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NBG RADIO NETWORK INC
Form 10QSB
April 15, 2002

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB
Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarterly Period Ended February 28, 2002 Commission File Number:0-24075

NBG RADIO NETWORK, INC.
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation or organization)

88-0362102
(I.R.S. Employer Identification No.)

520 SW Sixth Avenue, Suite 750
Portland, Oregon
(Address of principal executive offices)

97204
(Zip Code)

(503) 802-4624
(Issuer's telephone number, including area code)

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

The registrant has one class of Common Stock with 14,385,651 shares outstanding as of April 12, 2002.

Transitional Small Business Issuer Disclosure Format (check one): Yes No .

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NBG RADIO NETWORK, INC.
BALANCE SHEETS

ASSETS

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| | ----- | February 28 (Unaudited) 2002 | February 28 (Unaudited) 2001 | November 30 (Audited) 2001 |
|--|-------|------------------------------------|------------------------------------|----------------------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | \$ 189,978 | \$ 238,607 | \$ 321,402 |
| Receivables: | | | | |
| Accounts receivable, net of allowance for doubtful accounts of \$60,000 in 2002 and in 2001 | | 3,203,428 | 3,919,712 | 3,945,803 |
| Unbilled receivable | | - | 172,865 | - |
| Note receivable | | - | 167,200 | - |
| Related-party receivable | | 224,354 | 5,790 | 219,354 |
| Barter exchange receivables | | - | 81,880 | - |
| Sales representation agreements, net of amortization | | 309,721 | 2,972,086 | 402,637 |
| Prepaid expenses and other current assets | | 30,295 | 232,539 | 31,148 |
| | | ----- | ----- | ----- |
| Total current assets | | 3,957,776 | 7,790,679 | 4,920,344 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization | | 176,830 | 179,373 | 197,183 |
| GOODWILL, net of amortization | | 2,704,034 | 938,354 | 2,911,187 |
| INTANGIBLE ASSETS, net of amortization | | 813,327 | 220,334 | 957,093 |
| OTHER ASSETS | | 130,000 | - | 137,500 |
| | | ----- | ----- | ----- |
| Total assets | | \$ 7,781,967 | \$ 9,128,740 | \$ 9,123,307 |
| | | ===== | ===== | ===== |

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | | |
|---|-----------|------------|-----------|
| Line of credit | \$ - | \$ 400,000 | \$ - |
| Accounts payable | 959,710 | 340,692 | 1,438,382 |
| Accrued liabilities | 1,048,230 | 3,939 | 447,531 |
| Barter exchange payables | 30,108 | - | 29,339 |
| Sales representation agreement liabilities | 1,154,370 | 2,182,049 | 1,203,095 |
| Current portion of long-term debt | 450,000 | - | 300,000 |
| | ----- | ----- | ----- |
| Total current liabilities | 3,642,418 | 2,926,680 | 3,418,347 |
| LONG-TERM DEBT | 3,886,667 | - | 3,929,167 |

STOCKHOLDERS' EQUITY

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| | | | |
|--|--------------|--------------|--------------|
| Preferred stock, \$.001 par value, 5,000,000 authorized and unissued | - | - | - |
| Common stock, \$.001 par value; 50,000,000 common shares authorized 14,385,651, 13,321,831, and 14,385,651 common shares issued and outstanding at February 28, 2002, February 28, 2001, and November 30, 2001 respectively | 14,386 | 13,322 | 14,386 |
| Additional paid-in-capital | 11,290,611 | 7,587,094 | 11,290,611 |
| Retained deficit | (10,832,853) | (1,398,816) | (9,306,807) |
| Stock subscription receivable | (219,262) | 460 | (222,397) |
| | ----- | ----- | ----- |
| Total stockholders' equity | 252,882 | 6,202,060 | 1,775,793 |
| | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 7,781,967 | \$ 9,128,740 | \$ 9,123,307 |
| | ===== | ===== | ===== |

