

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

RRUN VENTURES NETWORK INC
Form 10QSB
August 19, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2002

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 000-27233

RRUN VENTURES NETWORK, INC.

(Exact name of Registrant as specified in its charter)

NEVADA ----- (State or other jurisdiction of incorporation or organization)	98-0204736 ----- (I.R.S. Employer Identification Number)
62 W. 8th Avenue, 4th Floor Vancouver, British Columbia, Canada ----- (Address of principal executive offices)	V5Y 1M7 ----- (Zip Code)
Issuer's telephone number, including area code:	(604) 682-6541 -----

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 (X) No ().

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the last practicable date.

Class -----	Outstanding as of June 30, 2002 -----
\$0.0001 par value Common Stock	17,854,724

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

Item 1. Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and Item 310 (b) of Regulation S-B, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the six months ended June 30, 2002 are not necessarily indicative of the results that can be expected for the year ending December 31, 2002.

2

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002
(Unaudited)
(Stated in U.S. Dollars)

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET
(Unaudited)
(Stated in U.S. Dollars)

	JUNE 30 2002	DECEMBER 31 2001
ASSETS		
Current		
Cash	\$ 85	\$ 1,421
Goods and Services		
Tax recoverable	2,613	5,014
Accounts receivable	25,000	-
Prepaid expense	11,955	342

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

Notes receivable	68,250	-
	-----	-----
	107,903	6,777
Capital Assets	31,555	36,929
Investments	6,750	6,750
	-----	-----
	\$ 146,208	\$ 50,456
	=====	=====

LIABILITIES

Current

Accounts payable	\$ 1,919,189	\$ 1,113,855
Loans and advances payable	590,470	518,998
	-----	-----
	2,509,659	1,632,853
	-----	-----

STOCKHOLDERS' DEFICIENCY

Share Capital

Authorized:

100,000,000 common shares,
par value \$0.0001 per share

Issued and outstanding:

17,854,724 common shares at June 30, 2002 and 14,614,724 common shares at December 31, 2001	1,786	1,462
--	-------	-------

Add: Share subscriptions received:

381,250 common shares at June 30, 2002 and 50,000 common shares at December 31, 2001	33,400	10,000
---	--------	--------

Additional paid-in capital	561,420	109,744
----------------------------	---------	---------

Deficit	(2,960,057)	(1,703,603)
---------	-------------	-------------

	-----	-----
	(2,363,451)	(1,582,397)
	-----	-----

	\$ 146,208	\$ 50,456
	=====	=====

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited)
(Stated in U.S. Dollars)

	THREE MONTHS ENDED JUNE 30 2002	SIX MONTHS ENDED JUNE 30 2002	THREE MONTHS ENDED JUNE 30 2001	SIX MONTHS ENDED JUNE 30 2001	INCEPTION OCTOBER 12 2000 TO JUNE 30 2002
Revenue	\$ 30,000	\$ 55,000	\$ -	\$ -	\$ 59,000
Expenses					
Administrative services	38	6,139	25,873	69,644	96,022
Amortization	2,685	5,372	243	469	11,800
Business development	169,106	360,272	-	-	576,680
Consulting	68,401	328,402	146,508	414,032	375,961
Equipment leases	7,444	14,918	-	-	29,839
Investor relations	104,178	275,952	-	-	402,099
Marketing	-	540	-	-	35,902
Media design	6,071	22,055	-	-	82,177
Office, rent and sundry	73,560	124,532	9,355	24,389	233,429
Professional fees	32,461	58,066	6,026	10,501	192,578
Software development	33,222	72,110	-	-	850,368
Travel	15,589	25,239	6,069	12,723	93,870
Wages and benefits	4,513	17,857	-	-	26,196
	517,268	1,311,454	194,074	531,758	3,006,921
Loss Before The Following	487,268	1,256,454	194,074	531,758	2,947,921
Minority Interest In Loss Of Subsidiary	-	-	-	-	(219)
Net Loss For The Period	\$ 487,268	\$ 1,256,454	\$ 194,074	\$ 531,758	\$ 2,947,702
Net Loss Per Share	\$ 0.03	\$ 0.08	\$ 0.03	\$ 0.09	

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

Weighted Average Number Of Common Shares				
Outstanding	17,165,054	15,979,807	6,108,780	6,108,780
=====				

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Stated in U.S. Dollars)

