

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-QSB**

(Mark One)

X...Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended May 31, 2001.

....Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

**SUNBURST ACQUISITIONS IV, INC.**

(Name of small business in its charter)

Colorado

0-23561

84-1431797

(State or other jurisdiction of  
incorporation)

(Commission File Number)

(IRS Employer Identification  
Number)

2082 Cherry Street  
Denver, Colorado

80207

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (303) 321-0461

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 \_\_\_\_

Applicable only to issuers involved in bankruptcy proceedings during the past five years:

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes \_\_\_\_ No \_\_\_\_

Applicable only to corporate issuers:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 29,902,499 as of June 30, 2001.

Transitional Small Business Disclosure Format (Check one):

Yes \_\_\_\_ No X

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

(a) The unaudited financial statements of registrant as of and for the period ending May 31, 2001 follow.

SUNBURST ACQUISITIONS IV, INC.

FINANCIAL STATEMENTS

Quarter ended May 31, 2001

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Sunburst Acquisitions IV, Inc. and Subsidiary  
(A Development Stage Company)  
BALANCE SHEET  
May 31, 2001

**ASSETS**

***CURRENT ASSETS***

Cash and cash equivalents	\$ 3,085
Film Inventory	57,705
Notes receivable	75,000
Other current assets	<u>2,504</u>

<b>Total current assets</b>	<u>138,294</u>
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***PROPERTY AND EQUIPMENT***

<b>Furniture and fixtures</b>	83,642
<b>Equipment</b>	89,250
<b>Building Improvements</b>	35,693
<b>Less accumulated depreciation</b>	<u>(43,607)</u>

164,978

***OTHER ASSETS***

<b>Capitalized project costs</b>	<u>481,519</u>
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<b>Total long-term assets</b>	<u>646,497</u>
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<b>TOTAL ASSETS</b>	<u><u>\$ 784,791</u></u>
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**LIABILITIES AND STOCKHOLDERS' EQUITY**

***CURRENT LIABILITIES***

Accounts payable	\$ 119,360
Accrued expenses	127,852
Notes payable - related parties	100,000
Notes payable to stockholders	<u>548,191</u>

<b>Total current liabilities</b>	<u>895,403</u>
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***LONG TERM LIABILITIES***

<b>Due to related party</b>	<u>741,056</u>
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<b>Total long-term liabilities</b>	<u>741,056</u>
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***STOCKHOLDERS' EQUITY***

Preferred stock, no par value; 20,000,000 shares authorized; no shares issued and outstanding	-
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Common stock, no par value; 100,000,000 shares authorized; 29,902,499 shares issued and outstanding	1,345,116
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Deficit accumulated during the development stage	<u>(2,196,784)</u>
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	<u>(851,668)</u>
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<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 784,791</u></u>
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The accompanying notes are an integral part of the financial statements.

Sunburst Acquisitions IV, Inc. and Subsidiary  
(A Development Stage Company)  
STATEMENTS OF OPERATIONS

	<b>For the period from inception (March 19, 1999) to May 31, <u>2001</u></b>	<b>For the three months ended May 31, <u>2001</u>      <u>2000</u></b>	
<b>REVENUES</b>	\$ <u>208,235</u>	\$ -	\$ -
<b>EXPENSES</b>			
Selling, general and administrative	<u>2,765,777</u>	<u>18,330</u>	<u>604,569</u>
Total expenses	2,765,777	18,330	604,569
<b>NET OPERATING LOSS</b>	(2,557,542)	(18,330)	(604,569)
<b>OTHER INCOME AND EXPENSE</b>			
Interest expense	(39,242)	(11,440)	-
Gain on sale of securities	<u>400,000</u>	<u>-</u>	<u>-</u>
<b>NET LOSS</b>	(2,196,784)	(29,770)	(604,569)
Accumulated deficit			
Balance, beginning of period	<u>-</u>	<u>(2,167,014)</u>	<u>(1,580,098)</u>
Balance, end of period	<u>\$ (2,196,784)</u>	<u>\$ (2,196,784)</u>	<u>\$ (2,184,667)</u>
<b>NET LOSS PER SHARE</b>	<u>\$ (0.07)</u>	<u>\$ (NIL)</u>	<u>\$ (0.02)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK AND COMMON STOCK EQUIVALENTS OUTSTANDING</b>	<u>33,735,358</u>	<u>34,141,629</u>	<u>35,831,668</u>

\The accompanying notes are an integral part of the financial statements.

Sunburst Acquisitions IV, Inc. and Subsidiary  
(A Development Stage Company)  
STATEMENTS OF CASH FLOWS

	For the period from inception (March 19, 1999) to May 31, <u>2001</u>	For the three months ended May 31, <u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (2,196,784)	\$ (29,770)	\$ (604,569)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Gain on sale of securities	(400,000)	-	-
Depreciation	43,607	8,724	8,420
Increase in inventory	(57,705)	-	(57,500)
(Increase) decrease in other assets	(481,519)	1,123	(496,817)
(Increase) decrease in prepaid expense	-	-	(50,635)
(Increase) decrease in accounts receivable	(2,504)	(2,137)	-
Increase (decrease) in accrued expenses	127,852	11,440	(2,118)
Increase (decrease) in accounts payable	<u>119,360</u>	<u>(11,427)</u>	<u>60,282</u>
Net cash flows from operating activities	(2,847,693)	(22,047)	(1,142,937)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of securities	325,000	-	-
Purchase of property and equipment	<u>(208,585)</u>	<u>-</u>	<u>(154,325)</u>
Net cash flows from investing activities	116,415	-	(154,325)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Related party debt	740,556	(500)	937,500
Proceeds from notes payable to stockholders	548,191	-	110,520
Proceeds from notes payable	100,500	-	-
Issuance of common stock	<u>1,345,116</u>	<u>-</u>	<u>205,650</u>
Net cash flows from financing activities	<u>2,734,363</u>	<u>(500)</u>	<u>1,253,670</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,085	(22,547)	(43,592)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>-</u>	<u>25,632</u>	<u>59,984</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 3,085</u>	<u>\$ 3,085</u>	<u>\$ 16,392</u>

The accompanying notes are an integral part of the financial statements.