See Accompanying Notes

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NBG RADIO NETWORK, INC.
STATEMENTS OF OPERATIONS

THREE MONTHS ENDED FEBRUARY 28,
2002 and 2001
(Unaudited)

| | 2002 | 2001 |
|-------------------------------------|--------------|--------------|
| | ----- | ----- |
| REVENUES | | |
| Advertising income | \$ 2,708,553 | \$ 2,826,898 |
| Kiosk income | 342,163 | 89,500 |
| | ----- | ----- |
| Total revenues | 3,050,716 | 2,916,398 |
| | | |
| DIRECT COSTS | 2,350,291 | 2,104,854 |
| | ----- | ----- |
| GROSS MARGIN | 700,425 | 811,544 |
| | ----- | ----- |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Wages and employee benefits | 497,395 | 625,608 |
| Travel and entertainment | 27,816 | 91,680 |
| Consulting and professional | 799,460 | 109,096 |
| Advertising | 15,117 | 13,909 |
| Depreciation and amortization | 381,622 | 107,516 |
| Postage and printing | 33,990 | 30,311 |
| Rent | 45,479 | 31,059 |
| Office supplies | 17,690 | 22,796 |
| Telephone | 12,919 | 24,899 |
| Other expenses | 80,899 | 92,826 |
| | ----- | ----- |
| Total general and | | |

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| | | |
|---|----------------|--------------|
| administrative expenses | 1,912,387 | 1,149,700 |
| | ----- | ----- |
| Net loss before provision for income taxes | (1,211,962) | (338,156) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 1,575 | 3,587 |
| Interest expense | (315,659) | (16,321) |
| | ----- | ----- |
| Total other income (expense) | (314,084) | (12,734) |
| | ----- | ----- |
| Provision for income taxes | - | 125,000 |
| | ----- | ----- |
| Net loss | \$ (1,526,046) | \$ (475,890) |
| | ===== | ===== |
| Basic and diluted loss per share of common stock | \$ (0.11) | \$ (0.04) |
| | ===== | ===== |
| Weighted average number of shares outstanding - basic and diluted | 14,385,651 | 12,955,341 |
| | ===== | ===== |

See Accompanying Notes

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NBG RADIO NETWORK, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

| | Common Stock | | Additional Paid-In Capital | Retained Deficit | Sto Subscri Receiva |
|--|--------------|-----------|----------------------------------|---------------------|---------------------------|
| | Shares | Amount | | | |
| | ----- | ----- | ----- | ----- | ----- |
| BALANCE, November 30, 2000 | | | | | |
| (audited) | 12,321,831 | \$ 12,322 | \$6,795,719 | \$ (922,926) | \$ (1 |
| Issuance of common shares | 1,351,920 | 1,352 | 1,800,568 | - | |
| Exercise of options | 577,900 | 578 | 312,458 | - | |
| Issuance of common shares and common share subscription for services | 134,000 | 134 | 231,866 | - | (22 |
| Services provided for payment of subscribed shares | - | - | - | - | 1 |
| Allocated value of warrants issued in debt financing | - | - | 2,150,000 | - | |
| Net loss for the year | - | - | - | (8,383,881) | |
| | ----- | ----- | ----- | ----- | ----- |
| BALANCE November 30, 2001 | | | | | |
| (audited) | 14,385,651 | \$ 14,386 | \$11,290,611 | \$ (9,306,807) | \$ (22 |
| Service provided for payment | | | | | |

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| | | | | | |
|--|------------|-----------|--------------|-----------------|-----------------|
| of subscribed shares | - | - | - | - | - |
| Net loss for the period | - | - | - | (1,526,046) | - |
| | ----- | ----- | ----- | ----- | ----- |
| BALANCE February 28, 2002 (unaudited) | 14,385,651 | \$ 14,386 | \$11,290,611 | \$ (10,832,853) | \$ (21,326,928) |
| | ===== | ===== | ===== | ===== | ===== |

See Accompanying Notes

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NBG RADIO NETWORK, INC.
STATEMENTS OF CASH FLOWS

| | THREE MONTHS ENDED FEBRUARY 28, 2002 (Unaudited) | |
|--|---|-------|
| | 2002 | 2001 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | \$ (1,526,046) | |
| Adjustments to reconcile net loss to cash from operating activities: | | |
| Depreciation and amortization | 381,622 | |
| Amortization of discount on long-term debt | 107,500 | |
| Services provided in payment of subscribed shares | 3,135 | |
| Changes in assets and liabilities: | | |
| Accounts receivable | 742,375 | |
| Unbilled receivable | - | |
| Related party receivable | (5,000) | |
| Barter exchange receivable/payable | 769 | |
| Prepaid expenses and other current assets | 853 | |
| Sales representation agreement amortization | 92,916 | |
| Net change in programming contract liabilities | (48,725) | |
| Accounts payable | (478,672) | |
| Accrued liabilities | 600,699 | |
| | ----- | ----- |
| Net cash from operating activities | (128,574) | |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Issuance of common stock | \$ - | |
| Stock options exercised | - | |
| Acquisition of property and equipment | (2,850) | |
| | ----- | ----- |
| Net cash from investing activities | (2,850) | |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net cash from financing activities | - | |
| | ----- | ----- |

