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SUN NETWORK GROUP INC
Form 10-Q/A
May 08, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO.2

(Mark One)

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

For the quarterly period ended June 30, 2002.

or

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: 33-42498

SUN NETWORK GROUP, INC.

(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction of
incorporation or organization)

65-024624
(I.R.S. Employer
Identification No.)

1440 CORAL RIDGE DRIVE, # 140
CORAL SPRINGS, FL 330771
(954) 360-4080

(Address, including zip code, and telephone number,
including area code, of registrant's principal
executive offices)

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (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 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
--- ---

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No
 --- ---

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK - 21,848,487 shares outstanding as of June 30, 2002.

EXPLANATORY NOTE

The purpose of this amendment to the company's quarterly report on Form 10-Q and 10-Q/A Amendment No. 1, is to restate the company's financial statements to reflect interest expense for a beneficial conversion feature of the convertible debentures.

In addition, this quarterly report incorporates certain certifications pursuant to Section 906 and Section 302 of the Sarbanes-Oxley Act of 2002.

2

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Restated Financial Statements for the quarter ending June 30, 2002 are attached hereto following the Signatures page.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company acquired all of the assets of RadioTV Network, Inc ("RTV") on July 16, 2001 in a transaction treated as a recapitalization of RTV. RTV has been developing and operating, for the past few years, a new television network that produces and distributes TV adaptations of top rated radio programs.

On June 27, 2002 the Company entered into agreement with four (4) institutional investors to provide the Company \$750,000 in capital through a Secured Convertible Debenture Offering ("Debenture"). The Company has filed a SB-2 Registration Statement in connection with the Debenture and anticipates receiving the full funding from the Debenture by the 4th Quarter 2002. As of June 30, 2002 the Company had received \$250,000 of the Debenture financing.

On June 28, 2002 the Company entered into an Option Agreement and Plan of Merger ("Agreement") to acquire all of the assets of Live Media Enterprises, Inc ("Live"), a west coast based independent producer of consumer lifestyle events. The Company has agreed to loan Live \$50,000, pending the completion of the acquisition and, as currently contemplated in the Agreement, the Company will issue 8,000,000 shares of its common stock to acquire Live in a transaction expected to close by the 4th Quarter 2002.

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The Company intends to use the net proceeds from the Debenture to develop, operate and expand the businesses of RTV and Live and to continue to seek other opportunities for the Company. The Company believes that if it successfully completes the Debenture, on a timely basis, it will have sufficient capital to operate in the near-term. The Company will, however, continue to seek additional capital to fund further development, expansion and operation of its businesses. The Debenture and acquisition of Live will result in significant shareholder dilution upon the completion of the acquisition and conversion of the Debenture.

The Company had no revenues in the 2nd Quarter as it continued to focus on raising capital. The Company had a net loss of \$435,933 in the Quarter compared with \$38,805 in the prior Quarter. The increase is principally due to a reserve for accrued compensation under an employment agreement, professional fees for filing the Form SB-2, consulting fees of \$119,100, an officer's trip to Europe to facilitate the Company's listing on the Frankfurt Stock Exchange, and \$240,570 non-cash interest expense to account for a beneficial conversion feature in the convertible debentures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

3

PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and its Chief Executive Officer have been named in a lawsuit filed in the Southern District of Florida captioned Florida Securities Funding Partnership v. Sun Network Group, Inc et al, case no. 02-80360 in connection with a stock purchase of Company shares from a third party. The Partnership alleges that the Company was involved in a conspiracy with an outside shareholder to sell shares at an unfavorable price to the Partnership. No damages have been specified or claimed. The Company has filed a motion to dismiss the claims and believe the lawsuit is without merit and frivolous.

Item 2. Changes in Securities and Use of Proceeds.

On June 27, 2002 the Company entered into agreement with four (4) institutional investors for \$750,000 in Secured Convertible Debentures and 750,000 warrants. The Company has filed a Form SB-2 Registration Statement with the SEC describing the details of this transaction, which, upon conversion, will result in substantial dilution to current Company shareholders. The Company shall use any proceeds derived from the Debenture or sale of warrants for general operating purposes.

Item 3. Defaults Upon Senior Securities.

NONE.

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

NONE.

Item 5. Other Information.

NONE.

Item 6. Exhibits and Reports on Form 8-K

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Exhibit -----	Description -----
99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

4

SIGNATURES*

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN EXPRESS GROUP, INC.
(Registrant)

Date: May 8, 2003

T. Joseph Coleman

/s/ T. Joseph Coleman

T. Joseph Coleman,
President, Director and Ceo

Date: May 8, 2003

William H. Coleman

/s/ William H. Coleman

William H. Coleman,
Secretary and Director

CERTIFICATION

I, T. Joseph Coleman, CEO and Acting CFO, certify that:

1. I have reviewed this quarterly report on Form 10-Q and Form 10-Q/A Amendment No. 1 of Sun Network Group, Inc. (the "Report");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being

