198,08    |
| Cash at beginning of period               | 3,016      | --       | --        |
| Cash at end of period                     | \$ 198,083 | \$ --    | \$ 198,08 |

Supplemental disclosure of cash flow information:

Cash paid during the period for:

  Interest

\$ --

  Income taxes

\$ --

Non-cash transactions:

  Extinguishment of debt

  Cancellation of shares

\$ --

See notes to financial statements.

See accountants review report

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URBAN TELEVISION NETWORK CORPORATION  
and Subsidiaries

Notes to Consolidated Financial Statements  
March 31, 2003  
(UNAUDITED)

1. BASIS OF PRESENTATION:

The unaudited financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. 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, 2002, which was filed December 31, 2002. In the opinion of the Company, all adjustments, including normal recurring adjustments necessary to present fairly the financial position of Urban Television Network Corporation as of March 31, 2003 and the results of its Operations and cash flows for the six months then ended, have been included. The results of operations for the interim period are not necessarily indicative of the results for the full year.

ACCOUNTING POLICIES:



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There have been no changes in accounting policies used by the Company during the six months ended March 31, 2003.

### 2. Significant Accounting Policies

#### Organization and Business

Waste Conversion Systems, Inc. was incorporated under the laws of the state of Nevada on October 21, 1986. On June 10, 2002 the company changed its name to Urban Television Network Corporation. The name change coincided the company's acquisition of assets from the Urban Television Network Corporation, a Texas corporation. Urban Television Network Corporation ("UTVN") and its subsidiaries, together, the "Company") are 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.

#### Principles of Consolidation

The consolidated financial statements include the account of the company and those majority-owned subsidiaries in which the company has control. All significant intercompany accounts and transactions are eliminated in consolidation. The accounts and results of operations of controlled subsidiaries where ownership is greater than 50 percent, but less than 100 percent are included in the consolidated results and are offset by a related minority expense and liability recorded for the minority interest ownership. The Company owns 100% of Waste Conversion Systems of Virginia, Inc. which had no assets or liabilities at September 30, 2002 and March 31, 2003 and no revenues or expenses for the year ended September 30, 2002 and the six months ended March 31, 2003. The Company owns 90% of Urban Television Network Corporation, a Texas corporation (See note ).

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### URBAN TELEVISION NETWORK CORPORATION And Subsidiaries

Notes to Consolidated Financial Statements, Continued  
March 31, 2003  
(UNAUDITED)

#### 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 period. 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

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amortized shall be the amount initially assigned to that asset less any residual value.

### Income (Loss) Per Share

Income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Stock options and warrants are anti-dilutive, and accordingly, are not included in the calculation of income (loss) per share.

### 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.

## 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 fiscal year ended September 30, 2002 and the six months ended March 31, 2003.

### 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.

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### URBAN TELEVISION NETWORK CORPORATION And Subsidiaries

Notes to Consolidated Financial Statements, Continued  
March 31, 2003  
(UNAUDITED)

### Recent Accounting Standards

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

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

### Stock Options

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

The Company adopted in February 1993 an employee stock option plan. There are no options outstanding under this plan. This plan will be accounted for under FAS 123 as described above.

### 3. Network Assets - Amortization

On May 1, 2002, the Company entered into an agreement with Urban Television Network Corporation, a Texas corporation, (UTVN-Texas) to acquire the rights to the UATV Network signal space which included the assignment of the UATV affiliates for 16,000,0000 shares of common stock with an estimated fair market value of \$559,000. These assets purchased are referred to as network asset.

Network assets consist of intangibles other than Goodwill. These assets automatically renew every year unless either party terminates the agreement by such notification to the other party. A useful life of five (5) years is estimated for the assets. These agreements are not expected to be terminated by either party prior to its useful life period. Total amortization of these assets has been \$102,484 and the amortization for the period ended September 30, 2002 was \$46,584 and for the six months ended March 31, 2003 was \$255,900.

Future amortization of the Network assets at December 31, 2002 will be \$484,466 and on an annual basis be as follows:

|                               |           |
|-------------------------------|-----------|
| Year ended September 30, 2003 | \$ 55,904 |
| Year ended September 30, 2004 | \$111,804 |
| Year ended September 30, 2005 | \$111,804 |
| Year ended September 30, 2006 | \$111,804 |
| Year ended September 30, 2007 | \$ 65,200 |

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(UNAUDITED)

## 4. Property, Plant and Equipment

The Company acquired equipment totaling \$64,795. This was recorded at cost and depreciation on a straight-line basis over five (5) years. Depreciation for fiscal year and accumulated at September 30, 2002 was \$783.00. Depreciation for the six months ended March 31, 2003 was \$3,750 and the accumulated at March 31, 2003 was \$6,883.

