

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

CUSTOM BRANDED NETWORKS INC
Form 10QSB
February 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2002

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period _____ to

Commission File Number 000-28535

CUSTOM BRANDED NETWORKS, INC.

(Exact name of small Business Issuer as specified in its charter)

Nevada 91-1975651

(State or other jurisdiction of (IRS Employer Identification
incorporation or organization) No.)

821 E. 29th
North Vancouver, B.C. V7K 1B6

(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code: 604-904-6946

Not Applicable

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

Check whether the issuer (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 38,372,532 Shares of \$.001 par value Common Stock outstanding as of February 13, 2003.

PART 1 - FINANCIAL INFORMATION

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

Item 1. Financial Statements

The accompanying un-audited financial statements have been prepared in accordance with the instructions to Form 10-QSB and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' deficit 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 December 31, 2002 are not necessarily indicative of the results that can be expected for the year ending June 30, 2003.

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

F-1

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

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

| | DECEMBER 31 | JUNE 30 |
|--|-------------|---------|
| | 2002 | 2002 |

ASSETS

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

| | | |
|--|-------------|-------------|
| Current | | |
| Cash | \$ 891 | \$ 902 |
| Capital Assets, net (Note 4) | 1,389 | 1,812 |
| | ----- | ----- |
| | \$ 2,280 | \$ 2,714 |
| ===== | | |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 309,012 | \$ 307,860 |
| Convertible Note Payable, net of discount (Note 5) | 355,821 | 322,803 |
| | ----- | ----- |
| | 664,833 | 630,663 |
| | ----- | ----- |
| STOCKHOLDERS' DEFICIENCY | | |
| Share Capital | | |
| Authorized: | | |
| 50,000,000 common shares with a par value of \$0.001 per share at September 30, 2002 and June 30, 2002 | | |
| Issued and outstanding: | | |
| 33,872,532 common shares at December 31, 2002 and June 30, 2002 | 15,231 | 15,231 |
| Additional paid-in capital | 566,006 | 566,006 |
| Deficit Accumulated During The Development Stage | (1,243,790) | (1,209,186) |
| | ----- | ----- |
| | (662,553) | (627,949) |
| | ----- | ----- |
| | \$ 2,280 | \$ 2,714 |
| | ----- | ----- |
| ===== | | |

F-2

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

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

INCEPTION

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | | JUNE 18 |
|--|--------------------|----------------|------------------|----------------|----------------|
| | DECEMBER 31 | | DECEMBER 31 | | 1999 TO |
| | 2002 | 2001 | 2002 | 2001 | DECEMBER 31 |
| | | | | | 2002 |
| Revenue | \$ - | \$ 2,170 | \$ - | \$ 3,714 | \$ 177,241 |
| Operating Expenses | (11,650) | (31,868) | (12,008) | (196,731) | (1,356,715) |
| Loss From Operations | (11,650) | (29,698) | (12,008) | (193,017) | (1,179,474) |
| Other Income | - | - | - | 266 | 6,921 |
| Interest Expense | (11,298) | - | (22,596) | - | (58,792) |
| Write Down Of Capital Assets | - | - | - | - | (12,445) |
| Net Loss For The Period | (22,948) | (29,698) | (34,604) | (192,751) | \$ (1,243,790) |
| Accumulated Deficit, Beginning Of Period | (1,220,842) | (1,046,201) | (1,209,186) | (883,148) | |
| Accumulated Deficit, End Of Period | \$ (1,243,790) | \$ (1,075,899) | \$ (1,243,790) | \$ (1,075,899) | |
| Loss Per Share | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.01) | |
| Weighted Average Number Of Shares Outstanding | 33,872,532 | 33,872,532 | 33,872,532 | 33,622,532 | |

F-3

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

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

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | | INCEPTION |
|--|--------------------|------|------------------|------|-------------|
| | DECEMBER 31 | | DECEMBER 31 | | JUNE 28 |
| | 2002 | 2001 | 2002 | 2001 | 1999 TO |
| | | | | | DECEMBER 31 |
| | | | | | 2002 |