	THREE MONTHS ENDED JUNE 30 2002	SIX MONTHS ENDED JUNE 30 2002	THREE MONTHS ENDED JUNE 30 2001	SIX MONTHS ENDED JUNE 30 2001	INCEPTION OCTOBER 12 2000 TO JUNE 30 2002
Cash Flows From Operating Activities					
Net loss for the period	\$ (487,268)	\$ (1,256,454)	\$ (194,074)	\$ (531,758)	\$ (2,947,702)
Adjustments To Reconcile Net Loss To Net Cash Used By Operating Activities					
Amortization	2,685	5,372	243	469	11,800
Issue of common stock for expenses	-	60,000	-	-	68,200
Minority interest in loss of subsidiary	-	-	-	-	(219)
Goods and Services Tax recoverable	(943)	2,401	-	-	(2,614)
Accounts receivable	(25,000)	(25,000)	-	-	(25,000)
Prepaid expense	2,134	(11,613)	-	500	11,955
Accounts payable	240,776	855,336	90,072	308,804	1,869,478
Loans and advances payable	37,558	71,472	109,041	226,180	631,808

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

	(230,058)	(298,486)	5,282	4,195	(382,294)
Cash Flows					
From Investing					
Activities					
Net asset deficiency					
of legal					
parent at					
date of					
reverse take					
-over transaction	-	-	-	-	(12,355)
Purchase of					
capital assets	-	-	(236)	(6,258)	(43,357)
	-	-	(236)	(6,258)	(55,712)
Cash Flows From					
Financing Activities					
Shares issued					
for cash	273,750	273,750	-	-	287,150
Share					
subscriptions					
received	(75,600)	23,400	-	-	33,400
	198,150	297,150	-	-	320,550
Increase (Decrease)					
In Cash	(31,908)	(1,336)	5,046	(2,063)	(117,456)
Cash Acquired					
On Acquisition					
Of Subsidiary	-	-	-	-	117,541
Cash, Beginning					
Of Period	31,993	1,421	3,685	10,794	-
Cash, End					
Of Period	\$ 85	\$ 85	\$ 8,731	\$ 8,731	\$ 85

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY

JUNE 30, 2002
(Unaudited)
(Stated in U.S. Dollars)

ADDITIONAL
PAID-IN

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
Shares issued for cash and services	4,200,000	\$ 4,200	\$ -	\$ -	\$ 4,200
Adjustment to number of shares issued and outstanding as a result of the acquisition of RAHX, Inc.					
RAHX, Inc.	(4,200,000)	(4,200)	-	-	(4,200)
RRUN Ventures Inc.	5,708,780	5,709	(1,509)	-	4,200
Adjustment to stated value of stockholders' equity to reflect minority interest in the net assets of RAHX, Inc. at the acquisition date	-	-	(219)	-	(219)
Net asset deficiency of legal parent at date of reverse take-over transaction	-	-	-	(12,355)	(12,355)
Shares issued to acquire investment in Kaph Data Engineering Inc.	400,000	400	6,350	-	6,750
Loss for the period	-	-	-	(79,249)	(79,249)
Balance, December 31, 2000	6,108,780	6,109	4,622	(91,604)	(80,873)
Adjustment to number of shares issued and outstanding as a result of the acquisition of RRUN Ventures, Inc.					
RRUN Ventures, Inc.	(6,108,780)	(6,109)	(4,622)	-	(10,731)
RRUN Ventures Network Inc.	288,420	288	10,443	-	10,731
Fair value of shares issued in connection with the acquisition of RRUN Ventures, Inc.	305,439	306	28,325	-	28,631
	593,859	594	38,768	(91,604)	(52,242)
Increase in issued shares due to 20 for 1 stock split	11,283,321	594	(594)	-	-
Shares issued for debt	1,867,544	187	54,257	-	54,444
Shares issued for cash	670,000	67	13,333	-	13,400

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

Shares issued for services	200,000	20	3,980	-	4,000
Loss for the year	-	-	-	(1,611,999)	(1,611,999)
Balance, December 31, 2001	14,614,724	1,462	109,744	(1,703,603)	(1,592,397)
Shares issued for debt	500,000	50	49,950	-	50,000
Shares issued for services	500,000	50	59,950	-	60,000
Shares issued for cash and notes receivable	2,240,000	224	341,776	-	342,000
Loss for the period	-	-	-	(1,256,454)	(1,256,454)
Balance, June 30, 2002	17,854,724	\$ 1,786	\$561,420	\$(2,960,057)	\$(2,396,851)

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002
(Unaudited)
(Stated in U.S. Dollars)

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements as of June 30, 2002 included herein have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. It is suggested that these consolidated financial statements be read in conjunction with the December 31, 2001 audited consolidated financial statements and notes thereto.

