ACCELERON PHARMA INC
Form 4
November 14, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MCLAUGHLIN KEVIN F

(Last) (First) (Middle)

128 SIDNEY STREET

(Street)

CAMBRIDGE, MA 02139

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ACCELERON PHARMA INC [XLRN]

3. Date of Earliest Transaction (Month/Day/Year)
11/12/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, CFO and Treasurer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/12/2014		M (1)		10,000	A	$ 3.88	20,000	D	
Common Stock	11/12/2014		S (1)		1,950	D	$ 32.44 (2)	18,050	D	
Common Stock	11/12/2014		S (1)		3,050	D	$ 33.6 (3)	15,000	D	
Common Stock	11/12/2014		S (1)		1,862	D	$ 32.39 (4)	13,138	D	
	11/12/2014		S (1)		3,138	D		10,000	D	

Common Stock	$ 33.58 (5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option to Purchase Common Stock	$ 3.88	11/12/2014		M (1)			10,000	(6)	12/02/2020	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCLAUGHLIN KEVIN F 128 SIDNEY STREET CAMBRIDGE, MA 02139			SVP, CFO and Treasurer	

Signatures

/s/ John D. Quisel, as attorney-in-fact for Kevin F. McLaughlin	11/14/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reported transactions were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person.

(2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $32.02 to $32.96, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (2) to this Form 4.

(3) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $33.04 to $33.99, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (3) to this Form 4.

(4) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $32.02 to $32.95, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (4) to this Form 4.

(5) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $33.09 to $33.99, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (5) to this Form 4.

(6) The options of registrant's common stock vest as to 25% of the shares on the first anniversary of the grant and in equal installments quarterly thereafter.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. le .... 1,100 - Notes receivable .... 56,000 - Interest receivable .... 1,380 - Deferred debt issuance cost, net .... 15,000 - ----------- ----------- Total Current Assets .... 352,783 5,321 ----------- ----------- Other Assets Prepaid advertising .... 10,775 35,200 Convertible note receivable .... 10,000 - Facility usage rights and management services ...... 35,000 - Radio programs, net .... 13,973 - ----------- ----------- Total Other Assets .... 69,748 35,200 ----------- ----------- Total Assets .... $ 422,531 $ 40,521 =========== =========== Liabilities and Stockholders' Deficiency Current Liabilities Accounts payable .... $ 11,227 $ 9,937 Accrued interest and other .... 13,315 - Accrued compensation, related party .... 161,250 68,750 Due to stockholders' .... 3,242 29,263 ----------- ----------- Total Current Liabilities .... 189,034 107,950 ----------- ----------- Long Term Liabilities Convertible debenture, net of discount .... 480,839 - ----------- ----------- Total Liabilities .... 669,873 107,950 ----------- ----------- Minority Interest .... 50,000 - ----------- ----------- Stockholders' Deficiency Common stock, $0.001 par value, 100,000,000 shares authorized, 22,148,487 and 21,665,399 issued and outstanding, respectively . 22,148 21,665 Common stock issuable (300,000) shares .... 300 - Additional paid-in capital .... 1,175,041 486,734 Accumulated deficit .... (1,494,831) (575,828) ----------- ----------- Total Stockholders' Deficiency .... (297,342) (67,429) ----------- ----------- Total Liabilities and Stockholders' Deficiency ..... $ 422,531 $ 40,521 =========== =========== See accompanying notes to consolidated financial statements. F-2 Sun Network Group, Inc. and Subsidiaries Consolidated Statements of Operations (Unaudited) Three Months Ended Nine Months Ended September 30, September 30, -------------------------- -------------------------- 2002 2002 (as restated, (as restated, Note 12) 2001 Note 12) 2001 ------------ ------------ ------------ ------------ Revenues .... $ 1,100 $ - $ 1,100 $ - ------------ ------------ ------------ ------------ Operating Expenses Compensation .... 37,500 31,250 118,516 52,250 Advertising .... 24,425 - 24,425 - Amortization of radio programs .... 1,027 - 1,027 - Consulting .... 68,799 - 187,899 33,395 General and administrative .... 37,668 4,726 69,329 30,980 Professional fees .... 13,495 3,000 27,119 23,088 Travel and entertainment .... - 2,104 - - Exploitation costs .... - - - 10,329 ------------ ------------ ------------ ------------ Total Operating Expenses .... 182,914 41,080 428,315 150,042 ------------ ------------ ------------ ------------ Loss from Operations .... (181,814) (41,080) (427,215) (150,042) ------------ ------------ ------------ ------------ Other Income (Expense) Settlement income .... - - - 35,200 Interest income .... 1,380 - 1,380 - Interest expense .... (252,598) - (493,168) - ------------ ------------ ------------ ------------ Total Other Income (Expense), net .... (251,218) - (491,788) 35,200 ------------ ------------ ------------ ------------ Net Loss .... $ (433,032) $ (41,080) $ (919,003) $ (114,842) ============ ============ ============ ============ Net Loss Per Share - Basic and Diluted $ (0.02) $ - $ (0.04) $ (0.01) ============ ============ ============ ============ Weighted Average Shares Outstanding - Basic and Diluted .... 21,344,139 20,125,778 22,024,055 15,368,590 ============

