

Edgar Filing: SUN NETWORK GROUP INC - Form 10-Q/A

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 4

(Mark One)

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

For the quarterly period ended March 31, 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.)

1515 UNIVERSITY DRIVE, SUITE 111-C, CORAL SPRINGS, FL  
(Address of principal executive offices)

33065  
(Zip Code)

(954) 360-4080  
(Registrant's telephone number, including area code)

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

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 March 31, 2002.

### EXPLANATORY NOTE

The purpose of this amendment to the company's quarterly report on Form 10-Q, 10-Q/A Amendment No. 1, 10-Q/A Amendment No. 2, and 10-Q/A Amendment No. 3, is to file the report in its entirety, along with the certifications pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002.

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### PART I--FINANCIAL INFORMATION

#### Item 1. Financial Statements.

Financial Statements for the quarter ending March 31, 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. The Company intends to further develop and expand RTV and is also planning on acquiring and affiliating with other media related entities, which are presently being identified. The Company requires capital for these purposes and anticipates completing several Private Placements of its stock to raise equity capital in 2002. The Company completed its first Private Placement in March 2002 resulting in new capital of \$82,390 and anticipates completing several additional ones this year. The Company believes that if it successfully completes the Private Placements they will be sufficient to fund its initial business plans. With the exclusion of \$40,361 of compensation expense pursuant to an employment agreement with our President, the RTV operational expenses for the 1st Quarter 2002 reflect minimal operating expenses pending funding.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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Not applicable.

### PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

NONE.

Item 2. Changes in Securities and Use of Proceeds.

On March 28, 2002 the Company entered into a Subscription Agreement with an Investor who purchased 183,088 restricted shares of the Company's common stock at \$.45 per share resulting in \$82,390 in proceeds to the Company. The proceeds shall be used for general corporate purposes.

Item 3. Defaults Upon Senior Securities.

NONE.

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

NONE.

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Item 5. Other Information.

NONE.

Item 6. Exhibits and Reports on Form 8-K

Exhibit -----	Description -----
31.1	Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

### 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 NETWORK GROUP, INC.  
(Registrant)

Date: October 10, 2003

T. Joseph Coleman

/s/ T. Joseph Coleman  
-----

T. Joseph Coleman,  
President, Director, CEO and  
Acting CFO

Date: October 10, 2003

William H. Coleman

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/s/ William H. Coleman

-----  
William H. Coleman,  
Secretary and Director

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Sun Network Group, Inc.  
and Subsidiary

Consolidated Financial Statements

March 31, 2002

Sun Network Group, Inc.  
and Subsidiary

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Sun Network Group, Inc. and Subsidiary  
Consolidated Balance Sheets

Assets

March 31,	December
2002	31, 2001
(Unaudited)	
-----	-----

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	Restated (Note4)	
Current Assets		
Cash .....	\$ 82,766	\$ 5,321
Total Current Assets .....	82,766	5,321
Other Assets		
Prepaid advertising .....	35,200	35,200
Total Other Assets .....	35,200	35,200
Total Assets .....	\$ 117,966	\$ 40,521
	=====	=====
Liabilities and Stockholders' Deficiency		
Current Liabilities		
Accounts payable .....	\$ 6,186	\$ 9,937
Accrued compensation, related party .....	106,250	68,750
Due to stockholders' .....	40,607	29,263
Total Current Liabilities .....	153,043	107,950
Stockholders' Deficiency		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 21,848,487 and 21,665,399 issued and outstanding, respectively .....	21,848	21,665
Additional paid-in capital .....	568,941	486,734
Accumulated deficit .....	(625,866)	(575,828)
Total Stockholders' Deficiency .....	(35,077)	(67,429)
Total Liabilities and Stockholders' Deficiency .....	\$ 117,966	\$ 40,521
	=====	=====

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31,	
	2002	2001
	Restated (Note4)	
Operating Expenses		
Compensation .....	\$ 40,361	\$ 8,000
Consulting .....	-	33,395

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General and administrative .....	8,127	10,082
Professional fees .....	1,550	11,500
	-----	-----
Total Operating Expenses .....	50,038	62,977
	-----	-----
Loss from Operations .....	(50,038)	(62,977)
Net Loss .....	\$ (50,038)	\$ (62,977)
	=====	=====
Net Loss Per Share - Basic and Diluted .....	\$ -	\$ (0.01)
	=====	=====
Weighted Average Shares Outstanding		
- Basic and Diluted .....	21,671,571	12,525,407
	=====	=====

