URBAN TELEVISION NETWORK CORP
Form 10KSB
January 16, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

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

For the fiscal year ended September 30, 2006

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

For the transition period from ______ to _____

Commission file number 000-23105

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

Nevada	22-2800078
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2707 South Cooper Street Suite 119
Arlington, Texas 76015
(Address of Principal Executive offices)

Issuer's telephone number, including area code: (817) 303-7449

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.0001 par value

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X / No / /

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

State issuer's revenues for its most recent fiscal year: $ 89,716

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity as of a specified date within the past 60 days. The aggregate market value of our common stock held by non-affiliates as of December 29, 2006 was approximately $1,503,307. State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date. As of December 29, 2006, there were approximately 92,580,102 shares of our common stock issued and outstanding.

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

CERTAIN CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this annual report on Form 10-KSB contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to raise capital, integrate our acquisitions, obtain and retain customers, to provide our products and services at competitive rates, execute our business strategy in a very competitive environment, our degree of financial leverage, risks associated with our acquiring and integrating companies into our own, risks related to market acceptance and demand for our services, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements. Readers should carefully review this Form 10-KSB in its entirety, including but not limited to our financial statements and the notes thereto and the risks described in "Item 6. Business--Risk Factors." Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-cooking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

When used in this Annual Report, the terms the "Company," "Urban Television Network", "UATV Network", "UATV", "we", "our", and "us" refers to Urban Television Network Corporation, a Nevada corporation.

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PART I

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of the Securities Exchange Act of 1934. The words "expect", "estimate", "anticipate", "predict", "believe", and similar expressions and variations thereof are intended to identify forward-looking statements. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations.The readers of this document are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results could differ materially from those projected in the forward-looking statements. This report also identifies other factors that could cause such differences. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements. The Company does not ordinarily make projections of its future operating results and undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. This section should be read in conjunction with the audited consolidated financial statements of the Company and related notes set forth elsewhere herein.

Item 1. Business

Overview

Urban Television Network Corporation ("Urban Television", "The Company") operates a U.S. based, broadcast television network (as opposed to cable networks discussed in the competition section) focused primarily on serving the African-American and Hispanic populations and other ethnic populations in the urban markets. The Company has branded the broadcast television network, for marketing purposes, as UATV.

Urban Television plans to provide free over-the-air programming to television viewing audiences in the communities served by its local affiliate television stations. The Company has denoted this as an unwired network -a network of broad- cast affiliates who are untied except for the network. This differs from a wired network, in that it does not require affiliates to follow network protocol; allows affiliates more freedom to air programming on their own time schedule instead of that dictated by the national network, and thus allows independent broadcast stations to maintain their basic freedom to react to their local markets. The UATV Network plans to deliver its programming 24 hours a day, seven days a week, which will allow the affiliates to have access to programming continuously throughout the day. At the same time, Nielsen Media Services ("Nielsen") ratings disregard whether the programming airs at the same time, as is common on wired networks (adjusting only for time zones). Thus, an unwired network gets the same benefit of accumulation of ratings as does the wired network for purposes of calculating household ratings, coverage, and cost per thousand ("CPM") for national advertising sales. When the Company was airing programming to affiliates, we had approximately 70 affiliates located in over 60 markets and with a household coverage of approximately 22 million households. The affiliates were comprised of broadcast stations with approximately 35% of them being on cable in their local markets.

Our primary source of revenue is expected to be the sale of commercial airtime to advertisers. Our objectives are to meet the needs of our advertising customers and to increase our advertiser base by delivering mass audiences in key demographics, primarily in the top 75 U.S. markets. We will seek to attract our television audience by providing compelling network and syndicated programs at each of our affiliate stations. In addition to offering advertising customers commercial air time, we plan to work with the affiliate stations to offer a variety of marketing programs, including community events, sponsorships and advertising opportunities on our and the affiliate stations' Internet sites.

We also believe that capitalizing on the opportunities afforded the television industry by digital media, such as digital multi-casting, streaming on broadband and video-on-demand, is important to our future success. We plan to devote substantial energy and resources to integrating such media into our business.

We plan to transmit the programming to the affiliates in such a manner that they will have the ability to air all or a portion of the daily program schedule provided by the Company. Generally, our affiliate agreements will request that an affiliate broadcast a minimum of 2 hours of our programming during a must-carry time period each day, but also give them the opportunity to carry all the 24-hour program grid, as long as they provide weekly affidavits of what UATV programs they air. Past results from previous periods when the Company was airing programming to the affiliates indicates that approximately 20% of the affiliates broadcasted 12 hours or more per day of the UATV programming, with the remaining affiliates airing 6 hours or less. Generally the UATV advertising rates are expected to be calculated based on the Nielsen ratings obtained for UATV programming aired on the affiliate stations.

We have access to a variety of sports and entertainment programming. Urban Television plans to broadcasts a variety of other shows, including, sports, movies, news, entertainment, variety, and family programming. Our programming will come from a variety of sources, including the sources that have supplied programming in previous years.

We are targeting the minority markets, primarily the African American and English-speaking Hispanic Markets, because we believe that they present numerous marketing opportunities and that are currently under-served by our competition.

According to Census Bureau statistics, approximately 35+ million African-American and 35+ million Hispanic citizens living in the United States, or approximately 27% (approximately 13% each) of the total U.S. population with a spending power in excess of $600 billion each. These two populations have a combined $1+ Trillion dollar urban spending power and would rival the 11th richest nation in the world. The income of this group has increased by 170% over the last 17 years and exceeds the growth rate of 112% for other ethnic groups over that same period. According to the Selig Center for Economic Growth at the University of Georgia, African- American and Hispanic buying power - the personal income available after taxes for spending on goods and services - stands at over $1.3 trillion and will increase to over $1.6 trillion in 2007.

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 for a one-year period. On January 31, 2006, the Company renewed its certification with the Dallas/Fort Worth Minority Business Council, Inc. for a one-year period ending January 31, 2007.

Urban Television Network

We plan to broadcast our programming to a combination of full power and low power stations, the latter of which are generally located close to or are directed at urban areas.

Programming

The Company's mission is "to chronicle the beauty, depth and breadth of African-American, English-speaking Hispanic and other ethnic groups' cultures and histories from yesterday to today and into the future." There are approximately 36 million African-American and 19 million English-speaking Hispanic citizens living in the United States, or 12.8% and 6.7% of the total population, respectively. These two groups have a total estimated spending power of $1+ billion.

UATV Network's programming will be suitable for African-American and English-speaking Hispanic families, as well as other ethnic demographics and will not include adult-only programming. UATV Network's goal is to give the African-American and English-speaking Hispanic urban communities programming that will demonstrate more of their traditional cultures and heritages. As a new network, UATV will not currently have sufficient capital to allow it to develop more than a fraction of it's programming and thus will rely on outside sources of programming for the foreseeable future. As cash flow allows, UATV Network will look to develop a larger percentage of its programming. To insure the quality of our programming, we have decided that we will limit the airing of "infomercials," or program-like commercials on our program schedule.

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UATV Network will seek to develop a library of content for its African-American and English-speaking Hispanic markets that includes talk shows, women's programming; biographies; comedies; kids programming; music; dramas; film shorts; animation; international lifestyle; and news. A sample of the UATV Network's proposed weekly programming schedule can be at www.uatvn.com by clicking the "Programming" link.