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| | |
|---|------------|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (131,424) |
| CASH, beginning of year | 321,402 |
| | ----- |
| CASH, end of year | \$ 189,978 |
| | ===== |

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NBG RADIO NE
STATEMENTS OF

THREE MONTHS ENDED FEBRUAR
(Unaudited)

2002

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | |
|------------------------|------------|
| Cash paid for interest | \$ 315,659 |
| | ===== |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES

| | |
|---|-------|
| Capitalization of programming contract assets and recognition of related liabilities | \$ - |
| | ===== |
| Issuance of common stock for services, net of stock subscription receivable of (\$219,262 and \$222,397) | \$ - |
| | ===== |

See Accompanying Notes

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NOTE 1 - ORGANIZATION AND BUSINESS ACTIVITY

NBG Radio Network, Inc. ("NBG" or "the Company") was organized under the laws of the State of Nevada on March 27, 1996, with the name of Nostalgia Broadcasting Corporation. In January 1998, stockholders approved the Company's name change to NBG Radio Network, Inc. The Company creates, produces, distributes and is a sales representative for national radio programs and offers other related services to the radio industry. The Company offers radio programs to the industry in exchange for commercial broadcast time, which the Company sells to national advertisers.

In June 2001, NBG Radio Network, Inc., completed the acquisition of Glenn Fisher Entertainment Corporation ("GFEC") (see Note 4), which became a wholly owned subsidiary of the Company involved in the creation, production, and distribution of national radio programs. The Company also owns and operates NBG Solutions, Inc. a wholly owned subsidiary involved in providing design, installation, and support for interactive kiosks. Two additional wholly owned subsidiaries, NBG

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Travel Exclusives, Inc., and NBG Interactive, Inc., which had no significant activity during 2001 and 2000 were disposed of by the Company. All significant inter-company accounts and transactions have been eliminated in the preparation of the consolidated financial statements.

NOTE 2 - PRINCIPLES OF CONSOLIDATION

The interim consolidated financial statements include the accounts of NBG Radio Network, Inc. and its wholly owned subsidiaries, NBG Solutions, Inc., and GFEC, after elimination of inter-company transactions and balances.

The interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The financial information included in this interim report has been prepared by management without audit by independent public accountants. The Company's annual report contains audited financial statements. In the opinion of management, all adjustments, including normal recurring accruals necessary for fair presentation of results of operations for the interim periods included herein have been made. The results of operations for the three months ended February 28, 2002 are not necessarily indicative of results to be anticipated for the year ending November 30, 2002.

NOTE 3 - LOSS PER COMMON SHARE

Basic and diluted loss per common share is calculated by dividing net loss by the weighted average basic and diluted shares outstanding, respectively.

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NOTE 4 - ACQUISITION OF GLENN FISHER ENTERTAINMENT CORPORATION

On June 29, 2001, the Company acquired all of the common stock of GFEC for \$5,280,425 and, as of the date of the acquisition, GFEC became a wholly owned subsidiary of the Company.

The acquisition was accounted for as a purchase. Accordingly, the excess of the fair value of assets acquired over liabilities assumed was recognized as goodwill, and is being amortized over its expected useful life of five years. In addition, identifiable intangible assets (sales representation contract rights) have been recognized and will be amortized over the lives of the underlying assets, which have a weighted average life of 2.5 years. The following summarizes the fair value of the assets acquired and liabilities assumed in the Company's purchase of GFEC.

| | | |
|---|----|-----------|
| Goodwill | \$ | 4,332,443 |
| Identifiable intangibles (sales representation contract rights) | | 1,518,688 |
| Assets acquired | | 733,287 |
| Liabilities assumed | | (764,239) |
| Non-refunded prepayments on contracts with GFEC terminated at acquisition | | (539,754) |
| | | ----- |
| Total cash paid for GFEC | \$ | 5,280,425 |
| | | ===== |

Prior to the acquisition transaction, NBG and GFEC entered into a number of joint business transactions. In its transactions with NBG, GFEC sold to NBG its rights to employment and syndication agreements with radio program personalities or producers pursuant to sales representation agreements. The sales

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representation agreements were recorded by GFEC as contracts receivable and deferred revenues when the determinable amount of noncancellable agreements were identified. In its transactions with GFEC, NBG recognized its liabilities to GFEC in accordance with the acquired sales representation agreements. The costs of the sales representation agreements were deferred by NBG until such time that they were matched with related programming revenues.