2. NATURE OF OPERATIONS

a) Organization

The Company was incorporated in the State of Nevada, U.S.A., on October 12, 2000.

b) Development Stage Activities

The Company was organized as a holding company to develop or acquire innovative ventures with an emphasis on serving the lifestyle needs of the 18 - 34 year

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

Digital Generation through the production and marketing of lifestyle products and services. The Company's initial venture is RAHX, a business concept focused on delivering, for its customers, a consolidated Entertainment Experience Network comprised of many services ranging from digital media peer to peer file exchange to live entertainment and online video games. The Company's other venture is AXXUS, an enhanced e-commerce and communication backbone technology.

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002
(Unaudited)
(Stated in U.S. Dollars)

2. NATURE OF OPERATIONS (Continued)

c) Going Concern

Since inception, the Company has suffered recurring losses, net cash outflows from operations and, at June 30, 2002, has a working capital deficiency of \$2,401,756. The Company expects to continue to incur substantial losses to complete the development and testing of its technology. Since its inception, the Company has funded operations through common stock issuances and related party loans in order to meet its strategic objectives. Management believes that sufficient funding will be available to meet its business objectives, including anticipated cash needs for working capital, and is currently evaluating several financing options. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of and, if successful, to commence the sale of its products under development. As a result of the foregoing, there exists substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates which have been made using careful judgement.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Consolidation

These consolidated financial statements include the accounts of the Company, its 100% owned subsidiaries, RRUN Labs Inc. and AXXUS Corporation, and its 67% owned subsidiary, RAHX, Inc.

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002
(Unaudited)
(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Development Stage Company

The Company is a development stage company as defined in the Statements of Financial Accounting Standards No. 7. The Company is devoting substantially all of its present efforts to establish a new business and none of its planned principal operations have commenced. All losses accumulated since inception have been considered as part of the Company's development stage activities.

c) Investments

Investments in companies owned less than 20% are recorded at the lower of cost or fair market value.

d) Software Development Costs

The costs to develop new software products and enhancements to existing software products will be expensed as incurred until technological feasibility has been established. Once technological feasibility has been established, any additional costs will be capitalized.

e) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes" (SFAS 109). This standard requires the use of an asset and liability approach for financial accounting and reporting on income taxes. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

f) Amortization

Capital assets are being amortized on the declining balance basis at the following rates:

Computer equipment	30%
	===
Computer software	100%
Office furniture and equipment	20%

RRUN VENTURES NETWORK INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

JUNE 30, 2002
(Unaudited)
(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Stock Based Compensation

The Company accounts for stock based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25 - "Accounting for Stock Issued to Employees" (APB No. 25) and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 - "Accounting for Stock Based Compensation" (SFAS No. 123). Under APB No. 25, compensation expense is recognized based on the difference, if any, on the date of grant between the estimated fair value of the Company's stock and the amount an employee must pay to acquire the stock. Compensation expense is recognized immediately for past services and rateably for future services over the option vesting period.

h) Financial Instruments

The Company's financial instruments consist of cash, GST recoverable, prepaid expenses and accounts payable.

Unless otherwise noted, it is management's opinion that this Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

i) Net Loss Per Share

Net loss per share is calculated using the weighted average number of common shares outstanding during the period. Fully diluted loss per share is not presented as the impact of the exercise of options is anti-dilutive.

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

RESULTS OF OPERATIONS

Calendar Year Ended December 31, 2000

For the year ended December 31, 2000, we earned no revenues. During the year we incurred expenses of \$79,468. The expenses incurred were predominantly administrative, consulting and professional fees relating primarily to the merger of RRUN Ventures Inc. with United Management Inc. Since we had no revenues, we incurred a net loss from operations of \$79,249 for the fiscal year after a Minority Interest In Loss of Subsidiary of \$219.

Calendar Year Ended December 31, 2001

For the year ended December 31, 2001, we earned revenues of \$4000. These one time revenues were from Digital Design Interactive services provided by one of our internal support units. These revenues will not be recurring as that internal support unit is not a revenue producing unit. During the year we

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

incurred expenses of \$1,615,999. Of these expenses, \$778,258 were software development costs. We incurred a net loss from operations of \$1,611,999 for the fiscal year.