The Company's goal in developing its program schedule is to target the "trendsetter" marketing demographic (young, urban, African-American and English-speaking Hispanic teens), women and families that major companies such as Seven Eleven, Southwest Airlines, Blockbuster, Citibank, Nike, Coke, Pepsi, Proctor and Gamble, General Electric, Dell, Microsoft, Apple, General Motors, Ford, Chrysler, Nissan, Exxon-Mobil, Texaco, Prudential Securities, Merrill Lynch, American Airlines, Delta Airlines, and music companies pursue as the major focal point for our network affiliates, during pivotal prime time viewing hours. The UATV Network will only have a small amount of original programming from its inception but plans to increase its original programming going forward to set it apart from other minority focused networks. Samples of the UATV Network's proposed initial programming schedule can be seen at www.uatvn.com by clicking the "Programming" link.

Urban Television believes that there is adequate programming available from program syndicators like FOX, Universal, Sony, Paramount and independent companies. The UATV Network plans to broad 24 hours daily, seven days per week with a diversified programming schedule that will be continually revised for new programming coming to the Network.

Programming Costs

Urban Television has, in the past and plans to in the future, obtained virtually all of the its programming from outside sources in exchange for allowing the program provider to fill a portion of the advertising slots). See the Licensing Rights section below for a discussion of how the advertising time is generally expected to be divided between the Company, program providers and broadcast station affiliates.

Programming Distribution

There are a number of mediums available for distribution of the Urban Television Network programming to viewing audiences. Generally, the three largest are traditional broadcast television stations, cable television systems and direct satellite broadcasters such as DirectTV and Dish Network. Previously, when the UATV network was airing programming, it had approximately 70 broadcast television station affiliates of which a number were also on cable in their local markets.

The Company's goal is to negotiate affiliate agreements with the owners and operators of none Nielsen rated Full Power television stations that are already on cable systems and satellite channel space, noting that the network has a minority focused programming grid. The Company believes that, with access to Nielsen ratings and programming addressed to the African- American, English-peaking Hispanics and other minority viewers, many of these operators may be willing to accept terms favorable to the UATV Network. Because none of these arrangements have yet been negotiated, there can be no assurance that these goals will come to fruition.

The Broadcast Facilities and Satellite Signal.

In November 2005, the Company extended for 5 years its agreement with Westar Satellite Services LP for uplink services of the Company's digital signal to Intelsat 5 satellite. The cost to the Company is $8,800 per month plus taxes, during the term of the agreement. Westar Satellite Services LP has filed a lawsuit against the Company for nonpayment of past due amounts.

In December 2005, the Company extended for 5 years its agreement with Intelsat, Inc. for 6 MHZ C-Band Non-Preemptible bandwidth on its Intelsat 5 satellite at the monthly rate of $17,850. In May of 2006, Intelsat terminated this agreement due to nonpayment by the Company.

Licensing Rights.

Our basic form of licensing rights agreement with program suppliers has contained terms pursuant to which the Company obtained broadcasting rights to certain identified programming and in exchange, we allowed the licensor advertising time during the broadcast of such programs. Generally speaking, in a

thirty (30) minute program with seven (7) minutes of commercial time, the time is allocated as follows:

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

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

Affiliates

Generally, our affiliate agreements will request that an affiliate broadcast a minimum of 2 hours of our programming during a must- carry time period each day, but also give them the opportunity to carry all the 24-hour program grid, as long as they provide weekly affidavits of what UATV programs they air. Past results from previous periods when the Company was airing programming to the affiliates indicates that approximately 20% of the affiliates broadcasted 12 hours or more per day of the UATV programming, with the remaining affiliates airing 6 hours or less. Generally the UATV advertising rates are expected to be calculated based on the Nielsen ratings obtained for UATV programming aired on the affiliate stations.

Why would a station become an affiliate of an Unwired Network?

-Affiliates gain strength in advertiser revenue by attracting large, national and regional advertisers they would never sell to as a single station

-Free programming with commercials imbedded in programs. Stations are able to offer X amount of local and regional advertising sales as part of their established barter deal. Many programs, with tied commercials, are offered this way through the broadcast industry.

-Unwired networks DO NOT COST THE LOCAL STAIONS ANY MONEY. Today's cable multiple system operator giants ("MSO's) such as Time Warner, Cox, and Comcast, require local stations to pay money to be part of their cable distribution systems if they are not part of the "must carry" exempted local stations. The "must carry" rules allow MSO's to avoid carrying signals of stations with duplicative programming in their local markets, thus placing a premium on stations with desirable programming. Many smaller stations, without the financial means to improve their programming, cannot compete in this world of cable dynasties. Unwired networks, such as Urban Television Network, have the promise to allow these stations to compete, by offering attractive programming, or bypassing the cable MSO's altogether as part of a national network. We will discuss them momentarily.

In April of 2006 when the UATV Network stopped the airing of programming to its affiliates, we had approximately 70 affiliates located in over 60 markets with a household coverage of approximately 22 million households, we were granting the affiliates a limited license pursuant to an affiliate license agreement. This limited license permitted the affiliates to receive the UATV Network programming via satellite transmissions and to exhibit and rebroadcast our programming. Additionally, we requested the affiliates' to submit monthly broadcast logs in order to monitor compliance with these requirements. The affiliates agreed that they would not preempt, cover or in any way disrupt national advertisements contained in any program or portion thereof that they broadcasted with the exception of two (2) two-minute spots per hour the were allowed for local commercial insertions, as well as two (2) ten-second station breaks per hour. The affiliate agreement also allowed the UATV Network or the affiliate the ability to cancel the affiliate agreement at any time with thirty (30) days written notice.

Revenues and Marketing

Management has developed a revenue generation plan that includes program syndication, securing network advertising at the best available rate, uplinking other party's signals to the satellite, plus implementing a technology plan to assist its affiliates with sale of their local advertising time. Management

intends to increase rates as affiliate stations are added to the network. The implementation of this comprehensive plan is expected to have a positive affect upon sales revenues. In addition, the Company has added a focus to negotiate affiliate agreements with the owners and operators of none Nielsen rated full power television stations who are already on cable systems and satellite channel space, noting that the network has a minority focused programming grid. The Company believes that, with access to Nielsen ratings and programming addressed to the African American, English-peaking Hispanics and other minority viewers, many of these operators may be willing to accept terms favorable to the UATV Network. Because none of these arrangements have yet been negotiated, there can be no assurance that these goals will come to fruition.

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

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

1. Advertising spots and programming time on the network and local stations. Our revenues will be affected primarily by the advertising rates that we are able to charge for national advertising commercials on the Urban TV Network and local spots that the Company may obtain on local stations, as well as the overall demand for African-American and English-speaking Hispanic television advertising time by advertisers.

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

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

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.

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 shares in the demographic groups targeted by advertisers, and

o the supply and demand for African-American advertising time.

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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.

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

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

To measure the size of a viewing audience, networks and stations generally subscribe to nationally recognized rating services, such as

Nielsen. We have executed an agreement with Nielsen Media Research to measure the viewing audience of certain of our programs that will be aired in the must carry programming on potential affiliate network. This agreement will allow us to approach the larger advertising agencies. Currently, a number of potential 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 none Nielsen rated full- power television stations located in the top demographic market areas. Urban Television believes that it can offer these stations a proposal that will give them the benefit of Nielsen ratings on a local basis while giving the UATV Network the ability to cumulate local ratings into a national rating for its national advertisers.