## 5. Acquisition

On February 7, 2003, the Company entered into an Exchange Agreement with the majority shareholders of Urban Television Network Corporation, a Texas corporation (UTNC). The Company acquired 90% of the issued and outstanding capital stock of UTNC in Return for 13,248,000 shares of the Company's common stock valued at \$1,324,800. The valuation of the common stock paid by the Company as consideration was established by the Company at \$.10 per share based on the restricted nature of the stock, the low trading history of the stock at the time of the acquisition. The acquisition was made to complete the acquisition of the balance of the UTNC assets including proprietary broadcast technologies, intellectual property and goodwill. The acquisition was accounted for under the purchase method. The purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair market value. Any excess purchase price over the fair market value of the net assets acquired has been recorded as goodwill. In this transaction the allocation of the purchase price resulted in goodwill of \$761,036. The estimated fair values of assets acquired and liabilities assumed are summarized in the following table.

### Fair Value of Assets Acquired and Liabilities Assumed

|                                    |    |             |
|------------------------------------|----|-------------|
| Cash                               | \$ | 889         |
| Equipment                          |    | 28,452      |
| Investment in stock of the Company |    | 592,886     |
| Receivable from the Company        |    | 258,458     |
| Other assets                       |    | 360         |
| Goodwill                           |    | 761,037     |
| Accounts payable                   | (  | 2,618)      |
| Loans to stockholders              | (  | 233,774)    |
| Accrued interest                   | (  | 19,064)     |
| Minority Interest                  | (  | 61,826)     |
|                                    |    | -----       |
| Total purchase price               |    | \$1,324,800 |
|                                    |    | -----       |

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URBAN TELEVISION NETWORK CORPORATION  
And Subsidiaries

Notes to Consolidated Financial Statements, Continued  
March 31, 2003  
(UNAUDITED)

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The following unaudited pro forma information consolidates the balance sheets of the Company and UTNC at the acquisition date of February 7, 2003. Deferred income tax of \$182,685 was recorded to give effect to \$537,311 of excess book over tax basis for the assets acquired by the Company.

| Assets  | The Company  | UTNC       | Consolidation<br>Entries | Consolidated<br>Balance<br>Sheet |
|---|--------------|------------|--------------------------|----------------------------------|
| Current assets                                | \$ 44,873    | \$ 889     | --                       | \$ 45,762                        |
| Equipment, net                                | 10,260       | 28,452     | --                       | 38,712                           |
| Network assets, net                           | 472,966      | --         | --                       | 472,966                          |
| Investment in subsidiary                      | --           | 592,886    | \$ (592,886)             | --                               |
| Receivable from affiliate                     | --           | 258,458    | (258,458)                | --                               |
| Goodwill and other assets                     | --           | 360        | 973,722                  | 761,397                          |
|   | -----        | -----      | -----                    | -----                            |
| Total Assets                                  | \$ 528,099   | \$ 881,045 | \$ 272,992               | \$ 1,501,522                     |
|   | -----        | -----      | -----                    | -----                            |
| <br>Liabilities and Stockholders' Equity      |              |            |                          |                                  |
| Accounts payable and other accruals           | \$ 284,741   | \$ 21,682  | \$ 306,423               |                                  |
| Advances from shareholders                    | 373,701      | 233,774    | \$ (258,458)             | 349,017                          |
| Deferred income tax                           | --           | --         | 182,685                  | 182,685                          |
| Minority interest                             | --           | --         | 61,826                   | 61,826                           |
| Common stock                                  | 142          | 1,477      | (1,477)                  | 1,466                            |
|   | --           | --         | 1,324                    | --                               |
| Additional paid-in capital                    | 5,668,236    | 1,396,307  | (1,396,307)              | 6,991,712                        |
|   | --           | --         | 1,323,476                | --                               |
| Accumulated deficit                           | (5,798,721)  | (772,195)  | 772,195                  | (5,798,721)                      |
| Treasury stock                                | --           | --         | (592,886)                | (592,886)                        |
|   | -----        | -----      | -----                    | -----                            |
| Total Liabilities and<br>Stockholders' Equity | \$ (528,099) | \$ 881,045 | \$ 272,992               | \$ 1,501,522                     |
|   | -----        | -----      | -----                    | -----                            |

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### URBAN TELEVISION NETWORK CORPORATION And Subsidiaries

Notes to Consolidated Financial Statements, Continued  
March 31, 2003  
(UNAUDITED)

#### 5. Acquisition (Continued)

The Company's consolidated results of operations have incorporated UTNC's activity from the effective date of the acquisition. The following unaudited pro forma information combines the consolidated results of operations of the Company with those of UTNC as if the acquisition had occurred on October 1, 2001.