Sunburst Acquisitions IV, Inc.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2001

**1. Management's Representation of Interim Financial Information**

The accompanying financial statements have been prepared by Sunburst Acquisitions IV, Inc. 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 generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These financial statements include all of the adjustments which, in the opinion of management, are necessary to a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the audited financial statements at February 28, 2001.

**2. Investment in Prologic Management Systems, Inc.**

On February 16, 2001 the Company completed the sale of 2,859,972 shares of stock in Prologic Management Systems, Inc., an Arizona corporation ("Prologic"), to Prologic, or its designees, for a total sales price of \$400,000, or approximately \$0.1399 per share. The sale was completed pursuant to the terms of a Settlement Agreement and Release, dated January 26, 2001. This investment had been charged to operations in August 2000 by Sunburst Acquisitions IV, Inc.

The sales price was paid \$325,000 in cash at closing and \$75,000 through Prologic's execution of a promissory note. The promissory note bears interest at the rate of 10% per annum and requires payments of \$25,000 principal, interest, on each of April 12, 2001, July 12, 2001 and October 12, 2001. The April 12, 2001 and July 12, 2001 payments have not been made.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

### **Liquidity and Capital Resources**

The Company remains in the development stage. Since inception it has undergone two unsuccessful business combinations which have caused it to incur significant liabilities and have resulted in the accumulation of a substantial deficit during the development stage. As of May 31, 2001, the Company has current assets of \$138,294 and current liabilities of \$895,403, resulting in a current ratio of 15.44.

During the fiscal year ended February 28, 2001, the Company received cash proceeds of \$325,000 as part payment of the purchase price for its sale of shares of common stock of Prologic. However, substantially all of those funds were used prior to the end of the fiscal year to pay various outstanding debts and obligations of the Company, primarily including debts and obligations related to its acquisition of HollywoodBroadcasting.com, Inc. As a result, those funds are not available to pay on-going operating expenses. The Company does not currently have the funds necessary to enable it to carry out its business plan. It will need to raise additional capital to pay expenses associated with compliance with its reporting obligations under the Securities Exchange Act of 1934 and to fund its planned efforts related to investigating the potential acquisition of or combination with an operating entity for which the Company's status as a reporting company under the Securities Exchange Act of 1934 is deemed valuable.

### **Plan of Operations**

The Company's plan of operations is to reduce its operating expenses to the lowest amount necessary to enable it to continue to comply with its reporting obligations under the Securities Exchange Act of 1934, and to engage in activities associated with locating and evaluating acquisition candidates. In the event the Company is able to locate a suitable acquisition candidate it plans to proceed with the acquisition as quickly as reasonably possible.

Unless and until a business combination is completed with an acquisition candidate, the Company does not expect to generate revenues. In fact, the Company may also continue to operate at a loss even after completing a business combination, depending upon the performance of the acquired business. Therefore, the Company anticipates that it will continue to incur losses for the current fiscal year.

As a result of the anticipated losses for the fiscal year, the Company will require additional capital in order to meet its cash needs including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended.

The Company anticipates that some portion of the funds it will require for payment of on-going expenses may come from payments due under the promissory note it received from Prologic in conjunction with sale of Prologic shares. However, the \$25,000 payments which were due on April 12, 2001 and July 12, 2001 pursuant to the terms of the promissory note have not yet been received by the Company. The Company is in discussions with Prologic regarding

modification of the terms of payment under the promissory note but there is no assurance as to when or whether the Company is likely to receive any portion of the remaining \$75,000 due from Prologic.

Another potential source of capital for the Company is the sale of all, or a portion, of its remaining 600,000 shares in Prologic. Although Prologic has the contractual obligation to file a registration statement to register such shares for resale by the Company, it has not yet done so, and the shares are currently still designated as “restricted securities” under the Securities Act of 1933. In addition, the market value of such shares is currently difficult to determine because the shares of Prologic are thinly traded and there is not a viable market for purchase and sale of such shares. Thus, there is no assurance that the Company would be able to sell its Prologic shares even if they were registered for purposes of resale.

Other than the potential sources of funds described above, no specific commitments to provide additional funds have been made by management or other stockholders. Subsequent to the end of the quarter, the Company’s board of directors authorized a private placement offering of up to 3,000,000 shares of common stock at a price of \$0.03 per share. If the Company is successful in completing the private placement, it will result in the receipt of approximately \$90,000 in working capital to be used for payment of current liabilities and for payment of on-going costs.

On June 11, 2001, the Company was notified by the management of the Los Angeles Film School (LAFS) of its claim for reimbursement for \$1,271,000 in expenses which LAFS asserts were incurred on behalf of HollywoodBroadcasting.com (HBC). Such amounts consist of office rent, equipment purchases, and computer lease obligations. The claim also alleges conflicts of interest by members of HBC management during the time that HBC’s president was a partner in LAFS. The accompanying financial statements include \$741,000 due and payable to LAFS. Management disputes the additional amount claimed by LAFS, (\$530,000) and intends to vigorously defend HBC from liability as a result of this claim.

## PART II - OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(b) No reports on Form 8-K were filed by the Company for the quarter ended May 31, 2001.

SIGNATURE

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

**SUNBURST ACQUISITIONS IV, INC.**

By: /S/ TERRY FIELDS

Terry Fields

Principal Executive Officer and Director

Date: July 16, 2001