============ ============ ============ See accompanying notes to consolidated financial statements. F-3 Sun Network Group, Inc. and Subsidiary Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended September 30, -------------------- 2002 (as restated, Note 12) 2001 --------- --------- Cash Flows from Operating Activities: Net loss .... $(919,003) $(114,842) Adjustments to reconcile net loss to net cash used in operating activities: Settlement income .... - (35,200) Stock for services .... - - Stock based consulting expense .... 106,700 33,395 Amortization of radio programs .... 1,027 - Amortization of debt discount to interest expense .... 5,044 - Amortization of deferred debt issuance costs to general and administrative expense .... 5,000 - Amortization of prepaid advertising to advertising expense .... 24,425 - Interest expense .... 475,795 - Changes in operating assets and liabilities: (Increase) decrease in: Accounts receivable .... (1,100) 300 Interest receivable .... (1,380) - Prepaid expenses .... - 385 Increase (decrease) in: Accounts payable .... 1,290 2,701 Accrued expenses .... 13,315 - Accrued compensation .... 92,500 31,250 --------- --------- Net Cash Used in Operating Activities .... (196,387) (82,011) --------- --------- Cash Flows from Investing Activities: Loan disbursement .... (56,000) - Convertible note disbursement .... (10,000) - Cash overdraft in SunExpress Group, Inc. at acquisition date .. - (855) --------- --------- Net Cash Used in Investing Activities .... (66,000) (855) --------- --------- Cash Flows from Financing Activities: Proceeds from sale of common stock .... 82,390 - Loan proceeds from stockholder .... - 20,000 Proceeds from convertible debentures .... 500,000 - Debt issuance cost .... (20,000) - Repayment of loans from stockholders .... (26,021) - Equity proceeds from stockholders' .... - 60,000 --------- --------- Net Cash Provided by Financing Activities .... 536,369 80,000 --------- --------- Net Increase (Decrease) in Cash .... 273,982 (2,866) Cash at Beginning of Period .... 5,321 3,088 --------- --------- Cash at End of Period .... $ 279,303 $ 222 ========= ========= Supplemental Schedule of Non-Cash Investing and Financing Activities: In September 2002, the Company recorded $50,000 of intangible assets under the purchase accounting method relating to its formation and acquisition of 50% interest in Radio X Network. See accompanying notes to consolidated financial statements. F-4 Sun Network Group, Inc. and Subsidiaries Notes to Consolidated Financial Statements September 30, 2002 (Unaudited) Note 1 Basis of Presentation The accompanying unaudited consolidated financial statements of Sun Network Group, Inc. and Subsidiaries (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 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 Sun Network Group, Inc. and Subsidiaries for the years ended December 31, 2001, 2000 and 1999 included in the Annual Report on Form 10-K, as amended. Note 2 Nature of Operations and Significant Accounting Policies A complete set of accounting policy Notes are contained in the audited financial statements and footnotes of Sun Network Group, Inc. and Subsidiaries for the years ended December 31, 2001, 2000 and 1999 included in the Annual Report on Form 10-K, as amended. The following information represents significant additions to those Notes due to the consolidation of the recently formed subsidiary, Radio X Network: (A) Nature of Operations On September 5, 2002, the Company formed a general partnership with one other partner (see Note 7). The partnership, Radio X Network, was formed to independently create, produce, distribute, and syndicate radio programs. The Company offers radio programs to radio stations in exchange for advertising time on those stations, which the Company then sells to advertisers. This is known in the media industry as "barter syndication." In return for providing the radio stations with programming content, the Company receives advertising minutes, which the Company then sells to advertisers. The amount of advertising minutes received is based on several factors, including the type and length of the programming and the audience size of the radio station affiliate. In some instances, the Company may also receive a monthly license fee in addition to or in lieu of the commercial inventory and may derive revenues from sponsorship and merchandising. (B) Principles of Consolidation The consolidated financial statements include the accounts of Sun Network Group, Inc., its wholly owned subsidiary, Radio TV Network, Inc., and its controlled subsidiary Radio X Network. All significant intercompany accounts and transactions have been eliminated in consolidation. F-5 (C) Intangible Assets Intangible assets consist of purchased or acquired investments in programming, and facility usage rights and management services. Facility usage rights and management services were acquired upon formation of the Company's subsidiary, Radio X Network and recorded pursuant to SFAS 142. Facility usage rights and management services are considered to have an indefinite life pursuant to SFAS 142 and accordingly are not amortized until its useful life is determined to be no longer indefinite. The Company evaluates the remaining useful life of intangible assets that are not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment in accordance with SFAS144. That intangible asset shall then be amortized prospectively over its estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization. Investments in internally developed radio programs are expensed in accordance with SFAS 142. Purchased or acquired investments in programming, including the initial investment acquired are amortized using the straight-line method over the estimated useful life of each program. (D) Long-Lived Assets Effective January 1, 2002, the Company accounts for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets". Impairment is the condition that exists when the carrying amount of a long-lived asset (asset group) exceeds its fair value. An impairment loss is recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment is based on the carrying amount of the asset (asset group) at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. (E) Revenue Recognition The Company recognizes revenues from the sale of radio program advertising when the fee is determinable and after the commercial advertisements are broadcast. Any amounts received from customers for radio advertisements that have not been broadcast during the period are recorded as deferred revenues until such time as the advertisement is broadcast. The Company recognizes radio program license fee revenues when evidence of a licensing arrangement exists, the license period has begun, delivery of the program to the licensee has occurred or is available for immediate and unconditional delivery, the arrangement fee is fixed or determinable, and collection of the arrangement fee is reasonably assured. F-6 (F) Minority Interest The minority interest in the net income or loss of the Company's consolidated subsidiary, Radio X Network is reflected in the consolidated statements of operations after distribution to the Company of its initial $100,000 capital investment in the subsidiary. Accordingly, no minority interest allocation of the net income of Radio X Network is recorded as of September 30, 2002. At September 30, 2002, the minority interest reflected on the balance sheet represents the historical book value of the minority partner's initial interest in Radio X Network. Note 3 Convertible Note Receivable On September 17, 2002, the Company loaned $10,000 to a third party limited liability company ("LLC"). The loan carries annual interest at 10% and matures on November 16, 2002. During the term of the loan, the Company may convert the principal and accrued interest into a 0.3% membership interest in the LLC. If the Company elects to convert, no interest due shall be payable to the Company. If the Company converts and holds the 0.3% membership interest, it will be entitled to receive a proportionate 0.3% of the LLC's interest in cash flow, profits, and tax benefits. The note is secured by the pledge of the general assets of the LLC. Accrued interest at September 30, 2002 was $36. Note 4 Intangible Assets The intangible assets were acquired on September 5, 2002 upon formation to the general partnership subsidiary (see Note 8). The Company has allocated the $50,000 investment differential (see Note 8) to the facilities usage rights and management services and to the radio programs based upon the estimated fair market value of each resulting in facilities usage rights and management services of $35,000 and radio programs of $15,000. The Company amortizes the facility usage rights and management services over an estimated life of five years. The Company amortizes the acquired radio programs over their estimated useful life of one year. Intangible assets were as follows at September 30, 2002: Radio Programs $ 15,000 Facilities usage rights and management services 35,000 Accumulated amortization (1,027) ---------- $ 48,973 ========== Note 5 Convertible Debentures and Warrants On June 27, 2002, 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 business purpose, which such loans, in the aggregate, may not exceed $100,000. As of June 27, 2002, $250,000 in convertible debentures were issued to various parties. The holders of this debt have the right to convert all or any amount of this debenture into fully paid and non-assessable shares of common stock at the conversion price with the limitation that any debenture holder may not convert any amount of the debentures if after conversion that debenture holder would beneficially hold more than 4.9% of the total outstanding common stock of the Company. However, any debenture holder may waive this limitation provision with F-7 61 days written notice to the Company. The conversion price generally is the lesser of (a) 50% of the market value of the common stock as defined in the debenture or (b) $0.15. Interest is payable either quarterly or at the conversion date at the option of the holder. The convertible debentures mature on June 27, 2003 and are secured by substantially all present and future assets of the Company. The Company paid $20,000 of legal fees related to the debenture issuances and recorded these fees as a deferred debt issuance cost asset to be amortized over the one-year term of the debentures. Amortization of the deferred debt issuance cost included in general and administrative was $5,000 for the three months ended September 30, 2002. In connection with the convertible debentures issued, warrants to purchase 250,000 common shares were issued to the holders at an exercise price per share of $0.15. The warrants are exercisable immediately and through the third anniversary of the date of issuance. These warrants were treated as a discount on the convertible debenture and valued at $9,430 under SFAS No. 123 using the Black-Scholes option-pricing model. On August 8, 2002, an additional $250,000 of convertible debentures and warrants to purchase 250,000 common shares were purchased from the Company for $250,000 with the terms similar to that described above. The warrants were treated as a discount on these convertible debentures and valued at $14,775 computed using the Black-Scholes option-pricing model. The discount on the convertible debentures will be amortized to interest expense over the term of the debentures starting on July 1, 2002. Amortization included in interest expense for the three months ended September 30, 2002 was $5,044. Pursuant to EITF Issue No. 