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|                         | Six months ended<br>March 31, 2003 | Six months ended<br>March 31, 2002 | Year ended<br>September 30, 2002 |
|-------------------------|------------------------------------|------------------------------------|----------------------------------|
| Revenues                | \$ 93,888                          | \$ 36,045                          | \$ 143,742                       |
| Net income (loss)       | \$ (713,939)                       | \$ 255,151                         | \$ (185,427)                     |
| Income (loss) per share | \$ (.049)                          | \$ .017                            | \$ (.013)                        |

This pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the UTNC acquisition been consummated on October 1, 2001. In addition, these results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from combined operations.

6. Other Income

Extinguishment of Debt

Since Waste Conversion Systems, Inc. ceased operations in 1996, it did not pay any of its obligations, related to previous operations. For those trade creditors and note holders that did not extend the statute of limitations on collection of their accounts through legal actions, the Company has been taking the write off of the payables into income as the statutory period for collection expires. The income was \$424,665 (\$0.014 per share) and \$8,880 (less than \$0.01 per share) for fiscal 2002 and 2001, respectively.

7. Related Party Transactions

In May 2002, the Company issued 16,000,000 shares to Urban Television Network Corporation for asset purchase of network assets. (See Note 3, Network Assets)

The Company leases office space from one its shareholders and director for \$2,000 per month. The total rental expense for year ended September 30, 2002 was \$12,000 and for the six months ended March 31, 2003 was \$6,000.

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URBAN TELEVISION NETWORK CORPORATION  
And Subsidiaries

Notes to Consolidated Financial Statements, Continued  
March 31, 2003  
(UNAUDITED)

8. Notes Payable

Notes payable consist of:

|  | March 31,<br>2002 | September 30,<br>2002 |
|--|-------------------|-----------------------|
|  | -----             | -----                 |
| Notes payable to stockholders at 10%<br>interest payable on September 30, 2004 | \$ 419,517        | \$ 188,929            |
|  | -----             | -----                 |

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### 9. Convertible Bridge Loan

Convertible bridge loan consist of:

|  | March 31,<br>2002 | September 30,<br>2002 |
|--|-------------------|-----------------------|
|  | -----             | -----                 |
| Convertible bridge loan payable to individuals at 6% interest payable on February 14, 2004 | \$ 219,005        | \$ --                 |
|  | -----             | -----                 |

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

### 10. Income Tax

The Company has, for income tax purposes, approximately \$4,950,000 in net operating loss carryforwards at September 30, 2002, available to offset future years' taxable income and expiring in varying amounts through the year 2015. A deferred tax asset of approximately \$2,032,000 has been offset by a 100% valuation allowance. The annual utilization of the loss carryforward will be limited under Internal Revenue Code Section 382 provisions due to the recent stock issuances. 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.

### 11. Capital Stock

In May 2002, the Company issued 16,000,000 shares to Urban Television Network Corporation for asset purchase of network assets. (See Note 3 Network Assets)

In September 2002, the Company issued 100,000 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.

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URBAN TELEVISION NETWORK CORPORATION  
And Subsidiaries

Notes to Consolidated Financial Statements, Continued  
March 31, 2003  
(UNAUDITED)

In December 2002, the Company issued 300,000 shares of its common stock for consulting and legal Services.

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

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the majority shareholders of Urban Television Network Corporation, a Texas corporation (UTNC). The Company acquired 90% of the issued and outstanding capital stock of UTNC in return for 13,248,000 shares of the Company's common stock

### 12. 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, 2002.

### 13. Commitments

#### Satellite Transponder Lease

The Company entered into a Satellite space segment service agreement with Loral Skynet on November 20, 2002 for 6 MHz of satellite bandwidth on Telstar 5 for a period of three year ending on November 21, 2005. For the six months ended March 31, 2003, the amount expensed was \$72,172.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$577,376 and be due as follows:

|                               |           |
|-------------------------------|-----------|
| Year ended September 30, 2003 | \$108,258 |
| Year ended September 30, 2004 | \$216,516 |
| Year ended September 30, 2005 | \$216,516 |
| Year ended September 30, 2006 | \$ 36,086 |

The Company entered into a Full Time Broadcast Agreement with Verestar, Inc. on November 21, 2002 for a full time redundant 6 MHz digital C-band uplink service for a period of three years ending on November 21, 2005. For the six months ended March 31, 2002 the amount expensed was \$32,000.