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

| | | | | | |
|--|-------------|-------------|-------------|--------------|----------------|
| Cash Flows From Operating Activities | | | | | |
| Loss for the period | \$ (22,948) | \$ (26,698) | \$ (34,604) | \$ (192,751) | \$ (1,175,448) |
| Adjustments To Reconcile Loss To Net Cash Used | | | | | |
| By Operating Activities | | | | | |
| Amortization | 211 | 151 | 423 | 301 | 1,628 |
| Amortization of interest | 11,298 | - | 22,596 | - | 58,792 |
| Write down of capital assets | - | - | - | - | 12,445 |
| Change in prepaid expenses and advances | - | (5,000) | - | (5,958) | (28,546) |
| Change in accounts payable and accrued liabilities | 1,428 | 355 | 1,152 | 149,800 | 309,012 |
| | (10,011) | (34,192) | (10,433) | (48,608) | (822,117) |
| Cash Flows From Investing Activity | | | | | |
| Purchase of capital assets | - | - | - | - | (1,808) |
| Cash Flows From Financing Activities | | | | | |
| Proceeds from loan payable to shareholder | - | - | - | - | 16,097 |
| Loan receivable from shareholder | - | (12,000) | - | (12,000) | (39,000) |
| Issue of common shares | - | - | - | - | 18,950 |
| Convertible note payable | 10,000 | 45,000 | 10,422 | 55,000 | 827,991 |
| Cash acquired on acquisition of subsidiary | - | - | - | - | 778 |
| | 10,000 | 33,000 | 10,422 | 43,000 | 824,816 |
| (Decrease) Increase In Cash | (11) | (1,192) | (11) | (5,608) | 891 |
| Cash, Beginning Of Period | 902 | 1,814 | 902 | 6,230 | - |
| Cash, End Of Period | \$ 891 | \$ 622 | \$ 891 | \$ 622 | \$ 891 |

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:

During the period ended June 30, 2001, a loan payable to a shareholder in the amount of \$16,097 was reclassified as a contribution to capital in connection with the Company's repurchase of common stock in preparation for the reverse take-over transaction.

Effective February 2, 2001, the Company acquired 100% of the issued and outstanding shares of Custom Branded Networks, Inc. by allotting 25,000,000 common shares at the fair value of \$15,228.

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

| | COMMON STOCK | | ADDITIONAL | DEFICIT | TOTAL |
|---|--------------|--------|--------------------|------------------------------------|-----------|
| | SHARES | AMOUNT | PAID-IN CAPITAL | DURING THE DEVELOPMENT STAGE | |
| Issuance of shares to founders | 3,465 | \$ 3 | \$ 18,947 | \$ - | \$ 18,950 |
| Net loss for the period | - | - | - | (159,909) | (159,909) |
| Balance, June 30, 2000 | 3,465 | 3 | 18,947 | (159,909) | (140,959) |
| Repurchase of common stock by consideration of forgiveness of loan payable to shareholder | (1,445) | - | 16,097 | - | 16,097 |
| | 2,020 | 3 | 35,044 | (159,909) | (124,862) |
| Adjustment to number of shares issued and outstanding as a result of the reverse take-over transaction | | | | | |
| Custom Branded Networks, Inc. | (2,020) | - | - | - | - |
| Aquistar Ventures (USA) Inc. | 15,463,008 | - | - | - | - |
| | 15,463,008 | 3 | 35,044 | (159,909) | (124,862) |
| Shares allotted in connection with the acquisition of Custom Branded Networks, Inc. | 25,000,000 | 15,228 | - | - | 15,228 |
| Less: | | | | | |
| Allotted and not yet issued | (8,090,476) | - | - | - | - |
| Common stock conversion rights | - | - | 421,214 | - | 421,214 |
| Net loss for the year | - | - | - | (723,239) | (723,239) |
| Balance, June 30, 2001 | 32,372,532 | 15,231 | 456,258 | (883,148) | (411,659) |
| Additional shares issued in connection with the acquisition of Custom Branded Networks, Inc. | 1,500,000 | - | - | - | - |
| Common stock conversion rights | - | - | 109,748 | - | 109,748 |
| Net loss for the year | - | - | - | (326,038) | (326,038) |

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

| | | | | | |
|----------------------------|------------|----------|-----------|---------------|-------------|
| Balance, | ----- | | | | |
| June 30, 2002 | 33,872,532 | 15,231 | 566,006 | (1,209,186) | (627,949) |
| Net loss for the period | - | - | - | (34,604) | (34,604) |
| Balance, | ----- | | | | |
| December 31, 2002 | 33,872,532 | \$15,231 | \$566,006 | \$(1,243,790) | \$(662,553) |
| | ===== | | | | |

F-5

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements as of December 31, 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 June 30, 2002 audited consolidated financial statements and notes thereto.

2. NATURE OF OPERATIONS

Custom Branded Networks, Inc. (the "Company") engages in the business of providing turnkey private label internet services to organizations throughout the domestic United States and Canada. The Company plans to provide wholesale internet access service acting as the internet service provider ("ISP") through its relationships with other ISPs who will provide the service for the Company and perform the billing services directly to the customer. Currently, the Company has one ISP relationship in place for dial-up modem service. The Company also provides the customer set-up, and the branded compact disc with the customer's unique content and packaging. The Company is considered a development stage company in accordance with Statement of Financial Accounting Standards No. 7. The Company has not commenced planned principal operations.

i) Going Concern

The Company has generated limited operating revenues and it has used cash in its operations since its inception, thereby generating operating losses. Such losses are due primarily to the Company's efforts to develop and promote its

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

products and services, which efforts include internal staffing, travel and other promotional expenses. The Company has signed up certain customers but deployment on the ISP's network has not occurred. Management expects deployment to occur in the near future. The Company plans to continue to focus on deployment and acquiring customers, which will require additional expenditures for operating costs. There can be no assurance that the Company will be able to successfully deploy customers, be successful in raising sufficient funds for its operations, or achieve or sustain profitability or positive cash flows from its operations. The Company's ability to continue as a going concern is dependent on its ability to raise additional amounts of capital.