At the time of acquisition, the contracts receivable and deferred revenue balances recognized by GFEC and the unamortized sales representation agreement costs of \$1,653,228 and contract liabilities of \$1,113,474 recognized by the Company were eliminated for consolidation purposes, resulting in the recognition of an additional \$539,754 in goodwill. Accordingly, the total amount of goodwill recognized by the Company in its acquisition of GFEC was \$4,332,443.

As part of the acquisition by NBG, Glenn Fisher, the former president and sole shareholder of GFEC, entered into a three-year consulting agreement with NBG. Terms of the consulting agreement provide for monthly payments of \$16,667 to Fisher for the three-year period covered by the agreement.

The following pro forma condensed financial information has been prepared using the purchase method of accounting and is based on the historical financial statements of the Company and GFEC assuming the acquisition had been concluded at the beginning of the periods presented. The pro forma condensed financial information combines GFEC's statements of operations for the three months ended March 31, 2001, with the statement of operations of the Company for the three months ended February 28, 2001, and GFEC's year ended December 31, 2001 with the statement of operations of the Company for the year ended November 30, 2001. Certain amounts in the historical financial statements of GFEC have been reclassified and adjusted to conform

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with the Company's historical financial presentation. All inter-company transactions have been eliminated.

| | Three Months Ended February 28, | | Year Ended Novem |
|--------------------------|---------------------------------|-------------------|--------------------|
| | 2001 Historical | 2001 Pro Forma | 2001 Historical |
| Revenues | \$ 2,916,398 | \$ 2,957,053 | \$ 13,546,176 |
| Net loss | \$ (475,890) | \$ (1,357,857) | \$ (8,383,881) |
| Loss per share (diluted) | \$ (0.04) | \$ (0.10) | \$ (0.60) |

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

Forward Looking Statements

The information set forth below relating to matters that are not historical facts are "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and involve risks and uncertainties

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which could cause actual results to differ materially from those contained in such forward looking statements. Such risks and uncertainties include, but are not limited to, the following:

- o A decline in national and regional advertising
- o Preference by customers of other forms of advertising such as newspapers and magazines, outdoor advertising, network radio advertising, yellow page directories and point of sale advertising
- o Loss of executive management personnel
- o Ability to maintain and establish new relations with radio stations to place its programs
- o Ability to maintain relationships with program hosts and ability to attract new program hosts
- o Ability to predict public taste with respect to entertainment programs

Three Months Ended February 28, 2002 and 2001

Reference is made to Item 6, "Management's Discussion and Analysis or Plan of Operation" included in the Company's annual report on Form 10-KSB for the year ended November 30, 2001, on file with the Securities and Exchange Commission. The following discussion and analysis pertains to the Company's results of operations for the three-month period ended February 28, 2002, compared to the results of operations for the three-month period ended February 28, 2001, and to changes in the Company's financial condition from November 30, 2001 to February 28, 2002.

REVENUES. Total revenues for the three months ended February 28, 2002 were \$3,050,716 compared to revenues of \$2,916,398 for the same period in 2001, representing an increase of \$134,318, or 5%. This increase was due to NBG Solutions, Inc. increasing its sales from \$89,500 in 2001 to \$342,163 in 2002. The primary reason for the increase was the development of new

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clients and increasing sales with existing clients. Advertising revenues were slightly lower. The main reason for the decline in advertising revenues is that advertising rates were lower for the first three months of 2002 compared to the same period in 2001, mainly attributable to the economic conditions existing at the end of 2001 and the beginning of 2002. The lower advertising rates were partially offset by an increase in the volume of advertising available for sale and sold in the first quarter of 2002.

DIRECT COSTS. Direct costs for the three months ended February 28, 2002 and 2001 were \$2,350,291 and \$2,104,854, respectively, representing an increase of \$245,437, or 12%. The increase is due primarily to the increase in the number of programs and services the Company currently provides. The Company is currently producing seven more programs than it did at the same time last year, which has lead to an increase in the total cost of producing the Company's programs. The Company's current focus is on long-form programs, which are more expensive to produce due to the increased cost of delivery of the program via satellite or multiple CD distribution and the extra telephone charges incurred for caller driven programs. However, long-form programs also provide more commercial broadcast inventory for the Company.