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

- Program Owners: In exchange for licensing rights to select programming, the program owner generally retains a portion (usually half) of the available advertising time in each program and we as the network would get the other half of the available advertising time in each program. The program owner is then able to sell the advertising time he retains to outside agencies and corporate advertisers. Initially, we plan to 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 approach the UATV Network looking for distribution sources. In the future, to acquire certain exclusive, original or first-run usage and licenses for programming, we may be required to incur upfront programming expenses.

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

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The size of the syndication television market is currently estimated to be $2.6 billion. (1) African-American households represent 13,171,160 of the total household universe of 109,600,000 or roughly 12%.(2) The value of Company's market segment, focused on African-American household television advertising dollars, is thus conservatively estimated by the Company at $312 million, representing 12% of the aforementioned $2.6 billion in advertising sales in broadcast syndication. The Company believes that a similar size market is on the horizon for English speaking Hispanic-Americans. According to HispanIntelligence,(3) a national media organization focused on Hispanic advertising, the overall size of the market for advertising directed to Hispanics is $2.8 billion per year. Ninety percent (90%) of these dollars are dedicated to Spanish-language programming, leaving the size of the English speaking market at 10%, or approximately $279 million per year. However, 52% of Hispanics surveyed by HispanIntelligence, with the results reported in the same publication, indicated that they prefer English as the communication medium for advertisements across a broad base of programming, including the Internet. Thus, HMG believes that this segment is poised to experience explosive growth in the near future.

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

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

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

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

Competition

The network television broadcasting business is highly competitive. As a result of the wide range of programming available in both the broadcast and cable formats; the Network will compete with a large number of competitors in the television, cable and direct television markets. The Network will compete for available airtime, channel capacity, advertiser revenues, revenue from license fees, number of viewing households, and programming material. Competition for sales of broadcast advertising time is based primarily on the anticipated and delivered size and demographic characteristics of audiences as determined by various rating services that price the time of day when the advertising is to be broadcast. Other factors include competition from other broadcast networks; cable television systems; DBS services; and other media and general economic conditions. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public that is often difficult to predict.

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

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

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

The Company believes that its strongest competitive advantages will be: (1) its ability to give the affiliates access to Nielsen rating information that can be used to increase the affiliates advertising spot revenues; (2) the quality of and vision of its African American and English-speaking Hispanic oriented programming; (3) its competitive advertising rates; (4) the African-American and English-speaking Hispanic nature of the Network's broadcasts and programming; (5) cross promotional and advertising opportunities with other media; (6) its technology plan that gives its affiliates the tools to manage their stations; (7) its success in becoming a publicly traded majority minority owned Minority Business Enterprise that enables it to access diversity spending by major advertisers; (8) synergistic entertainment opportunities in film, television, music, the Internet and intellectual property.

In its operations, Urban Television expects to experience substantial competition from other entities with greater financial resources. Current networks targeting the African-American/Hispanic urban market are cable networks with little or no Broadcast station distribution. There is no assurance that the Company will be able to compete successfully.

Some of the competition in our market niche are:

Black Entertainment Television (BET): BET, formed and headed by Bob Johnson, and now owned by Viacom, has been in business for 20 years and currently reaches approximately 55+ million homes. BET's annual revenues have hover at around $160+ million. BETs programming basically consists of no-cost music videos, low-cost standup comic shows, infomercials and some talk shows. Programming has always been a sore spot for BET and its relationships with the Multiple Systems Operators (MSOs) and the African-American Community. The sore spot comes from the fact that the African-American Community does not believe that BET's programming depicts the true culture and lifestyle of this ethnic group. Bob Johnson's, and now Viacom's, retort has been over the years, "We are a business first and a black network second." This is clear to many and provides Urban TV with a great opportunity to provide a different programming philosophy that will depict the culture and lifestyle of the African-American Community, allowing it to take pride in and support the Urban TV programming. BET will try to obtain more channel space on cable networks to thwart the competition, including the Company's Urban Television network. BET.com, a great website and venture with major media entities as partners, has been launched.

TV One: a new cable channel was launched in January 2004. Its investors include Radio One, the nation's seventh largest radio broadcasting company; Comcast Corporation, a leading cable television company in the country; Constellation Ventures; Syndicated Communications; Pacesetters Capital Group; and Opportunity Capital Partners. On its launch date, TV One was available to 2.2 million subscribers in Comcast markets. "We have worked very hard to make TV One a television home that will serve African American adults' entertainment interest and show the rest of society the depth, variety and vitality of our lifestyle and culture," said TV One President and CEO Jonathan Rodgers.

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

Overall, UATV expects strong competition from all of the above competitors. BET will likely attempt to launch additional BET channels for Family, Movies and Jazz. BET, as part of Viacom, has significant financial resources. TV One with its partnership with Comcast will have a strong competitive edge in securing cable channel space. BFC, being a cable channel, is not an immediate threat, but poses a threat if each successive MSO that airs BFC will not then carry UATV Network. In addition, there are and always have been other entities, attempting to launch networks focusing on the African American and Hispanic populations.

Urban Television's response to the competition includes (1) We are a broadcast Network -free over the air TV, (2) We control our own distribution, (3) being a certified minority company that will allow it to qualify for diversity dollars set aside by the Fortune 500 companies (4) Developing a Partnership with corporate America program (5) developing a network grid format with family oriented programs that both segments of the urban minority community (African American and English speaking Hispanics) will endorse and support (6) producing, owning and programming quality shows to make the UATV Network more appealing to the broadcast television stations, the direct to home broadcast systems, the MSOs and the African American and Hispanic television consumer; (7) developing an interactivity technology component designed around an Internet application that will distinguish the Network and its affiliates.

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For the UATV Network to develop and continue to grow, particular emphasis has to be placed on (1) Maintaining its agreement with Nielsen Media Research which provides media research measures its audience(2) securing affiliations with full power independent broadcast television stations in the major African American and English-speaking Hispanic demographic markets, (3) implementation of an effective sales force and (4) developing and acquiring innovative programming to attract advertisers, sponsors and viewers and (5) maintaining its status as a certified Minority Business Enterprise which will allow it to qualify for diversity dollars set aside by the major corporations.

Competitive Strategy

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

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

- Hire and retain a strong management team. Develop a Board of Directors and Advisory Board who will help lead and advise Urban Television, in addition to bringing in valuable resources and relationships.

- Produce (or partner with producers) and broadcast as many high-concept, quality original programs and series as it can economically and prudently afford to do each year. Such original productions will enable Urban Television to build brand loyalty, attract advertisers and sponsors and build a library of media copyrights worldwide distribution.

- Execute on our agreement with Nielsen Media Research that will allow Nielsen to measure the emerging majority and UATV. This will enhance our ability to attract full-power broadcast stations and Fortune 1000 advertisers.

- In regards to cost and risk management, Urban Television will seek to minimize overhead; obtain no-cost, low-cost and barter programming, and establish strong financial relationships with strategic partners;

- Pursue parallel strategies of distribution for the network with MSOs for analog and digital cable carriage, satellite systems, and broadcast television stations where the demographics indicate a large percentage of African-American and English speaking Hispanics;

- Establish a relationship with multiple advertising agencies that have clients that have a desire to gain a material and profitable market share among the 80 million urban consumers with a buying power in excess of $1.5 trillion.