F-6

CUSTOM BRANDED NETWORKS, INC. (A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

2. NATURE OF OPERATIONS (Continued)

ii) Acquisition of Custom Branded Networks, Inc. and Name Change

On February 2, 2001, the shareholders of the Company, formerly known as Aquistar Ventures (USA) Inc. ("Aquistar"), a Nevada corporation, approved an agreement and plan of reorganization (the "reorganization") involving the acquisition of Custom Branded Networks, Inc. ("Custom Branded"), a Delaware corporation, and the change of the name Aquistar to Custom Branded.

As a consequence of the implementation of the reorganization, the following occurred:

- a) The Company acquired all the shares of Custom Branded in exchange for the issue of 25,000,000 shares of the Company to the former shareholders of Custom Branded.
- b) The Company changed its name from Aquistar to Custom Branded Networks, Inc.

As a result of the reorganization, the former shareholders of Custom Branded hold 61.8% of the outstanding common shares of the Company.

iii) Reverse Take-Over

Effective February 2, 2001, Aquistar Ventures (USA) Inc. ("Aquistar") acquired 100% of the issued and outstanding shares of Custom Branded Networks, Inc. ("Custom Branded") by issuing 25,000,000 common shares. Since the transaction resulted in the former shareholders of Custom Branded owning the majority of the issued shares of Aquistar, the transaction, which is referred to as a "reverse take-over", has been treated for accounting purposes as an acquisition by Custom Branded of the net assets and liabilities of Aquistar. Under this purchase method of accounting, the results of operations of Aquistar are included in

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

these financial statements from February 2, 2001.

Control of the net assets of Aquistar was acquired for the total consideration of \$15,228 representing the fair value of the assets of Aquistar. Custom Branded is deemed to be the purchaser for accounting purposes. Accordingly, its net assets are included in the balance sheet at their previously recorded values.

F-7

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

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 financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The 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 financial statements include the accounts of the Company and its wholly-owned subsidiary, Custom Branded Networks, Inc. (a Nevada corporation).

b) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

c) Capital Assets

Capital assets are recorded at cost and are amortized at the following rates:

Office equipment - 20% declining balance basis
Computer equipment - 3 years straight line basis

d) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 -

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

"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 of all of a deferred tax asset will not be realized, a valuation allowance is recognized.

F-8

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Revenue Recognition

Revenues will consist of recurring monthly fees from internet access and from set-up fees. Subscriber contract terms vary by customer, although, the monthly internet access fees are generally paid by the subscriber at the beginning of the month. Subscribers canceling service are not entitled to receive funds of the monthly access fee per the service contract, unless it is prepaid for future periods. Revenues for monthly internet access fees are earned and recognized when received for the current month. Internet access fees prepaid for future months are deferred until the beginning of the service month. Revenues for set-up fees are recognized once the customer is deployed and internet access service is active. Customers are entitled to refunds of set-up fees if deployment does not occur.

f) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, 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.

g) Loss Per Share

The Company computes net loss per share in accordance with SFAS No. 128 - "Earnings Per Share". Under the provisions of SFAS No. 128, basic loss per share is computed using the weighted average number of common stock outstanding during the periods. Diluted loss per share is computed using the weighted average number of common and potentially dilutive common stock outstanding during the period. As the Company generated net losses in each of the periods presented, the basic and diluted net loss per share is the same as any exercise of options or warrants would anti-dilutive.

F-9

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Company reviews long-lived assets and including identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

i) New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141 - "Business Combinations". The Statement requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting. The Company believes that the adoption of FASB No. 141 will not have a significant impact on its financial statements.

In July 2001, the FASB issued Statement No. 142 - "Goodwill and Other Intangible Assets". The Statement will require discontinuing the amortization of goodwill and other intangible assets with indefinite useful lives. Instead, these assets will be tested periodically for impairment and written down to their fair market value as necessary. This Statement is effective for fiscal years beginning after December 15, 2001. The Company believes that the adoption of FASB No. 142 will not have a material impact on its financial statements.