Calendar Quarter Ended March 31, 2002

For the quarter ended March 31, 2002, we earned revenues of \$25,000. The revenues were related to the licensing of rights for the use of our AXXUS technology. The licensing agreement was executed during the quarter and additional revenue will be earned from that agreement.

During the quarter, we incurred expenses of \$794,186. These operating expenses included \$38,888 in software development, \$260,001 in consulting fees and \$191,166 in business development costs.

We incurred a net loss from operations of \$769,186 for the fiscal quarter ended March 31, 2002.

Calendar Quarter Ended June 30, 2002

For the quarter ended June 30, 2002, we earned revenues of \$30,000. The revenues were related to the licensing of rights for the use of our AXXUS technology.

During the quarter, we incurred expenses of \$487,268. These operating expenses included \$33,222 in software development, \$68,401 in consulting fees and \$169,106 in business development costs.

3

We incurred a net loss from operations of \$487,268 for the fiscal quarter ended June 30, 2002.

Liquidity and Financial Condition

We had cash-on hand of totaling \$85 as of June 30, 2002.

Due to major changes in market conditions, management of the company has decided to change its strategy to maximize its chances of success. The existing strategy has been to build urban lifestyle-based businesses based around software and on-line communities. We believe that our vision to build lifestyle businesses is still sound but that we need to change to an off-line focus with the on-line focus coming later. Accordingly we are focusing our immediate efforts on building a chain of urban music nightclubs as the base for our urban lifestyle businesses. These nightclubs will still use our software in order to become the center of on-line communities and we will still be using a branding approach so that we can sell other urban lifestyle products and services.

Our immediate aim is to acquire the first nightclub so that we can use it as a flagship for the chain and demonstrate our unique and proprietary entertainment concepts for use in our other clubs. We intend that the later clubs will be developed in new and existing locations in major cities throughout the US and Canada.

In order to finance the first acquisition we plan to raise capital through different types of offerings. We plan to fund new nightclub locations, including the first acquisition, through direct investments into the individual nightclubs and providing the investors with cash dividends and some stock in RRUN. This will reduce the potential dilution to RRUN shareholders. We also plan to raise capital by sale of stock in RAHX, our lifestyle subsidiary, which again will

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

reduce dilution to RRUN shareholders. We also plan to invite direct investment into RRUN to provide funds for general corporate purposes. We believe that this plan will enable us to achieve our development goals with acceptable dilution to RRUN stockholders.

The Company believes that the first acquisition of a nightclub will require approximately a minimum of \$500,000 for the acquisition plus approximately \$100,000 in legal, accounting and administrative expenses. In addition it will require another \$400,000 minimum for ongoing corporate purposes. This is a minimum total of approximately \$1 million that will be required in the next quarter when it is planning to make the first acquisition. In the final quarter of this year it plans to make another acquisition. It believes that the cost of this acquisition will be approximately a minimum of \$1.5 million and that another approximately \$500,000 minimum will be required for the same purposes as listed above for the first acquisition and for ongoing corporate purposes. Thus the Company

4

anticipates a minimum capital requirement of approximately \$3 million by the end of the 2002 calendar year.

After the first two acquisitions the Company intends to develop other nightclubs from scratch rather than making acquisitions. It has a plan to open 6 additional nightclubs by the end of 2003 and anticipates that additional funding will be required to effect this. The company hopes this necessary funding will be less than the overall cost of opening these clubs, since the revenues from the first two clubs is hoped to generate enough cash flow to reduce the level of capital required. The Company has developed comprehensive business and financial plans that show that it can develop its chain of nightclubs on a cash positive basis and without incurring substantial dilution to stockholders such that the Company can increase its overall valuation substantially.

We are planning to secure the financing to satisfy the capital needs for each phase through the execution of various funding methods, primarily private placement investments. We plan to achieve this by securing relationships with investment bankers, and other private equity companies, that have the experience and relationships to aid the Company with its capital raising efforts. We have already commenced discussions with such companies.

Although the Company has capital raising strategies that are designed to minimize dilution to current shareholders, the Company may not be able to avoid significant dilution due to many factors, including but not limited to, the closing of financing at lower than the desired market price of the Company's common stock.

If the funding is unavailable, in whole or in part, at the expected time, we will delay implementation of entire components of certain aspects of the implementation plan until the necessary funding is secured. There cannot be any assurance that we will raise sufficient capital to meet the business plan. In addition to delays to the implementation plan, if sufficient capital is not raised, we may suffer consequences including but not limited to the following; we may have to suspend or discontinue operations of one or more of our business units, such as RAHX; or we may have to suspend or discontinue operations of RRUN itself.