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prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Report (the "Evaluation Date"); and

c) presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 8, 2003

/s/ T. Joseph Coleman
Chief Executive Officer

Sun Network Group, Inc.
and Subsidiary

Consolidated Financial Statements

June 30, 2002

Sun Network Group, Inc.
and Subsidiary

Contents

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	Page (s)
Consolidated Balance Sheets	F-1
Consolidated Statements of Operations	F-2
Consolidated Statements of Cash Flows	F-3
Notes to Consolidated Financial Statements	F-4 to F-6

Sun Network Group, Inc. and Subsidiary
Consolidated Balance Sheets

Assets	June 30, 2002 (Unaudited)	December 31, 2001
	Restated (Note7)	
Current Assets		
Cash	\$ 224,070	\$ 5,321
Deferred debt issuance cost	20,000	-
Total Current Assets	244,070	5,321
Other Assets		
Prepaid advertising	35,200	35,200
Total Other Assets	35,200	35,200
Total Assets	\$ 279,270	\$ 40,521
	=====	=====
Liabilities and Stockholders' Deficiency		
Current Liabilities		
Accounts payable	\$ 11,518	\$ 9,937
Accrued compensation, related party	143,750	68,750
Due to stockholders'	20,442	29,263
Total Current Liabilities	175,710	107,950
Long Term Liabilities		
Convertible debenture, net of discount	240,570	-
Total Liabilities	416,280	107,950
Stockholders' Deficiency		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 21,848,487 and 21,665,399 issued and		

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outstanding, respectively	21,848	21,665
Common stock issuable (300,000 shares)	300	-
Additional paid-in capital	662,071	486,734
Accumulated deficit	(1,061,799)	(575,828)
	-----	-----
Total Stockholders' Deficiency	(417,580)	(67,429)
	-----	-----
Total Liabilities and Stockholders' Deficiency ...	\$ 279,270	\$ 40,521
	=====	=====

See accompanying notes to consolidated financial statements.

F-1

Sun Network Group, Inc. and Subsidiary
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2002	2001	Six Months Ended June 30, 2002	2001
	Restated (Note7)		Restated (Note7)	
	-----	-----	-----	-----
Revenues	\$ -	\$ -	\$ -	\$ 35,200
Operating Expenses				
Compensation	40,655	13,000	81,016	21,000
Consulting	119,100	-	119,100	33,395
General and administrative	23,534	17,217	31,661	27,299
Professional fees	12,074	8,588	13,624	20,088
	-----	-----	-----	-----
Total Operating Expenses	195,363	38,805	245,401	101,782
	-----	-----	-----	-----
Loss from Operations	(195,363)	(38,805)	(245,401)	(66,582)
Other Income (Expense)				
Interest expense	(240,570)	-	(240,570)	-
	-----	-----	-----	-----
Total Other Income (Expense)	(240,570)	-	(240,570)	-
	-----	-----	-----	-----
Net Loss	\$ (435,933)	\$ (38,805)	\$ (485,971)	\$ (66,582)
	=====	=====	=====	=====
Net Loss Per Share - Basic and Diluted	\$ (0.02)	\$ -	\$ (0.02)	\$ (0.01)
	=====	=====	=====	=====
Weighted Average Shares Outstanding - Basic and Diluted	22,045,190	13,333,333	21,860,456	12,931,602
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-2

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Sun Network Group, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2002	2001
	Restated (Note7)	
	-----	-----
Cash Flows from Operating Activities:		
Net loss	\$ (485,971)	\$ (66,582)
Adjustments to reconcile net loss to net cash used in operating activities:		
Settlement income	-	(35,200)
Stock for services	84,000	33,395
Interest expense	240,570	-
Changes in operating assets and liabilities: (Increase) decrease in:		
Accounts receivable	-	300
Increase (decrease) in:		
Accounts payable	1,581	4,283
Accrued compensation, related party	75,000	-
	-----	-----
Net Cash Used in Operating Activities	(84,820)	(63,804)
	-----	-----
Cash Flows from Financing Activities:		
Cash overdraft	-	716
Proceeds from sale of common stock	82,390	60,000
Loan proceeds from stockholder	20,442	-
Proceeds from convertible debt	250,000	-
Deferred debt issuance cost	(20,000)	-
Repayment of loans from stockholder	(29,263)	-
	-----	-----
Net Cash Provided by Financing Activities	303,569	60,716
	-----	-----
Net Increase (Decrease) in Cash	218,749	(3,088)
Cash at Beginning of Period	5,321	3,088
	-----	-----
Cash at End of Period	\$ 224,070	\$ -
	=====	=====

See accompanying notes to consolidated financial statements.

F-3

Sun Network Group, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2002
(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited consolidated financial statements of Sun Network Group, Inc. and Subsidiary (the "Company") have been prepared in accordance with

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accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of consolidated financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair consolidated financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

For further information, refer to the audited financial statements and footnotes of RadioTV Network, LLC for the years ended December 31, 2001, 2000 and 1999 included in the Current Report on Form 8-K on Sun Express Group, Inc.

Note 2 Convertible Debenture and Warrants

On June 27, 2002 (the "Issuance Date"), the Company entered into a Securities Purchase Agreement to issue and sell 12% convertible debentures, in the aggregate amount of \$750,000, convertible into shares of common stock, of the Company. The Company is permitted to use the proceeds to make one or more loans for a legitimate bu