In August 2001, the FASB issued Statement No. 144 - "Accounting for the Impairment of Long-Lived Assets" which is effective for fiscal years beginning after December 15, 2001. FASB No. 144 addresses accounting and reporting of long-lived assets, except goodwill, that are either held and used or disposed of through sale or other means. The Company believes that the adoption of FASB No. 144 will not have a material impact on its financial statements.

F-10

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002
(Unaudited)
(Stated in U.S. Dollars)

4. CAPITAL ASSETS

| | DECEMBER 31 2002 | | JUNE 30 2002 | |
|--------------------|---------------------|-----------------------------|-------------------|-------------------|
| | COST | ACCUMULATED DEPRECIATION | NET BOOK VALUE | NET BOOK VALUE |
| Computer equipment | \$ 1,808 | \$ 1,507 | \$ 301 | \$ 603 |
| Office equipment | 3,380 | 2,292 | 1,088 | 1,209 |
| | \$ 5,188 | \$ 3,799 | \$ 1,389 | \$ 1,812 |
| | | | | |

5. CONVERTIBLE NOTE PAYABLE

On January 31, 2002, the Company executed \$1,000,000 aggregate principal amount of convertible notes due not earlier than January 31, 2009. The Company has received \$827,569 in advances through to December 31, 2002. The notes bear no interest until the maturity date, and interest at 5% per annum on any remaining principal balance after the maturity date. The notes are convertible, at the option of the holder, at any time on or prior to maturity into shares of the Company's common stock at a conversion price of \$0.05 per share, and each converted share includes a warrant to purchase an additional common stock share at an exercise price of \$0.05 per share. The warrants expire three years from the grant day.

Because the market interest rate on similar types of notes was approximately 14% per annum the day the notes were issued, the Company has recorded a discount of \$520,962 related to the beneficial conversion feature. The discount will be amortized as interest expense over the life of the convertible notes, or sooner upon conversion. During the period, the Company recorded interest expense of \$22,596.

F-11

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

FORWARD LOOKING STATEMENTS

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding the Company's capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports the Company files with the SEC. These factors may cause the Company's actual results to differ materially from any forward-looking statement. The Company disclaims any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

PLAN OF OPERATIONS

At December 31, 2002, the Company had cash of \$891. To sustain the business operations of the Company, the Company must obtain additional capital. The Company's current plans are to borrow money as needed to sustain current operations. Since inception, the Company has executed \$1,000,000 in the aggregate principal amount of convertible notes. The Company has received \$827,569 in advances against the notes through December 31, 2002. The Company hopes to obtain additional advances against the notes in order to sustain the business operations of the Company. However, the holder of the notes is not obligated to fund the notes further and may not be willing to do so, in which event the Company will need to obtain funding from some other source. During the three month period ended December 31, 2002, we incurred operating expenses of \$11,650.00.

The business plan of the Company calls for the Company to provide turnkey private label Internet solutions to businesses and private organizations that desire to affiliate with a customer base via the Internet. Our business, however, has not developed as rapidly as we had originally anticipated. To date, we have signed up one customer and the deployment of the Internet services for this customer has not occurred as of yet. It is uncertain at the present time whether we will be able to develop our current business plan to commercial viability.

ITEM 3. CONTROLS AND PROCEDURES.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures within the 90 days prior to the filing date of this report. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Paul G. Carter. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting management to material information relating to us required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include,

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

Item 2. Changes in Securities

We did not complete any sales of our securities during the fiscal quarter ended December 31, 2002.

Item 3. Defaults upon Senior Securities

None.

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

No matters were submitted to our security holders for a vote during the fiscal quarter ended December 31, 2002.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K.

EXHIBITS REQUIRED BY ITEM 601 OF FORM 8-K

| Exhibit Number | Description of Exhibit |
|-------------------|--|
| 99.1 | 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(1) |

(1) Filed as an Exhibit to this Quarterly Report on Form 10-QSB

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

We did not file any Current Reports on Form 8-K during the fiscal quarter ended December 31, 2002.

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.

CUSTOM BRANDED NETWORKS, INC.

Date: February 13, 2003

By: /s/ Paul G. Carter

Paul G. Carter
President, Secretary, Treasurer and Director
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer)
(Principal Accounting Officer)

5

CERTIFICATIONS

I, PAUL G. CARTER, Chief Executive Officer and Chief Executive Officer of Custom Branded Networks, Inc. (the "Registrant"), certify that;

- (1) I have reviewed this quarterly report on Form 10-QSB of Custom Branded Networks, Inc.;
- (2) Based on my knowledge, this quarterly 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 quarterly report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly report is being prepared;

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10QSB

- 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 quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly 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 quarterly report whether or not there were significant changes in internal controls or in other facts 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.

Date: February 13, 2003

/s/ Paul G. Carter

(Signature)
President, Secretary and Treasurer
Chief Executive Officer and
Chief Financial Officer

(Title)