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios" and EITF Issue No. 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments" the convertible debentures contain an imbedded beneficial conversion feature since the fair market value of the common stock exceeds the most beneficial exercise price on the debenture Issuance Date. At June 27, 2002, this beneficial conversion value has been computed by the Company based on the $240,570 value allocated to the debentures and an effective conversion price of $0.043 per share. The value was computed as $259,430 but is limited under the above EITF provisions to the $240,570 value allocated to the debentures. Since the conversion feature is exercisable immediately, the $240,570 was recognized as interest expense on June 27, 2002. On August 8, 2002, the Company recognized an additional interest expense of $235,225 related to the additional debentures issued. At August 8, 2002, this beneficial conversion value has been computed by the Company based on the $235,225 value allocated to the debentures and an effective conversion price of $0.028 per share. The value was computed as $264,775 but is limited under the above EITF provisions to the $235,225 value allocated to the debentures. If the registration statement relating to the debentures is not declared effective with in 90 days of June 27, 2002 or loses quotation in the NASD OTCBB the Company is obligated to pay a fee to the debenture holders equal to 2% per month on the principal balance outstanding. As of September 30, 2002, the registration statement was not effective and accordingly, the Company has accrued $986 of penalty fee. The convertible debenture liability is as follows at September 30, 2002: Convertible debenture $ 500,000 Less: discount on debenture (19,161) ----------- Convertible debenture, net $ 480,839 =========== F-8 Accrued interest on the convertible debentures was $12,329 at September 30, 2002 included in accrued interest payable. Note 6 Commitment and Contingencies The Company and its Chief Executive Officer have been named in a lawsuit filed in the Southern District Court of Florida. The Company is defending itself and has filed a motion to dismiss the matter. The lawsuit alleges the Company and its chief executive officer conspired to lower the Company's share price after a third party shareholder of the Company sold a block of his shares to a Florida securities partnership. The Company is not a party to any other litigation and management has no knowledge of any other threatening or pending litigation. During the nine months ended September 30, 2002, the Company accrued $92,500 under an employment agreement with the Company's president. Note 7 Option Agreement and Plan of Merger, Cancellation, and Related Notes Receivable An Option Agreement and Plan of Merger (the "Agreement") between the Company and Live Media Enterprises ("Live") was entered into as of June 28, 2002. In connection with this agreement, the Company advanced Live $50,000 in July 2002 and $6,000 in August 2002 pursuant to two promissory notes dated June 28, 2002 and August 2, 2002, respectively. Under the terms of the promissory notes, all amounts, including interest at 10% are due and payable on demand or upon termination of the Agreement. Under both notes, the Company has a first lien on all assets of Live, and has filed UCC Financing Statements with regard to such liens. In addition, a principal of Live has personally guaranteed the notes. Based on the Company's due diligence, the Company cancelled the Agreement on September 3, 2002. Accrued interest on the $56,000 is $1,344 as of September 30, 2002. The Company believes that the balance is recoverable. Note 8 Joint Venture Subsidiary On September 5, 2002, the Company's subsidiary, Radio TV Network, Inc. entered into a partnership agreement (the "Agreement") with a third party company to form a general partnership under the Uniform Partnership Act of the State of California. The name of the partnership is Radio X Network. The partnership, based in San Francisco, California, was formed for the purpose of creating and operating a new radio network consisting primarily of a series of radio programs principally targeted to a young male audience ages 14-35 and to engage in such other related businesses as may be agreed upon by the partners. The partnership shall develop, produce, acquire, distribute, market, and brand the radio programs. The Company contributed $100,000 cash and the rights to a radio program and will contribute management services in exchange for a 50% partnership interest. The Company will share 50% in all partnership profits and losses. However, under the Agreement, the Company has an overriding voting control over all partnership matter effectively providing the Company with voting