Future lease payments due during the term of the lease ending on November 21, 2005 will equal \$256,000 and be due as follows:

|                               |           |
|-------------------------------|-----------|
| Year ended September 30, 2003 | \$ 48,000 |
| Year ended September 30, 2004 | \$ 96,000 |
| Year ended September 30, 2005 | \$ 96,000 |
| Year ended September 30, 2006 | \$ 16,000 |

### 14. Going Concern

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

The Company may raise additional capital through the sale of its equity securities, or debt securities.



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

On May 1, 2002, the Company entered into an agreement with Urban Television Network Corporation, a Texas corporation, (UTVN\_- Texas) to acquire the rights to the UATV Network signal space which included the assignment of the UATV affiliates. The Company operates a family-oriented television network providing primarily urban programming 24 hours a day, seven days a week to approximately 70 affiliate broadcast television stations throughout the United States.

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

Future operating results depend upon a number of factors, including but not limited to the strength of the national economy, the local economies where the Company's stations and affiliates are located, the amount of advertising spent - especially the amount of advertising spent for television, and the amount of advertising directed toward the Urban market. The Company's ability to attract the available advertising is dependent upon, among other things, its stations' audience ratings, its ability to provide interesting programming, local market competition from other television stations and other advertising media, and its ability to attract and retain television stations to carry its broadcast.

OPERATIONS. The Company had no revenues for the six months ended March 31, 2002. For the three and six months ended March 31, 2003 the Company had revenues of \$43,870 and \$93,888, respectively. The year 2003 revenues are related to the UATV Television Network acquired by the Company in May of 2002. The operations are still in the growth stages and the Company is dependent upon working capital derived from management, significant shareholders and private investors to provide sufficient working capital. There is no assurance, however, that the company will be able to generate the necessary working capital needs from these sources.

OPERATING RESULTS. The Company had no operations for the six months ended March 31, 2002. For the three months and six months ended March 31, 2003, the Company had operating costs of \$354,732 and \$778,913, respectively. Major components of cost of operations the three and six months ended March 31, 2003 include \$161,122 and \$301,572 for satellite and uplink expenses, \$36,438 and \$56,554 for production and master control expenses, \$61,034 and \$132,534 for technology expenses and \$61,688 and \$228,603 for administration expenses which includes the Company's independent auditors, legal fees and business consulting services.

The Company had operating losses for the three and six months ended March 31, 2003 of \$325,219 and \$706,609, respectively. These losses relate to the continued growth of the UATV Television Network acquired by the Company in May of 2002. During the three months ended December 31, 2001, the Company did have \$427,365 of income derived from \$424,665 in gains resulting from the extinguishment of liabilities and \$2,700 of income derived from the cancellation of shares previously issued for consulting services that were never performed.

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EARNINGS PER SHARE OF COMMON STOCK. The net income or loss per common share is based upon the weighted average of outstanding common stock during the period. The net loss per share of common stock was \$0.3 for the three months ended March 31, 2003 compared to a net loss of \$.03 for the three months ended March 31, 2002. For the six months ended March 31, 2003, the Company had a net loss of \$.12 per share compared to net income of \$1.37 per share for the six months ended March 31, 2002. The 2002 weighted average of outstanding common shares has been adjusted for the 1:20 reverse stock split in November of 2002.

### LIQUIDITY AND CAPITAL RESOURCES

Waste Conversion Systems, Inc., now known as Urban Television Network Corporation, ceased operations in August 1996 and had no operations until May of 2002 when the Company acquired the UATV Television Network.

During the six months ended March 31, 2002, the Company settled lawsuits, judgments and liabilities totaling \$428,609 for \$21,000 and 224,420 shares of its common stock.

As of March 31, 2003, the Company's assets were \$1,503,241 which exceeded outstanding liabilities by \$442,634.

Financing activities for the six months ended March 31, 2003 include a combination of issuance of common stock in lieu of cash payments, issuance of private debt, loans from management and significant shareholders, and cash generated from operations. These funds were used to fund the operations of the Company.

Financing activities for the six months ended March 31, 2003 include:

1) Issuance of common stock in lieu of cash payments totaling \$82,500 for legal and professional services and consulting services.