GROSS MARGIN. Gross margin for the three months ended February 28, 2002 was \$700,425, a decrease of \$111,119, or 14%, compared to the same period 2001. The

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decrease in gross margin resulted from two factors. First, the Company increased its long-form program lineup and its presence in top media markets which lead to higher direct costs. Second, advertising rates dropped significantly as the economy weakened. The combination of these events led to the decrease in gross margin.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the three months ended February 28, 2002 were \$1,912,387, representing an increase of \$762,687, or 66% over the same period in 2001. The increase is primarily due to an increase in consulting and professional fees and depreciation and amortization expense. Consulting and professional fees increased \$690,364 primarily as a result of an amendment fee (\$200,000) to amend its Credit Facility Agreement with its lender and advisory fees (\$400,000) paid to its lender. Depreciation and amortization expense increased \$274,106 primarily due to an increase in amortization expense from the acquisition of GFEC on June 29, 2001. These costs were offset in part by reductions in other categories of general and administrative expenses.

OTHER INCOME (EXPENSE). Other income (expense) increased \$302,070 for the three months ended February 28, 2002 compared to the same period in 2001. The increase is primarily due to interest expense increasing \$299,338 as a result of the debt incurred in connection with the GFEC acquisition.

INCOME TAXES. Due to loss carry forwards there was no provision for income taxes during the three months ended February 28, 2002. The Company paid and expensed \$125,000 in estimated taxes for the same period 2001, which was subsequently refunded.

NET LOSS AND EARNINGS PER SHARE. Net loss for the three months ended February 28, 2002 was \$1,526,046, or \$0.11 per diluted share. Net loss for the three months ended February 28, 2001 was \$475,890, or \$0.04 per diluted share. The \$1,050,156 increased loss for 2002 was attributable to a \$690,364 increase in consulting and professional fees, a \$274,106 increase in depreciation and amortization expense, and an increase of \$299,338 in interest expense.

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Basic and diluted earnings per share are based upon a weighted average of 14,385,651 and 12,955,341 shares outstanding on February 28, 2002 and 2001, respectively.

Liquidity and Capital Resources

Historically, the Company has financed its cash flow requirements through cash flows generated from operations and financing activities. The Company's working capital at February 28, 2002 was \$320,000 compared to \$1.50 million at February 28, 2001. The \$1.18 million decrease in working capital was primarily due to an increase in accounts payable and accrued liabilities as well as a decrease in sales representation assets that were eliminated as inter-company transactions as a result of the acquisition of GFEC on June 29, 2001.

In January 2001 the Company completed a private placement of 547,000 units at \$1.00 per unit. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock, exercisable immediately. The warrants are exercisable for \$1.50 and expire on January 19, 2003. The Company received proceeds of \$547,000 from the private placement.

In March of 2001, the Company completed another private placement of 204,920 units at \$1.00 per unit. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock, exercisable beginning

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September 5, 2001. The warrants are exercisable for \$1.50 and expire on March 5, 2003. The Company received proceeds of \$204,920 from the private placement.

In March of 2001, the Company completed another private placement of 600,000 units at \$1.75 per unit. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock exercisable immediately. The warrants are exercisable for \$2.00 and expire on March 31, 2003. The Company received \$1,050,000 from the private placement.

On June 29, 2001, the Company acquired GFEC for approximately \$5.3 million in cash. The acquisition was financed through a \$6.2 million credit facility with MCG Finance Corporation ("MCG"). The credit facility was amended February 28, 2002. The surplus funds from the credit facility were used to retire the Company's \$500,000 line of credit with Western Bank, pay various fees and costs associated with the acquisition, and increase the Company's working capital. The credit facility is secured by all of the Company's assets, including its intellectual property and the stock of its subsidiaries. The credit facility is structured to allow for the possibility of an additional \$10 million in future financing. The interest rate on the amounts outstanding under the credit facility is comprised of two parts; a deferred fixed rate of 3.0% and a variable rate. On February 28, 2002, the variable interest rate equaled 9.909% per annum. The variable portion of the interest rate is due quarterly while the deferred fixed portion is due upon the termination of the credit facility. The credit facility terminates in June 2006 unless prepaid earlier by the Company.

The terms of the credit facility require the Company to comply with several affirmative and negative covenants. These covenants include interest coverage ratios, total charge coverage ratios, cash flow leverage ratios, maximum programming obligations and affiliate stations expenses, minimum adjusted operating cash flow, maximum capital expenditures, restrictions on the issuance of equity instruments or additional indebtedness, as well as other elements. These covenants are typically measured on a quarterly basis. If the Company is not able to meet the

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covenants on the predetermined measurement dates, the lender may accelerate the entire balance of the credit facility.