FORWARD LOOKING STATEMENTS

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

This report on Form 10-QSB contains certain forward-looking statements within the meaning of section 21(e) of the Securities Exchange Act of 1934, as amended, and other applicable securities laws. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including any projections of earnings, revenues, or other

5

financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments, any statements regarding future economic conditions or performance, statements of belief, and any statement of assumptions underlying any of the foregoing. Such forward-looking statements are subject to inherent risks and uncertainties, and actual results could differ materially from those anticipated by the forward-looking statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In April 2002, the Company received notice that Luke Kolesar filed a lawsuit against the Company in Lynchburg General District Court for the Commonwealth of Virginia. The action concerned an alleged claim for unpaid wages of an employee of RRUN Labs, Inc., a subsidiary of RRUN Ventures Network, Inc. The amount of the lawsuit is \$6,853.85, not including interest accruing from October 30, 2001 at 9% plus court costs of \$56.

On July 30, 2002, Micro Concept Systems Inc. ("Plaintiff") filed suit in the Supreme Court of British Columbia against the Company. The suit alleges non payment of \$30,143 for computer equipment sold to the Company by the Plaintiff. The Plaintiff obtained a Garnishing Order Before Judgment pursuant to which it has garnished the Company's account \$1,884.

The Company believes that, as it commences revenue-producing operations and as it raises capital, it will have the resources to settle the abovementioned cases and it has every intention of doing so. The Company is working to reduce or prevent situations with creditors or others that may result in litigation against the Company. Its remedies may include settlements in cash and/or in stock. Settlements in stock may result in unforeseen dilution to current shareholders.

Item 2. Changes in Securities

Recent Sales of Unregistered Securities

During the quarter ended June 30, 2002, we granted options for the purchase of 535,000 common shares of the Company. The exercise price of 35,000 of the options was \$0.25 per share. The exercise price of 500,000 of the options was \$0.30 per share. The options were granted to four consultants of the Company as incentive stock options to encourage their focus on the business progress of the Company. The transactions were isolated transactions with persons having a close affiliation with the Company and were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being

6

part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution.

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

During the quarter ended June 30, 2002, we issued 1,560,000 common shares upon the exercise of options for those shares. 500,000 of the shares were issued for the exercise price of \$0.30 per share. 700,000 of the shares were issued for the exercise price of \$0.20 per share. 360,000 of the shares were issued for the exercise price of \$0.10 per share for the aggregate exercise price for all shares of \$326,000. The shares were issued to seven consultants of the Company. The transactions were isolated transactions with persons having a close affiliation with the Company and were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution. Some of the options described in this paragraph were exercised pursuant to a so called cashless exercise whereby the Company loaned the option holder the money to exercise the option. Due to a depressed market for the shares described in this paragraph following the exercise of the options, the Company discounted, during the quarter, notes held by the Company for the purchase of such shares in the total amount of \$125,000.

In May, 2002, the Company sold a total of 340,000 common shares to two individuals at a price of \$0.06 per share for total consideration of \$20,400. The transactions were isolated transactions with persons having a close affiliation with the Company and were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution.

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.

(a) Exhibits

99.1 Risk Factors

7

(b) Reports on Form 8-K

None

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Edgar Filing: RRUN VENTURES NETWORK INC - Form 10QSB

RRUN Ventures Network, Inc.

Date: August 19, 2002

By: /s/ Ray Hawkins

Ray Hawkins, Chairman, Co-CEO

By: /s/ Edwin Kwong

Edwin Kwong, Principal Accounting Officer

8

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ray Hawkins, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-QSB of RRUN VENTURES NETWORK, INC. for the quarterly period ended June 30, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report on Form 10-QSB fairly presents in all material respects the financial condition and results of operations of RRUN VENTURES NETWORK, INC.

By: /s/ Ray Hawkins

Name: Ray Hawkins

Title: Co-Chief Executive Officer

Date: August 19, 2002

I, Edwin Kwong, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-QSB of RRUN VENTURES NETWORK, INC. for the quarterly period ended June 30, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report on Form 10-QSB fairly presents in all material respects the financial condition and results of operations of RRUN VENTURES NETWORK, INC.

By: /s/ Edwin Kwong

Name: Edwin Kwong

Title: Chief Financial Officer

Date: August 19, 2002