See accompanying notes to consolidated financial statements

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

	Three Months Ended March 31,	
	2002	2001
	-----	-----
	Restated (Note4)	
	-----	
Cash Flows from Operating Activities:		
Net loss .....	\$ (50,038)	\$ (62,977)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based consulting expense .....	-	33,395
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable .....	-	301
Increase (decrease) in:		
Accounts payable .....	(3,751)	-
Accrued compensation, related party .....	37,500	-
	-----	-----
Total Adjustments .....	(3,751)	33,696
	-----	-----
Net Cash Used in Operating Activities .....	(16,289)	(29,281)
	-----	-----
Cash Flows from Financing Activities:		
Equity proceeds from stockholders .....	82,390	60,000
Loan proceeds from stockholders .....	11,344	-
	-----	-----
Net Cash Provided by Financing Activities .....	93,734	60,000
	-----	-----
Net Increase in Cash .....	77,445	30,719
Cash at Beginning of Period .....	5,321	3,088

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Cash at End of Period .....	\$ 82,766	\$ 33,807
	=====	=====

See accompanying notes to consolidated financial statements

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Sun Network Group, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
March 31, 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 accounting principles generally accepted in the United States of America and the rules and regulations of the 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. (See Note 2)

### Note 2 Common Stock Issuances

In March 2002, the Company issued 183,088 common shares to an investor for \$82,390.

### Note 3 Going Concern

As reflected in the accompanying consolidated financial statements, the Company had an accumulated deficit of \$625,866 through March 31, 2002, net losses for the three months ended March 31, 2002 of \$50,038 and cash used in operations for the three months ended March 31, 2002 of \$16,289. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan and generate revenues. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management is currently seeking additional financing. Management believes that the actions presently being taken to further implement its business plan and generate additional revenues provide the opportunity for the Company to continue as a going concern.

### Note 4 Restatement

Subsequent to the filing of the Company's Form 10-QSB for the quarter ended March 31, 2002 management became aware that those consolidated financial statements as of March 31, 2002 did not include \$37,500 of accrued compensation

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expense pursuant to a July 16, 2001 employment agreement with the Company's chief executive officer. The inclusion of this item and a restatement of the December 31, 2001 consolidated financial statements in the revised consolidated financial statements at March 31, 2002 has the effect of increasing current liabilities by \$106,250 and increasing expenses and net loss by \$37,500 with no material effect on net loss per shares.

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AMILY: arial">Knock-In Level:

\$27.74 (70% of the initial price)

Coupon on the Securities:

5.50%

Annualized Coupon on the Securities:

11.00%

Term of the Securities:

6 months

Exchange Factor:

1.0 (we have assumed that no Market Disruption Event occurs and the Calculation Agent does not need to adjust the Exchange Factor for any adjustment event during the term of the Securities).

Payment at maturity if the closing price of the Underlying Shares falls below the knock-in level on any trading day during the knock-in period:

Assumed Underlying Shares closing price on determination date	Value of Payment at Maturity(a)	Six Monthly Coupon Payments(b)	Total Return(c)	
			\$	%
\$39.63 or above	\$1,000.00	\$55.00	\$1,055.00	5.50%
\$38.64	\$ 975.00	\$55.00	\$1,030.00	3.00%
\$36.86	\$ 930.09	\$55.00	\$ 985.09	-1.49%
\$36.06	\$ 909.90	\$55.00	\$ 964.90	-3.51%
\$32.45	\$ 818.81	\$55.00	\$ 873.81	-12.62%
\$28.56	\$ 720.65	\$55.00	\$ 775.65	-22.44%
\$22.85	\$ 576.57	\$55.00	\$ 631.57	-36.84%
\$16.00	\$ 403.73	\$55.00	\$ 458.73	-54.13%
\$ 8.00	\$ 201.86	\$55.00	\$ 256.86	-74.31%
\$ 4.00	\$ 100.93	\$55.00	\$ 155.93	-84.41%
\$ 0.00	\$ 0.00	\$55.00	\$ 55.00	-94.50%

Payment at maturity if the closing price of the Underlying Shares never falls below the knock-in level on any trading day during the knock-in period:

Assumed Underlying Shares closing price on determination date	Value of Payment at Maturity(d)	Six Monthly Coupon Payments(b)	Total Return(c)	
			\$	%



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\$39.63 or above	\$1,000.00	\$55.00	\$1,055.00	5.50%
\$35.67	\$1,000.00	\$55.00	\$1,055.00	5.50%
\$33.88	\$1,000.00	\$55.00	\$1,055.00	5.50%
\$27.74	\$1,000.00	\$55.00	\$1,055.00	5.50%

Please see footnotes on next page.