- Feature prominent stars and writer-producers for Urban Television's programming;

- Use corporate sponsors; especially other media entities, to co-finance and co-promote Urban Television programming;

- Develop "franchise" intellectual properties in-house to develop revenue streams in all media;

- Develop a merchandising/licensing arm to create revenue streams for Urban Television's intellectual properties;

- Develop a record label and music division at the appropriate time to take advantage of opportunities, when they arise in the future to brand Urban Television products;

- Develop and nurture strong community relations through the use of fund raisers, scholarships, tie-ins to national and local groups, contests for viewers, awards shows, programming, use of the web sites, education and information, etc.

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

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

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

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

Contractual Relationship with Nielsen Media Research. The Company has negotiated a contractual relationship with Nielsen Media Research to have certain of its UATV programs rated, which will allow the Company to increase its affiliate base with full power broadcast television stations that can not afford Nielsen ratings and charge for advertising spots and program sponsorships based on the Nielsen ratings.

Our Management Team Reflects our Target Audience. From CEO, Jacob R. Miles III, to Kevin Wiley and Alfred Baker, former executives with the Heritage Network, our team is expected to be comprised of many African-Americans and other minorities. We believe that the best way to understand the needs and wants of our target market is to include people that share a similar cultural background to our target audience. The nature of our management team is also reflective of our dedication to the creation of an urban network that focuses on the African-American and English speaking Hispanics.

Our Ability to Broadcast in Digital. Unlike many television networks, we will broadcast our programming in a digital format from a fully-digital earth station. We chose this format in anticipation of an FCC regulation requiring all television stations to broadcast in digital by 2009. The operation of a digital control room requires much less input and effort than a traditional analog station. Although, not all of our affiliate stations will have the ability to broadcast in digital, sending out a digital signal will help reduce our operating costs because the cost of a digital signal is less than leasing an analog signal on the satellite transponder.

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

The Commercial Television Broadcasting Industry

General. Commercial television broadcasting began on a regular basis in the 1940s. The Communications Act permits the operation of television broadcast stations only in accordance with a license issued by the FCC upon a finding that grant of the license would serve the public interest, convenience and necessity. Currently a limited number of channels are available for over-the-air broadcasting in any one geographic area, and a license to operate a television station must be granted by the FCC. All television stations in the country are grouped by Nielsen into 210 generally recognized television markets that are ranked in size based upon actual or potential audience. Each of these markets, called "Designated Market Areas" or "DMAs", is designated as an exclusive geographic area consisting of all counties whose largest viewing share is given to stations of that same market area. Nielsen regularly publishes data on estimated audiences for the television stations in each DMA, which data is a significant factor in determining our advertising rates.

Revenue. Television station revenue is generally derived primarily from local, regional and national advertising and, to a much lesser extent, from network compensation, retransmission revenue and other sources. Advertising rates are set based upon a variety of factors, including

- a program's popularity among the viewers an advertiser wishes to attract;
- the number of advertisers competing for the available time;
- the size and demographic makeup of the market served by the station; and
- the availability of alternative advertising media in the market.

Also, advertising rates are determined by a station's ratings and audience share among particular demographic groups.

Competition

General. Competition in the television industry takes place on three primary levels:

- competition for audience;
- competition for programming; and
- competition for advertisers.

Competition for Audience. Affiliate stations compete for audiences on the basis of program popularity, which generally consists locally-produced news, public affairs and entertainment programming and syndicated and network programming. The popularity of the programming we will provide to the affiliates has a direct effect on the rates we will be able to charge our advertisers. In addition, although the commercial television broadcast industry historically has been dominated by the broadcast networks ABC, NBC, CBS and FOX, other newer networks and programming originated to air solely via subscription systems, such as cable and satellite systems, have become significant competitors for the broadcast television audience. Currently, broadcast-originated programming accounts for about half of all television viewing.

Other sources of competition for audience include;

- home entertainment and recording systems (including VCRs, DVDs, DVRs and playback systems);
- video-on-demand and pay-per-view;
- television game devices;
- the Internet;
- portable digital devices (such as video iPods and cell phones); and
- other sources of home entertainment.

Competition for Programming. Competition for non-network programming involves negotiating with national program distributors or syndicators that own/sell first-run and off-network packages of programming. We will compete with other program providers for exclusive access to first-run and re-run product.

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Competition for Advertisers. Broadcast television stations compete for advertising revenue and marketing sponsorship with other broadcast television stations, and a station's competitive edge is in large part determined by the success of its programming. Broadcast television stations also compete for advertising revenue with a variety of other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, the Internet and local cable and satellite system operators serving the same market.

Additional factors relevant to a television station's competitive position include signal strength and coverage within a geographic area and assigned frequency or channel position. Television stations that broadcast over the VHF band (channels 2-13) of the spectrum historically have had a competitive advantage over television stations that broadcast over the UHF band (channels above 13) of the spectrum because the former usually have better signal coverage and operate at a lower transmission cost. However, the improvement of UHF transmitters and receivers, the complete elimination from the marketplace of VHF-only receivers, the expansion of cable television and satellite delivery systems and the commencement of digital broadcasting have reduced the VHF signal's competitive advantage.

Federal Regulation of Television Broadcasting

General. Broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act requires the FCC to regulate broadcasting so as to serve "the public interest, convenience and necessity." The Communications Act prohibits the operation of broadcast stations except pursuant to licenses issued by the FCC and empowers the FCC, among other things, to; o issue, renew, revoke and modify broadcasting licenses;

- assign frequency bands;
- determine stations' frequencies, locations and power; and

o regulate the equipment used by stations.

The Communications Act prohibits the assignment of a license or the transfer of control of a license without the FCC's prior approval. The FCC also regulates certain aspects of the operation of cable television systems, direct broadcast satellite ("DBS") systems and other electronic media that compete with broadcast stations. In addition, although the FCC has reduced its regulation of broadcast stations, the FCC continues to regulate matters such as television station ownership, network-affiliate relations, cable and DBS systems' carriage of television station signals, carriage of syndicated and network programming on distant stations, political advertising practices and obscene and indecent programming. In recent years, the FCC has increased its regulatory focus on indecency, which may impact certain of our programming decisions.

The following discussion summarizes the federal statutes and regulations material to the television broadcast industry, but does not purport to be a complete summary of all the provisions of the Communications Act or of other current or proposed statutes, regulations, and policies affecting our business. The summaries which follow should be read in conjunction with the text of the statutes, rules, regulations, orders, and decisions described herein.

License Renewals. Under the Communications Act, the FCC generally may grant and renew broadcast licenses for terms of eight years, though licenses may be renewed for a shorter period under certain circumstances. The Communications Act requires the FCC to renew a broadcast license if the FCC finds that (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Communications Act or the FCC's rules and regulations by the licensee; and (iii) there have been no other serious violations that taken together constitute a pattern of abuse. In making its determination, the FCC may consider petitions to deny but cannot consider whether the public interest would be better served by issuing the license to a person other than the renewal applicant. In addition, competing applications for the same frequency may be accepted only after the FCC has denied an incumbent's application for license renewal.