2) Loans of \$185,743 from management and significant shareholders that bear interest at the rate of ten percent (10%) per annum and mature on September 30, 2004.

3) The Company entered into a \$1,500,000 convertible bridge loan agreement with interest at the rate of six percent (6%) per annum with a consortium of private investors. At March 31, 2003, a total of \$219,000 had been advanced on this loan agreement. The terms of this financing allows the investors to advance the \$1,500,000 over a twelve month period with \$250,000 being advance on 60 day intervals. The investors have the option to convert their loans before the maturity date of February 14, 2004 into common stock of the Company at the rate of two shares of common stock for every dollar invested.

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.

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### Other Events

On May 12, 2003, Jacob R. Miles III was appointed as President of the Urban America Television Network which operates as a division of the Company.

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

### Item 3. Controls and Procedures.

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

Within the 90 days prior to the date of this Quarterly Report for the quarter ended March 31, 2003, we carried out an evaluation, under the supervision and with the participation of our management, including the Company's Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-4 of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified by the SEC's rules and forms. Based upon the evaluation, the Chairman and the Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodical SEC filings.

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

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

### CODE OF ETHICAL CONDUCT

On May 14, 2003, our board of directors adopted our code of ethical conduct that applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or

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controller, and persons performing similar functions.

We believe the adoption of our Code of Ethical Conduct is consistent with the requirements of the Sarbanes-Oxley Act of 2002.

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Our Code of Ethical Conduct is designed to deter wrongdoing and to promote:

1. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. Full, fair, accurate, timely and understandable disclosure in reports and documents that we file or submit to the Securities & Exchange Commission and in other public communications made by us;
3. Compliance with applicable governmental laws, rules and regulations,
4. The prompt internal reporting to an appropriate person or persons indentified in the code of violations of our Code of Ethical Conduct; and
5. Accountability for adherence to the Code.

### PART II-OTHER INFORMATION

#### Item 1. Legal Proceedings.

None

#### Item 2. Changes in Securities

##### Recent Sales of Securities

On February 7, 2003, the Company entered into an Exchange Agreement with the majority shareholders Of Urban Television Network Corporation, a Texas corporation (UTNC) to acquire 90% of the issued and Outstanding capital stock of UTNC in return for 13,248,000 shares of the Company's common stock.

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. As of March 31, 2003, the total of \$219,000 had been advanced on the agreement. The lenders have the right to advance up to \$1,500,000 over a twelve month period. Additionally, the lenders may convert their loans, including accrued interest, to our common stock at the rate of two (2) shares for each dollar owed, at any time prior to maturity or February 14, 2004. The Loan Agreement constitutes a limited offering of convertible securities offered and sold exclusively to Arkansas residents.

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

#### Item 3. Defaults Upon Senior Securities.

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None

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

The Company acted on matters authorized by a vote of the majority shareholder holding 71.9% of the voting stock, in lieu of a special meeting of the shareholders. The effective date of the action taken by the Company was November 28, 2002. The Company filed an amendment to its Articles of Incorporation implementing a change in its capital. Additionally, the Company was authorized to acquire Urban Television Network Corporation, a Texas corporation, from its shareholders in a share exchange transaction. The Company provided its shareholders with an information Statement on Schedule 14C. These actions were disclosed in a Current Report filed on Form 8-K on December 2, 2002.

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### Item 5. Other Information

On May 12, 2003, Jacob R. Miles III was appointed as President of the Urban America Television Network which operates as a division of the Company.

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

#### (a) Exhibits

| Exhibit No. | Description and Method of Filing  |
|-------------|---|
| -----       | -----   |
| 10.0        | Loan Agreement dated as of February 14, 2003 between certain lenders And Urban Television Network Corporation                                   |
| 20.1        | Code of Ethical Conduct   |
| 99.1        | Certification by Chief Executive Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 99.2        | Certification by Chief Financial Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 99.3        | Certification by Chief Executive Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.4        | Certification by Chief Financial Officer, pursuant to 18 USC Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

#### (b) Reports on Form 8-K.

On December 2, 2002, the Company filed an 8K Report detailing Item 5, titled, "Other Events".

On February 25, 2003, the Company filed an 8K Report detailing Item 2, titled, "Acquisition or Disposition of Assets".

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SIGNATURES

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

Dated: May 14, 2003

Urban Television Network Corporation

By: /s/ Randy Moseley

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Randy Moseley  
Title: President

By: /s/ Stanley Woods

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Stanley Woods  
Title: Secretary