THE ROYAL BANK OF SCOTLAND N.V.

Reverse Exchangeable Securities (REXs)

- 
- (a) Based on the assumptions set forth above, if the closing price of the Underlying Shares falls below \$27.74 on any trading day during the knock-in period and, in addition, the closing price of the Underlying Shares is less than \$39.63 on the determination date, the payment at maturity will be made in Underlying Shares. For determining the value of the payment at maturity, we have assumed that the closing price of the Underlying Shares will be the same on the maturity date as on the determination date.
- (b) Coupons on the Securities will be computed on the basis of a 360-day year of twelve 30-day months or, in the case of an incomplete month, the number of actual days elapsed. Accordingly, depending on the number of days in any monthly coupon payment period, the coupon payable in such period and, consequently, the total coupons payable over the term of the Securities, may be less than the amount reflected in this column.
- (c) The total return presented is exclusive of any tax consequences of owning the Securities. You should consult your tax advisor regarding whether owning the Securities is appropriate for your tax situation. See the sections titled “Risk Factors” in this Term Sheet and the accompanying Product Supplement No. 1-IV and “United States Federal Taxation” and “Taxation in the Netherlands” in the accompanying Prospectus Supplement.
- (d) Based on the assumptions set forth above, if the closing price of the Underlying Shares never falls below \$27.74 on any trading day during the knock-in period, the payment at maturity will be made in cash.

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Reverse Exchangeable Securities (REXs)

## PUBLIC INFORMATION REGARDING THE UNDERLYING SHARES

According to publicly available documents, JPMorgan Chase & Co., which we refer to as “JPMorgan,” or the Underlying Company, is a financial holding company that through its bank and non-bank subsidiaries provides retail and commercial banking services as well as investment banking services.

The Underlying Shares are shares of the Common Stock of JPMorgan, \$1 par value. The Underlying Shares are registered under the Securities Exchange Act of 1934, as amended, which we refer to as the “Exchange Act.” Companies with securities registered under the Exchange Act are required periodically to file certain financial and other information specified by the Securities and Exchange Commission, which we refer to as the “Commission.” Information provided to or filed with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Room of the Commission at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. Please call the Commission at 1-800-SEC-0330 for further information about the Public Reference Room. In addition, information provided to or filed with the Commission electronically can be accessed through a website maintained by the Commission. The address of the Commission’s website is <http://www.sec.gov>. Information provided to or filed with the Commission by JPMorgan pursuant to the Exchange Act can be located by reference to the Commission file number 1-5805.

In addition, information regarding JPMorgan may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We make no representation or warranty as to the accuracy or completeness of such reports.

This Term Sheet relates only to the Securities offered by us and does not relate to the Underlying Shares or other securities of the Underlying Company. We will derive all disclosures contained in this Term Sheet regarding the Underlying Company from the publicly available documents described above. Neither we nor Holdings nor the agents have participated in the preparation of such documents or made any due diligence inquiry with respect to the Underlying Company in connection with the offering of the Securities. Neither we nor Holdings nor the agents make any representation that such publicly available documents or any other publicly available information regarding the Underlying Company are accurate or complete. Furthermore, neither we nor Holdings can give any assurance that all events occurring prior to the date of this Term Sheet (including events that would affect the accuracy or completeness of the publicly available documents described above) that would affect the trading price of the Underlying Shares (and therefore the initial price and the knock-in level and redemption amount) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Underlying Company could affect the value you will receive on the maturity date with respect to the Securities and therefore the trading prices of the Securities. Neither we nor Holdings nor any of our affiliates have any obligation to disclose any information about the Underlying Company after the date of this Term Sheet.

Neither we nor Holdings nor any of our affiliates makes any representation to you as to the performance of the Underlying Shares.

We and/or our affiliates may presently or from time to time engage in business with the Underlying Company, including extending loans to, or making equity investments in, or providing advisory services to the Underlying Company, including merger and acquisition advisory services. In the course of such business, we and/or our affiliates may acquire non-public information with respect to the Underlying Company and, in addition, one or more of our affiliates may publish research reports with respect to the Underlying Company. The statement in the preceding sentence is not intended to affect the rights of holders of the Securities under the securities laws. As a prospective purchaser of a Security, you should undertake such independent investigation of the Underlying Company as in your judgment is appropriate to make an informed decision with respect to an investment in the Underlying Shares.