Ownership Regulation. The Communications Act and FCC rules limit the ability of individuals and entities to have certain ownership or positional interests in certain combinations of broadcast stations and other media. During 2003, the FCC conducted a comprehensive review of all of its broadcast ownership rules, including the local television ownership rule, national television ownership rule, local radio ownership rule, newspaper/broadcast cross-ownership

rule, and radio/television cross-ownership rule. In June 2003, the FCC adopted an order liberalizing most of the ownership rules , which would have permitted station owners to acquire television stations in certain markets where they are currently prohibited from acquiring new stations. Shortly thereafter, however, Congress adopted legislation to overturn and modify the FCC's liberalization of its national television ownership rule, and the FCC's other ownership regulations were challenged in the courts. The U.S. Court of Appeals for the Third Circuit affirmed certain of the rules but rejected those affecting local television ownership and local cross- ownership of newspapers and broadcast stations and remanded the matter to the FCC for further proceedings. On June 13, 2005, the United States Supreme Court declined to review the Third Circuit's decision. During the pendency of the FCC's review of the ownership rules on remand, the FCC's pre-June 2003 broadcast ownership rules remain in effect. The FCC's current ownership rules that are material to our operations are summarized below:

o Local Television Ownership. Under the FCC's current local television ownership (or "duopoly") rule, a party may own multiple television stations without regard to signal contour overlap provided they are located in separate Nielsen DMAs. In addition, the rules permit parties to own up to two TV stations in the same DMA so long as (1) at least one of the two stations is not among the top four-ranked stations in the market based on audience share at the time an application for approval of the acquisition is filed with the FCC, and (2) at least eight independently owned and operating full-power commercial and non-commercial television stations would remain in the market after the acquisition. In addition, without regard to the number of remaining or independently owned television stations, the FCC will permit television duopolies within the same DMA so long as the Grade B signal contours of the stations involved do not overlap. Stations designated by the FCC as "satellite" stations, which are full-power stations that typically rebroadcast the programming of a "parent" station, are exempt from the local television ownership rule. Also, the FCC may grant a waiver of the local television ownership rule if one of the two television stations is a "failed" or "failing" station or if the proposed transaction would result in the construction of a new television station.

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

Cable and Satellite Carriage of Local Television Signals. Pursuant to the Cable Television Consumer Protection and Competition Act of 1992 ("1992 Cable Act") and the FCC's "must carry" regulations, cable operators are generally required to devote up to one-third of their activated channel capacity to the carriage of the analog signals of local commercial television stations. The 1992 Cable Act also prohibits cable operators and other multi-channel video programming distributors from retransmitting a broadcast signal without obtaining the station's consent. On a cable system-by-cable system basis, a local television broadcast station must make a choice once every three years whether to proceed under the "must carry" rules or to waive the right to mandatory, but uncompensated, carriage and, instead, to negotiate a grant of retransmission consent to permit the cable system to carry the station's signal, in most cases in exchange for some form of consideration from the cable operator. Stations were required to make cable carriage elections for the period January 1, 2006 to December 31, 2008, by October 1, 2005.

The Satellite Home Viewer Improvement Act of 1999 ("SHVIA") established a compulsory copyright licensing system for the distribution of local television station signals by direct broadcast satellite systems to viewers in each DMA. Under SHVIA, a direct broadcast satellite system generally is required to retransmit the analog signal of all local television stations in a DMA if the system chooses to retransmit the signal of any local television station in that DMA. Television stations located in markets in which satellite carriage of local stations is offered may elect mandatory carriage or retransmission consent. Stations were required to make satellite carriage elections for the period January 1, 2006 to December 31, 2008, by October 1, 2005.

Cable and satellite systems generally will be required under the FCC "must carry" rules to carry a single programming stream transmitted by each local digital television station at the end of the digital television transition. During the transition period, cable operators are required to carry either a station's analog or digital signals, but not both. After the conversation to digital, cable operators will be required to carry only a station's primary video programming channel. Therefore, the FCC does not require cable operators to carry additional channels that we may create using our digital spectrum. Petitions filed by the broadcast industry requesting the FCC to reconsider that decision are pending. Nonetheless, we have retransmission consent agreements with a number of cable operators and satellite carriers that require carriage of the analog and certain digital signals of our stations.

In December 2004, Congress enacted the Satellite Home Viewer Extension and Reauthorization Act of 2004 ("SHVERA"). SHVERA extended until December 31, 2009, the separate compulsory copyright license that permits satellite carriers to retransmit distant network signals to unserved households (i.e., those households that do not receive a signal of Grade B intensity from a local network affiliate). SHVERA also created a compulsory copyright license that permits satellite carriers to retransmit a station's signal out of its DMA into communities in which the station is "significantly viewed" (as that term is defined by the FCC).

Digital Television Service. The Communications Act and the FCC require television stations to transition from analog television service to digital television service. Recently, Congress passed and the President signed new legislation that establishes a hard transition deadline of February 17, 2009. Until the end of the transition, in general, stations are required to operate both analog and digital facilities.

Indecency Regulation. Federal law and the FCC's rules prohibit the broadcast of obscene material at any time, and the broadcast of indecent or profane material during the period from 6 a.m. through 10 p.m. The Commission defines "indecent" content as "language that, in context, depicts or describes sexual or excretory activities or organs in terms patently offensive as measured by contemporary community standards for the broadcast medium." "Profane" content has been recently defined by the FCC as "vulgar, irreverent, or coarse language" which includes language that "denote[s] certain of those personally reviling epithets naturally tending to provoke violent resentment or denoting language so grossly offensive to members of the public who actually hear it as to amount to a nuisance." In recent years, the FCC and its indecency prohibition have received much attention. Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the granting of short or less than the maximum renewal terms, or for particularly egregious violations, the denial of a license renewal application or the revocation of a license. Congress is currently considering legislation that would, among other things, raise the maximum amount of existing indecency fines from $32,500 to $500,000.

Restrictions on Broadcast Advertising

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

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

- o stations must provide "reasonable access" for the purchase of time by legally qualified candidates for federal office,
- o stations must provide "equal opportunities" for the purchase of equivalent amounts of comparable broadcast time by opposing candidates for the same elective office, and
- o during the 45 days preceding a primary or primary run-off election and during the 60 days preceding a general or special election, legally

qualified candidates for elective office may be charged no more than the station's "lowest unit charge" for the same class of advertisement, length of advertisement, and daypart.

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

Facilities

We currently lease our principal offices and production studios of approximately 6,000 square feet located at 2707 South Cooper Street, Suite 119, Arlington, Texas 76015. The Company pays $2,569 per month and the term of the lease goes through February 28, 2007 with an option to extend on a year to year basis with the monthly rental rate increasing 5% on each renewal. We use this space for our general office and administrative purposes, master control and production studio. When broadcasting, we fibered our programming to Westar Satellite Services LP uplinking facilities in Cedar Hill, Texas, which then uplinked the programming to the satellite, which then broadcasted it to affiliates located throughout the country.

Employees

As of September 30, 2006, we had 3 full time employees. The Company has contractual relationships with its Chief Executive Officer and Executive Vice President and Chief Financial Officer. Our employees are not represented by any collective bargaining organization, and we have never experienced a work stoppage. We believe that our relations with our employees are satisfactory.

Item 2. Properties

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

Item 3. Legal Proceedings and Administrative Matters

The Company's motion to dismiss was granted on February 23, 2006 by the United States District Court, Central District of California, Los Angeles Division in a legal action styled Walter E. Morgan, Jr. vs. Urban Television Network Corporation et al. The Company claimed that the Plaintiff claims should have been brought in a previous case wherein the Company took a judgment against Mr. Morgan in excess of $1,500,000 in June 2004 in the U.S. District Court for the Northern District of Texas, Fort Worth Division. Mr. Morgan and his related companies appealed the judgment, which was dismissed sua sponte by the U.S. Court of Appeals for the Fifth Circuit. The Company has made the decision not to record the default judgment as an asset until at such time as it is confident that asset value can be recovered from the defendants.