control. Accordingly, the Company will consolidate the operations into its financial statements. The other general partner contributed three radio programs, and the use of its program production facilities and management services in exchange for a 50% interest. The asset contributed by the other general partner had a carryover basis of zero. Therefore, the Company paid $100,000 for a 50% interest in the partnership, F-9 which had an initial book value of $100,000. Accordingly, the investment differential of $50,000 has been allocated to the company's proportionate share of the fair market value of the intangible assets contributed resulting in the recording of facility usage rights and management services of $35,000 and radio programs of $15,000. (See Note 4) Note 9 Stockholders' Equity In March 2002, the Company issued 183,088 common shares at $0.45 per share to an investor for total proceeds of $82,390. During April through June 2002, under a three month consulting agreement, the Company committed to issue 300,000 common shares in consideration of consulting services performed during that period. The $84,000 value of these shares was computed based on the trading price of the common stock on each date the shares were earned and fully charged to operations as of June 30, 2002. Under a new three-month consulting agreement commencing July 1, 2002, with the same consultant, another 300,000 shares were earned and issued as of September 30, 2002. The $22,700 value of these shares was computed based on the trading price of the common stock on each date the shares were earned and fully charged to operations as of September 30, 2002. On June 27 and August 8, 2002, the Company issued 250,000 and 250,000 warrants, respectively, in connection with the issuance of convertible debentures. The warrants were valued at $9,430 and $14,775, respectively, using the Black-Scholes option pricing model. The aggregate $24,205 was recorded as an addition to additional paid-in capital and charged to discount on convertible debentures to be amortized over the term of the debentures. (See Note 3) Note 10 Reportable Segments At September 30, 2002, the Company had two reportable segments: Network TV and Network Radio. The Company's reportable segments have been determined in accordance with the Company's internal management structure. The following table sets forth the Company's financial results for the nine months ended September 30, 2002 by operating segments: Reconciling Items Attributed to Parent Sun Network December 31, 2002 Network TV Network Radio Group, Inc. Total ------------------------------------ ---------- ------------- ----------- --------- Assets .... $ 273,058 $ 149,473 $ - $ 422,531 Revenues .... - 1,100 - 1,100 Amortization .... - (1,027) - (1,027) Other operating expenses .... (319,988) (600) (106,700) (427,288) Interest income .... - - 1,380 1,380 Interest expense .... - - (493,168) (493,168) Minority interest in subsidiary losses - - - - --------- --------- --------- --------- Segment loss .... $(319,988) $ (527) $(598,488) $(919,003) ========= ========= ========= ========= F-10 Note 11 Going Concern As reflected in the accompanying consolidated financial statements, the Company had an accumulated deficit of $1,494,831 at September 30, 2002, net losses for the three months ended September 30, 2002 of $433,032 and cash used in operations for the nine months ended September 30, 2002 of $196,387. As discussed in Note 4, the Company received $500,000 in funding and a commitment for an additional $250,000. In addition, management has implemented revenue producing programs in its new subsidiary, Radio X Network, which have started to generate revenues. Management expects operations to generate negative cash flow at least through December 2003 and the Company does not have existing capital resources or credit lines available that are sufficient to fund operations and capital requirements as presently planned over the next twelve months. The Company's ability to raise capital to fund operations is further constrained because we have already pledged substantially all of our assets and have restrictions on the issuance of our common stock. Management plans to generate substantially all revenues in the future from sales of our Radio X Network programs. However, our limited financial resources have prevented the Company from aggressively advertising its product to achieve consumer recognition. Management plans to complete the SB-2 process, and once it is effective, raise an additional $250,000 as committed under the convertible denture agreement. 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 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 12 Restatement Subsequent to the issuance of the Company's consolidated financial statements for the three and nine months ended September 30, 2002 management became aware that those consolidated financial statements did not include $240,570 and $235,225 of interest expense in the second and third quarters, respectively, relating to a beneficial conversion feature for the convertible debentures. (See Note 5) The inclusion of these items in the revised consolidated financial statements has the effect of increasing additional paid-in capital by $475,795, increasing net loss for the three and nine months ended September 30, 2002, by $235,225 and $475,795, respectively, and increasing net loss per share for the three and nine months ended September 30, 2002, by $0.01 and $0.02, respectively. F-11