In addition to the financial covenants, the credit facility also places restrictions on the Company's ability to issue equity instruments, pay dividends, repurchase its stock, and incur indebtedness. The terms of an Option and Warrant Agreement between the Company and MCG provide MCG with certain antidilution provisions, which may further complicate the Company's ability to issue additional equity securities in the future.

As part of the consideration for the credit facility, the Company issued an option to acquire warrants to purchase shares of common stock to MCG. To exercise the option to acquire warrants, MCG must agree to forgo collection of one-half of the fixed portion of the interest rate. The option to acquire warrants is exercisable immediately and will expire upon the termination of the credit facility. If the option to acquire warrants is exercised, MCG will receive warrants to acquire 4,850,235 shares of the Company's common stock. The warrants provide that 4,084,408 of these common shares may be acquired at an exercise price of \$1.20 per share and the remaining 765,827 common shares may be acquired at an exercise price of \$3.00 per share. The warrants become immediately exercisable and will expire on June 30, 2011.

Despite the unfavorable operating results for 2001, management believes that its operating cash flows will be sufficient to meet its prospective needs for working capital for the next twelve months. However, if the Company does not

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perform as management expects, then it may become necessary to seek additional or alternative sources of financing. There is no assurance that the Company will be able to locate a source of financing willing to offer terms satisfactory to the Company. In addition, the Company's indebtedness presents other risks to investors, including the possibility that the Company may be unable to generate cash sufficient to make the principal and interest payments when due or comply with financial covenants. Should the Company fail to make such a payment or fail to comply with the financial covenants, then the entire balance of the Company's credit facility may become due and immediately payable. These actions would likely have a material adverse effect on the Company.

Recently Issued Accounting Standards

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 clarifies the accounting for the impairment of long-lived assets and for long-lived assets to be disposed of, including the disposal of business segments and major lines of business. SFAS No. 144 will be effective for the Company in the first quarter of 2002. The Company's management does not expect that the application of the provisions of this statement will have a material impact on the Company's consolidated financial statements.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses the accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 will be effective for the Company in the first quarter of 2002. The Company's management does not expect that the application of the provisions of this statement will have a material impact on the Company's consolidated financial statements.

In July 2001, the FASB also issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests

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accounting and requiring companies to cease amortizing goodwill and certain intangible assets with an indefinite useful life created by business combinations accounted for using the purchase method of accounting. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual review for impairment. Implementation of SFAS No. 141 had no affect on the Company's 2001 and 2000 consolidated financial statements. The new standards of SFAS No. 142 will be effective for the Company in the first quarter of the fiscal year ending November 30, 2003.

On December 1, 2003, the Company will no longer amortize goodwill. Based on the current recorded balance of goodwill, this accounting change will reduce annual amortization expense by approximately \$829,000. The impact of ceasing to record goodwill amortization will be an increase in the Company's annual net income, after taxes, of approximately \$557,000.

Goodwill will, however, be subject to an annual review for impairment upon adoption of SFAS No. 142. The Company is in the process of determining whether any such impairment would be required upon adoption of the new accounting standard. If the Company concludes that a charge for goodwill impairment is necessary, such a charge would be reported as a cumulative effect of an accounting change.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement

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of FASB Statement No. 125." SFAS No. 140 revises the criteria for accounting for securitizations and other transfers of financial assets and collateral. In addition, SFAS No. 140 requires certain additional disclosures. Except for the new disclosure provisions, which were effective for the year ended November 30, 2000, SFAS No. 140 was effective for the transfer of financial assets occurring after March 31, 2001. The provisions of SFAS No. 140 did not have a significant effect on the Company's consolidated financial statements.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are attached:

10.1 Amendment to Credit Facility Agreement dated February 28, 2002.

10.2 MCG Capital Corporation Advisory and Assistance Engagement Letter dated March 7, 2002.

(b) Reports on form 8-K. No reports on Form 8-K were required to be filed during the quarter ended February 28, 2002.

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SIGNATURES

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

NBG RADIO NETWORK, INC.,
a Nevada corporation

Date: April 15, 2002

By: /s/ John J. Brumfield

John J. Brumfield, Chief Financial Officer
Vice President, Finance
(Principal Financial and Accounting Officer)

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