## THE ROYAL BANK OF SCOTLAND N.V.

## Reverse Exchangeable Securities (REXs)

## HISTORICAL INFORMATION

The Underlying Shares are traded on the NYSE under the symbol “JPM”. The following table sets forth the published quarterly highest intra-day price, lowest intra-day price and last day closing price of the Underlying Shares since 2005. The closing price for each share of common stock on July 20, 2010 was \$39.63. We obtained the prices listed below from Bloomberg Financial Markets without independent verification. You should not take the historical prices of the Underlying Shares as an indication of future performance. Neither we nor Holdings can give any assurance that the price of the Underlying Shares will not decrease, such that we will deliver Underlying Shares at maturity.

Period	High Intra-day Price	Low Intra-day Price	Last Day Closing Price
2005			
First Quarter	\$39.65	\$34.35	\$34.60
Second Quarter	\$36.49	\$33.36	\$35.32
Third Quarter	\$35.98	\$33.32	\$33.93
Fourth Quarter	\$40.56	\$32.98	\$39.69
2006			
First Quarter	\$42.42	\$37.88	\$41.64
Second Quarter	\$46.80	\$39.34	\$42.00
Third Quarter	\$47.49	\$40.40	\$46.96
Fourth Quarter	\$49.00	\$45.51	\$48.30
2007			
First Quarter	\$51.95	\$45.91	\$48.38
Second Quarter	\$53.25	\$47.70	\$48.45
Third Quarter	\$50.48	\$42.18	\$45.82
Fourth Quarter	\$48.02	\$40.15	\$43.65
2008			
First Quarter	\$49.28	\$36.02	\$42.95
Second Quarter	\$49.75	\$33.96	\$34.31
Third Quarter	\$48.35	\$29.25	\$46.70
Fourth Quarter	\$50.50	\$19.69	\$31.53
2009			
First Quarter	\$31.64	\$14.96	\$26.58
Second Quarter	\$38.94	\$25.32	\$34.11
Third Quarter	\$46.50	\$31.59	\$43.82
Fourth Quarter	\$47.47	\$40.06	\$41.67
2010			
First Quarter	\$46.05	\$37.03	\$44.75
Second Quarter	\$48.20	\$36.51	\$36.61

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Third Quarter (through July 20, 2010)	\$40.83	\$35.16	\$39.63
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Neither we nor Holdings make any representation as to the amount of dividends, if any, that JPMorgan will pay in the future. In any event, as a holder of a Security, you will not be entitled to receive dividends, if any, that may be payable on the Underlying Shares.

THE ROYAL BANK OF SCOTLAND N.V.

Reverse Exchangeable Securities (REXs)

#### PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We have appointed RBS Securities Inc. (“RBSSI”) as agent for this offering. RBSSI has agreed to use reasonable efforts to solicit offers to purchase the Securities. We will pay RBSSI, in connection with sales of the Securities resulting from a solicitation such agent made or an offer to purchase such agent received, a commission of 2.25% of the initial offering price of the Securities. RBSSI has informed us that, as part of its distribution of the Securities, it intends to reoffer the Securities to other dealers who will sell the Securities. Each such dealer engaged by RBSSI, or further engaged by a dealer to whom RBSSI reoffers the Securities, will purchase the Securities at an agreed discount to the initial offering price of the Securities. RBSSI has informed us that such discounts may vary from dealer to dealer and that not all dealers will purchase or repurchase the Securities at the same discount. You can find a general description of the commission rates payable to the agents under “Plan of Distribution” in the accompanying Product Supplement No. 1-IV.

RBSSI is an affiliate of ours and RBS Holdings N.V. RBSSI will conduct this offering in compliance with the requirements of NASD Rule 2720 of the Financial Industry Regulatory Authority Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distributing the securities of an affiliate. Following the initial distribution of any of these Securities, RBSSI may offer and sell those Securities in the course of its business as a broker-dealer. RBSSI may act as principal or agent in those transactions and will make any sales at varying prices related to prevailing market prices at the time of sale or otherwise. RBSSI may use this Term Sheet and the accompanying Prospectus, Prospectus Supplement and Product Supplement No. 1-IV in connection with any of those transactions. RBSSI is not obligated to make a market in any of these Securities and may discontinue any market-making activities at any time without notice.

RBSSI or an affiliate of RBSSI will enter into one or more hedging transactions with us in connection with this offering of Securities. See “Use of Proceeds” in the accompanying Product Supplement No. 1-IV.

To the extent that the total aggregate face amount of the Securities being offered by this Term Sheet is not purchased by investors in the offering, one or more of our affiliates has agreed to purchase the unsold portion, and to hold such Securities for investment purposes. See “Holdings of the Securities by our Affiliates and Future Sales” under the heading “Risk Factors” in this Term Sheet.