The Company is party to legal action pending in the United States District Court for the Northern District of Texas. The Company has been served with a summons in a civil case styled Michael J. Quilling, Receiver For MegaFund Corporation and Stanley A. Leitner vs.Urban Television Network Corporation. The Receiver has filed complaint against the Company to recover advances in the amount of $665,000 to the Company by Mega Fund Corporation on behalf of Dove Media Group, Inc. related to its stock subscription agreement. The Company has recorded these advances as a liability on its financial statements and believes that the ultimate disposition will not have a material adverse effect on the Company's consolidated financial position, results of operations and liquidity. On December 6th, 2006 the United States District Court signed an Agreed Order of Dismissal of the law suit without prejudice.

The Company is party to legal action pending in the 162nd District Court, Dallas, Texas. The Company has been served with a summons in a civil case styled Westar Satellite Services, L.P. vs. Urban Television Network Corporation. The Plaintiff has filed complaint against the Company to recover amounts due Plaintiff under a promissory note and Master Service Agreement. The Company has recorded the related liabilities for the promissory note and master service agreement on its financial statements and believes that the ultimate disposition will not have a material adverse effect on the Company's consolidated financial position, results of operations and liquidity.

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

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

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PART II

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

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

A range of high and low quotations for the Company's Common Stock for fiscal years 2006 and 2005 are listed below. The information was obtained from the NASDAQ web site (www.nasdaq.com). The prices reported may not be indicative of the value of the Common Stock or the existence of an active trading market. The Company does not know whether these quotations reflect inter-dealer prices without retail mark-up, markdown or commissions. These quotations may not represent actual transactions.

	2006		2005	
	Low	High	Low	High
First Quarter	$0.160	$0.030	$0.130	$1.150
Second Quarter	$0.090	$0.030	$0.015	$0.640
Third Quarter	$0.040	$0.020	$0.150	$0.290
Fourth Quarter	$0.030	$0.020	$0.090	$0.210

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

At September 30, 2006 there were 850 holders of record. No dividends have been paid to date and it is not anticipated that dividends will be paid in the near future. We currently intend to retain future earnings to finance the growth of our business. Therefore, it is unlikely that you will receive any funds from your investment in our common stock without selling your shares. We cannot assure you that you will receive a gain on your investment when you sell your shares or that you will not lose the entire amount of your investment.

Recent Sales of Unregistered Securities

During the period July 1 through September 30, 2006, we sold the following securities in exempt transactions not requiring registration:

None

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information included herein contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, such as statements relating to plans for revenue generation, network development, capital spending and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made herein. These risks and uncertainties include, but are not limited to, those relating to our liquidity requirements, our ability to locate necessary sources of capital to sustain our operations, the continued growth of the gaming industry, the success of our product development activities, the acceptance of our products in the marketplace, vigorous competition in the gaming industry, our dependence on existing management, changes in gaming laws and regulations (including actions affecting licensing), our leverage and debt service (including sensitivity to fluctuations in interest rates) and domestic or global economic conditions.

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 offices of the corporation are located at 2707 South Cooper Street, Suite 119, Arlington, Texas 76015.

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

On May 1, 2002, the Company entered into an agreement with Urban-Texas to acquire the rights to the Urban-Texas affiliate network signal space which included the assignment of the Urban-Texas broadcast television station affiliates for 16,000,0000 shares of common stock, which became 800,000 shares after the 1 for 20 reverse split in November 2002.

On February 7, 2003, the Company entered into a Stock Exchange Agreement with the majority shareholders of Urban-Texas to acquire approximately 90% of the issued and outstanding capital stock of Urban-Texas (13,248,000 of 14,759,000 shares) in exchange for the Company's issuance of 13,248,000 shares of its authorized but unissued common stock, $.0001 par value (the "Exchange Shares"), to the majority shareholders of Urban-Texas. In June 2003, the remaining 10% of Urban-Texas was acquired by 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 May 1, 2002 and February 7, 2003 transactions with the Company are presented as a recapitalization of Urban-Texas.

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

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 and English- speaking Hispanic populations across the United States. When the UATV Network stopped airing programming to its affiliates in April of 2006, it had approximately 70 broadcast television station affiliates in various parts of the country.

We are targeting the minority markets, primarily the African American and English-speaking 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, 2006 for twelve months.

Our financial results depend on a number of factors, including the strength of the national economy and the local economies served by our affiliate stations, total advertising dollars dedicated to the markets served by our affiliate stations, advertising dollars dedicated to the African American and Hispanic consumers in the markets served by our affiliate stations, our affiliate stations' audience ratings, our ability to provide interesting minority focused programming, local market competition from other television stations and other

media, and government regulations and policies, such as the multiple ownership rules, the ability of Class A affiliate stations to be considered must carry for cable systems to increase their distribution and the deadlines for television stations converting to digital signals.

Management has developed a revenue generation plan that includes program Syndication, securing network advertising at the best available rates, uplinking other parties' signals to the satellite, plus implementing a technology plan to assist its affiliates with the sale of their local advertising time. Management intends to increase advertising rates as affiliate stations are added to the network and Nielsen ratings increase for its programs. The implementation of this comprehensive plan is expected to have a positive affect upon sales revenues. In addition the Company has added a focus (using the benefits of its Nielsen Market Research agreements) to secure affiliations with independent full power stations that have must carry privileges with the cable and digital distribution companies, but yet do not have the financial means to subscribe to Nielsen ratings.

Critical Accounting Policies and Estimates

Use of Estimates

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 accounting principles generally accepted in the United States of America. 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, some of which may require revision in future periods. 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.

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.

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.

Impairment of Long Lived Assets

Impairment losses on long-lived assets, such as coal reserves and equipment, are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses are then measured by comparing the fair value of assets to their carrying amounts.

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, 2006 audited financial statements.

Financial Condition

Our ability to continue as a going concern and achieve profitability, if at all, will depend upon a number of factors, including, among other things, market acceptance of our gaming machine products, reliability of our products and services, customer support and satisfaction, sufficient capital to fund ongoing research and development and adequate capital to expand our business. There can be no assurance that any of the foregoing will be accomplished or that we will achieve profitability on an ongoing basis. As with all developing companies, we are subject to risks such as uncertainty of revenues, markets, profitability and the need for additional funding. All of these factors could have a material adverse effect on our business, financial condition and results of operations.

Revenues

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

1. Advertising spots and programming time on the network and local stations. Our revenues are affected primarily by the advertising rates that we are able to charge for national advertising commercials on the Urban TV network and local spots that the Company may obtain on local stations, as well as the overall demand for African-American and English-speaking Hispanic television advertising time by advertisers.

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

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

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

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

Advertising rates in general are determined primarily by:

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

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

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

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

To measure the size of a viewing audience, networks and stations generally subscribe to nationally recognized rating services, such as Nielsen. We have executed an agreement with Nielsen Media Research to measure the viewing audience of certain of our programs that are aired in the must carry programming on our affiliate network. This Agreement will allow us to approach the larger advertising agencies. Currently, a number of Urban Television's affiliate stations are located in the smaller market areas of the country, which is also not as desirable to the larger advertising clients. Our goal is to enter into affiliate agreements full-power television stations located in the top demographic market areas do not have the ability to obtain Nielsen ratings for their individual station. Urban Television believes that it can offer these stations a proposal that will give them the benefit of Nielsen ratings on a local basis while giving the UATV Network the ability to cumulate local ratings into a national rating for its national advertisers.

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

o Program Owners: In exchange for licensing rights to select programming, the program owner retains a portion (usually half) of the available advertising time in each program and we as the network get the other half of the available advertising time in each program. The program owner is then able to sell the advertising time he retains to outside agencies and corporate advertisers. We obtain programming by contracting with program owners at the annual National Association of Television Program Executives convention and by contracting with program owners who during the year are looking for distribution sources. In the future, to acquire certain exclusive, original or first-run usage and licenses for programming, we may be required to incur upfront programming expenses.

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

The size of the syndication television market is currently estimated to be $2.6

billion. (1) African-American households represent 13,171,160 of the total household universe of 109,600,000 or roughly 12%.(2) The value of Company's market segment, focused on African-American household television advertising dollars, is thus conservatively estimated by the Company at $312 million, representing 12% of the aforementioned $2.6 billion in advertising sales in broadcast syndication. The Company believes that a similar size market is on the horizon for English speaking Hispanic-Americans. According to HispanIntelligence,(3) a national media organization focused on Hispanic advertising, the overall size of the market for advertising directed to Hispanics is $2.8 billion per year. Ninety percent (90%) of these dollars are dedicated to Spanish-language programming, leaving the size of the English speaking market at 10%, or approximately $279 million per year. However, 52% of Hispanics surveyed by HispanIntelligence, with the results reported in the same publication, indicated that they prefer English as the communication medium for advertisements across a broad base of programming, including the Internet. Thus, HMG believes that this segment is poised to experience explosive growth in the near future.

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

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

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

Expenses

Our most significant operating expenses will be 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

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

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

3 Volume 4, #68, April 27, 2004.
3. Multi-Platform Strategy in Wireless and other Digital Applications

term. Until cash flow permits, we do not expect to acquire exclusive programming usages and licenses that require up front costs. We will maintain tight controls over our operating expenses by contracting master control and centralizing network programming, finance, human resources and management information system functions. Depreciation of fixed assets and amortization of costs associated with the acquisition of additional stations are also significant elements in determining our total expense level.

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

At such time as the Company begins airing its programming to an affiliate base, the monthly operating expense level may vary from month to month due primarily to the timing of significant advertising and promotion expenses. We anticipate incurring significant advertising and promotion expenses associated with the growth of the Company. Increased advertising revenue associated with these advertising and promotional expenses will typically lag behind the incurrence of these expenses.

Results of Operations

Urban Television Network Corporation - Historical Results of Operations Year ended September 30, 2006 compared to the year ended September 30, 2005.

Revenues. Revenues are primarily derived from sales of advertising and programming time. Revenues for fiscal 2006 were $89,716 compared to $297,954 for fiscal 2005, a decrease of $208,238. The decrease in revenues is primarily attributable to decreases in revenues from the production of events and uplink services. The decrease in revenues is attributable to the Company not yet having implemented its revenue generation plan built around Nielsen ratings that includes national and local advertising sales, uplinking other parties' signals to the satellite, plus implementing a technology plan to assist its affiliates with sale of their local advertising time. Before the Company ceased airing its signal in April of 2006, it had maintained an affiliate base of approximately 70 broadcast stations with a household coverage of approximately 22 million.

Cost of Operations. Costs of operations were $765,717 for the 2006 fiscal year and $1,382,714 for the 2005 fiscal year. The major components of cost of operations for the years ended September 30, 2006 and 2005 were as follows:

	2006	2005
Satellite and uplink services	$ 486,488	$ 360,254
Master control and production	98,047	267,254
Programming costs	19,997	215,835
Affiliate relations	36,271	69,048
Station operating costs	-	255,255
Technology expenses	124,914	215,068
Total Cost of Operations	$ 765,717	$1,382,714

Certain prior year amounts have been reclassified to conform with current year presentation.

The cost of satellite and uplink services increased by $126,234 during the year ended September 30, 2006 as compared to 2005 primarily as the result of the Intelsat assessing a termination fee of $216,000 in April of 2006 when it terminated the Company's satellite transponder space for nonpayment.

The cost of master control and production decreased by $169,207 for year ended September 30, 2006, primarily as the result of the reduction of personnel in master control and production departments due to the Company's lack of operating capital.

Programming costs decreased by $195,838 for the year ended September 30, 2006, primarily as the result reduction in programming personnel during the year due to the Company's lack of operating capital.

Affiliate relations costs decreased by $32,777 for the year ended September 30, 2006, primarily as the result of the reduction of personnel in the affiliate relations department due to the Company's lack of operating capital.

The costs of operations for stations decreased by $255,255 for the year ended September 30, 2006, as the result of the Company canceling its station management agreements for stations in Dallas and Oklahoma City in fiscal year 2006.

The technology expenses decreased by $90,154 for the year ended September 30, 2006, primarily to a decrease in the technology consulting services incurred by the Company due to the Company's lack of operating capital.

General and Administrative. General and administrative expenses for the fiscal year ended September 30, 2006 were $949,627 compared to $1,619,574 for the 2005 fiscal year.

Following is a comparative of the general administrative expense categories for the periods ended September 30, 2006 and 2005.

	2006	2005
Administrative personnel	$ 302,220	$ 300,000
Stock based compensation	190,780	368,674
Nielsen Market Research	85,292	-
Consulting	18,950	30,015
Contract labor	4,600	6,935
Travel, conventions	139,554	50,337
Legal fees	15,000	119,784
Las Vegas office expenses	-	473,129
Commissions	-	14,111
Accounting fees	15,637	11,577
Public relations costs	3,559	5,050
Transfer Agent, permit fees	9,728	21,701
Rent expenses	58,320	53,084
Internet and service bureau costs	17,477	23,596
Supplies - digital operations	-	36,671
Supplies	8,407	6,493
Payroll taxes	8,990	13,069
Taxes -other	18,561	13,143
Telephone	29,194	22,227
Postage and shipping	4,241	9,051

Marketing,printing,promotions	-	9,294
Utilities	14,760	18,995
Other	4,357	12,638
TOTAL	$ 949,627	$1,619,574

Certain prior year amounts have been reclassified to conform to current year presentation.

The decrease of $177,894 in stock based compensation for the year ended September 30, 2006 is due primarily to a decrease in the number shares being issued to management and board members.

The Nielsen Market Research expenses increased by $85,292 for year ended September 30, 2006 as compared to the same periods for 2005 as the result of the Company's contract with Nielsen beginning January 1, 2006.

The decreases in consulting fees of $11,065 for the year ended September 30, 2006 as compared to the same period for 2005, is due the Company replacing consultants with additional management personnel.

The increase of $89,217 in travel and conventions for the year ended September 30, 2006 as compared to the same period in 2005 is primarily related to the Company's recognizing $110,495 in travel expenses of R.J. Halden Holdings, Inc. to be added to its bridge loan with the Company.

Legal expenses decreased by $104,784 for the year ended September 30, 2006 as Compared to the same period in 2005, primarily due to the Company's legal costs Related to the search for capital and minority investors and with the continued legal requirements regarding the permanent injunction obtained by the Company against Walter E. Morgan, Jr. and his appeals.

The decrease of $473,129 in expenses associated with the Las Vegas office for the year ended September 30, 2006 as compare to the same period in fiscal 2005 is due to the resignation of Lonnie G. Wright as Chairman and Chief Executive Officer and the termination of the stock subscription agreement with Wright Entertainment LLC. The $473,129 is made up of $307,500 in cash and note payable, $140,000 value assigned to 1,200,000 shares of common stock issued to Wright Entertainment LLC and $25,629 for office rent and telephones.

Commissions decreased by $14,111 in the year ended September 30, 2006 as compared to the same period in fiscal 2005 due to the Company not having any advertising or programming revenues produced by commissioned sales people during the year ended September 30, 2006.

Transfer agent and permit costs decreased by $11,973 for the year ended September 30, 2006 as compared to the same fiscal period for 2005 due primarily to the Company not incurring the expenses for issuance of stock certificates for the conversion of bridge loans in fiscal 2006 that were incurred in fiscal 2005.

Rent expense increased by $5,236 for the year ended September 30, 2006 as compared to the same fiscal period for 2005 due to the Company having rent expense for the production facilities 7 months in fiscal 2006 as compared to 5 months in fiscal 2005.

Supplies for digital operations decreased by $36,671 for the year ended September 30, 2006 as compared to the same fiscal period for 2005 due the Company having completed its basic conversion from a tape format to digital format in fiscal 2005 and also due the Company's lack of operating capital for any expansions.

Payroll taxes decreased by $4,079 for the year ended September 30, 2006 as compared To the same fiscal period for 2005 due to the Company's reducing the number of Employees due to the lack of necessary operating capital.

Taxes - other increased by $5,418 for the year ended September 30, 2006 as compared to the same period for fiscal 2005 due increased state and federal taxes related to uplink services.

Telephone expenses increased by $6,967 for the year ended September 30, 2006 as compared to the same fiscal period for 2005 primarily as the result of the Company securing its own high-speed internet services as opposed to outsourcing it in previous years.

Marketing, Printing and Promotions expenses in fiscal year ended September 30, 2006 was $0 as compared to $9,294 in the same fiscal period for 2005 because of the lack of operating capital.

Interest expense for the fiscal year 2006 was $46,791 compared to $45,032 for fiscal year 2005.

Operating Results. We had a net operating loss of $6,354,726 for fiscal year ended September 30, 2006 compared to a net operating loss of $2,841,559 for the fiscal year ended September 30, 2005. The increased loss of $3,513,167 for 2006 was primarily attributed to the $4,600,000 impairment expense recorded against the coal reserves, a $670,122 decrease in administrative expenses of which $177,894 was attributable to a decrease in stock based compensation, a $104,784 decrease in legal expenses and a $473,129 decrease in Las Vegas office 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 $0.08 and $0.03 for the years ended September 30, 2006 and 2005, respectively.

Liquidity and Capital Resources

We have financed our operations through a combination of loans from stockholders, proceeds from convertible promissory notes and revenues generated from operations. The Company has incurred cumulative losses of $24,786,553 from the inception of the Company through September 30, 2006.

Current liabilities at September 30, 2006 were $3,182,755 which exceeded current assets of $3,523 by $3,179,232. The Company's cash position at September 30, 2006 was $3,523, a decrease of $36,846 from the position at September 30, 2005. As discussed below, the Company's ability to continue its growth will require additional funds from various sources. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be materially adversely affected. In a worse case scenario, we would have to scale back or cease operations, and we might not be able to remain a viable entity. Amounts due to stockholders increased from $488,382 at September 30,2005 to $863,092 at September 30, 2006 as the result of an additional net of $374,710 being loaned by stockholders during the fiscal year ended September 30, 2006. Accrued compensation is the result of management deferring a portion of their annual compensation until the Company has funds available.

Due to the lack of necessary capital resources, the Company is not able to pay for its satellite space and uplinking services which in turn has resulted in the Company's ceasing the airing programming to its affiliates, which in turn has resulted in the affiliates having to seek other sources of programming. The Company has laid-off its master control employees while it seek financing.

The Company has made several concerted efforts to enlist support from its major shareholder groups. However, notwithstanding significant commitment, these efforts have been successful only in raising modest amounts to maintain marginal operations. The Company is continuing to work with certain investors to help meet immediate short-term liquidity needs estimated to be approximately $500 thousand and the funds to execute on its plan of developing an affiliate base of predominately full power stations with associated Nielsen ratings which would lead to advertising revenue from major corporations. As of December 27, 2006, the Company had cash on hand of approximately $1,000 and as of September 30, 2006, a net working capital deficit of $3,179,232. The Company has loan agreements with "certain lenders" totaling approximately $500,000 secured by blanket liens upon the Company's assets that matured in April 2006, which are now callable at anytime and entitled the lenders upon default to foreclose on the Company's assets. The total outstanding indebtedness as of December 27, 2006 is approximately $3,300,000 million. The Company's ability to continue its operations and execute on its business plan requires additional funds from various sources. If adequate funds are not available on acceptable terms our business future as a viable entity is in severe jeopardy.

Our continued growth, will require additional funds that may come from a variety of sources, including the stock subscription agreement with R.J. Halden Holdings, Inc., shareholder loans, equity or debt issuances, bank borrowings, capital lease financings, and the sale of the Company's coal reserves, should Geotec Thermal Generators, Inc., the seller, perform in accordance with the Agreement and process, sell and remit the net proceeds to the Company. As discussed in Note 4 to the Consolidated Financial Statements, the Company has established an impairment reserve against the coal Assets due to the Company not having the financial ability to clean the coal and Geotec Thermal Generators, Inc. declining to perform. Also the coal reserves have related federal income tax credits resulting from the Super Fund established by The Federal Government that can be sold to other companies at such time as the coal is processed and sold. We currently intend to use any funds raised through these sources to fund various aspects of our continued growth, including paying past due notes payable, funding our working capital needs, funding key programming acquisitions, funding sales and marketing, securing cable connections, funding master control/ network equipment upgrades, making strategic investments.

The Company's expects licensing agreements with program suppliers to be generally for a term of 13 to 52 weeks and be cancelable by either party upon thirty (30) days written notice. These license agreements will provide the Company with a source of revenue by the Company's right to share in the commercial spots during the programs. The Company's policy will be to recognize the revenue associated with these sources of revenue at the time that it inserts the advertising spots or airs the long-form program at the network or local level. 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.

In summary, until we generate sufficient cash from the sale of advertising revenue, we will need to rely upon private and institutional sources of debt and equity financing. We will require additional cash from the issuance of equity or debt securities in the year ending September 30, 2007 to finance our ongoing operations and strategic objectives. No assurances can be given that we will successfully obtain liquidity sources necessary to fund our operations to profitability and beyond.

Going Concern

Due to our continuing to be a development stage company and not having generated revenues, in their Notes to our financial statements for the year ended September 30, 2006, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern.

We have historically incurred losses, and through September 30, 2006 have incurred losses of $24,786,553 from our inception. Because of these historical losses, we will require additional working capital to develop our business operations. We intend to raise additional working capital through private placements, public offerings, and/or bank financing.

The continuation of our business is dependent upon obtaining further financing and achieving a break even or profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current or future stockholders.

There are no assurances that we will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional