DETOUR MEDIA GROUP INC
Form 10QSB/A
March 19, 2002

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

FORM 10-QSB/A1

Quarterly Report Under
the Securities Exchange Act of 1934

For Quarter Ended: September 30, 2001

Commission File Number: 0-25388

DETOUR MEDIA GROUP, INC.
(Exact name of small business issuer as specified in its charter)

Colorado
(State or other jurisdiction of incorporation or organization)

84-1156459
(IRS Employer Identification No.)

7060 Hollywood Blvd., Suite 1150
Los Angeles, California
(Address of principal executive offices)

90028
(Zip Code)

(323) 469-9444
(Issuer's Telephone Number)

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 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 ____.

The number of shares of the registrant's only class of common stock issued and outstanding, as of March 8, 2002 was 42,242,965 shares.

PART I

ITEM 1. FINANCIAL STATEMENTS.

The unaudited financial statements for the nine month period ended September 30, 2001, are attached hereto.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

OVERVIEW

We are engaged in publishing of a monthly magazine entitled Detour, which includes advertisements and articles relating to fashion, contemporary music and entertainment and social issues. Management describes the magazine as an "urban, avant-garde" publication. We derive approximately 80% of our revenues from advertising, with the balance from circulation. We maintain an office in Los Angeles.

The Magazine has normally been published monthly, with the exception of the issues for December/January and June/July, for which one issue is published. The Magazine has been, in general, approximately 150 pages in length, comprised of about 50 to 60 pages of advertising, with the balance in editorial pages. However, due to our impaired financial condition, one issue was published during the first quarter of 2001, one issue was published in the second quarter of 2001, and one issue was published during the third quarter of 2001. As of the date of this Amendment, we

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have published a fourth and last issue for the year 2001, and pursuant to a restructuring plan, intend to publish our next issue in the 3rd quarter of 2002. Such restructuring includes a debt reorganization with significant debt to equity conversion, a more focused business plan, a new management team and an infusion of approximately $5 million in equity capital. However, there can be no assurances that we will be successful with this restructuring.

The following information is intended to highlight developments in our operations to present our results of operations, to identify key trends affecting our business and to identify other factors affecting our results of operations for the nine month periods ended September 30, 2001 and 2000.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the Nine Month Periods Ended September 30, 2001 and 2000

During the nine month period ended September 30, 2001, our revenues decreased from the same period in 2000, as we generated revenues of $958,471 compared to revenues of $3,286,486 for the similar period in 2000, a decrease of $2,328,015 (71%). This was attributable to only three issues of our Magazine being published during this period, compared to one double issue and seven single issues being published during the nine month period ended September 30, 2000, resulting in a decrease in advertising revenues, our principal source of revenue, as well as newsstand and subscription revenues. We published only three issues during this period because of our lack of working capital. Although we have reduced the number of issues published per year, the same advertisers have continued to place advertisements in our Magazine, and we anticipate that such advertisers will continue to place advertisements in our Magazine and we will be able to attract additional advertisers if and when we obtain sufficient funding to increase the number of issues published per year, of which there is no assurance.

In the nine month period ended September 30, 2001, costs of sales decreased 72%, to $631,494, compared to $2,237,673 for the similar period in 2000, a decrease of $1,606,181, which was also due to the publication of only three issues of our Magazine during the applicable period, compared to eight issues in 2000.

Selling, general and administrative expenses were $2,217,530 for the nine months ended September 30, 2001, compared to $4,278,695 for the similar period in 2000, a decrease of $2,061,165 (48%). This decrease was due to reduced salary costs, closing of the New York office and significant reduction in financial marketing expenses, which included a significant reduction in issuance of the Company's warrants for outside services to

financial consultants with regard to equity and debt financing, and related costs.

Interest expense decreased from $833,628 in the nine months ended September 30, 2000, to $761,181 for the nine months ended September 30, 2001, a decrease of $72,447 (9%) as a result of the conversion of $932,313 of principal debt in July 2001, thereby eliminating additional interest expense on that obligation. See "Liquidity and Capital Resources" below. As a result, we generated a net loss of $(2,651,734) for the nine month period ended September 30, 2001, ($0.08 per share) compared to a net loss of $(4,011,201) for the nine month period ended September 30, 2000 ($.14 per share).

LIQUIDITY AND CAPITAL RESOURCES

At the end of the nine month period ended September 30, 2001, we had $45,954 in cash and cash equivalents. Accounts receivable decreased to $89,339 from $808,685 at September 30, 2000, a decrease of $719,346 (89%), which management attributes to the fact that we published only three magazine issues during the applicable period with considerably lower advertising revenue and related accounts receivable per issue.

We have numerous outstanding notes payable, including the following:

In August 1998, we obtained a loan in the principal amount of $550,000 from

IBF Special Purpose Corporation II, to be used for general working capital. This loan currently bears interest at the default rate of 28% per annum and was due December 19, 1998, including a one-time extension fee paid to this lender of $5,500. The loan provides for an exit fee equal to 3% of the original principal amount of the loan ($16,500) and is secured by 1,000,000 shares of our common stock, which were provided by 7 shareholders, including Mr. Stein, who tendered 190,000 shares as part of the security. Mr. Stein has also personally guaranteed this obligation. In December 1998, we repaid $27,500 of the principal balance. We also paid all interest which had accrued through September 30, 2000. In April 2001, we tendered a payment of $173,760 on this obligation and entered into a Forbearance Agreement which provides, among other things, for us to pay this lender $25,000 per month until the entire balance is paid in full. Upon payment in full, the lender will return all of the stock provided as security. Interest continues to accrue at the default rate. As at September 30, 2001, interest was paid on a current basis and the principal balance was $520,938. As of the date of this Amendment, we remain current on this obligation.

In December 1999, we obtained a $200,000 loan from Sigmapath Corporation, which accrues interest at the rate of 6% per annum and

became due on March 8, 2000. We paid $100,000 on this obligation. In March 2001, an action was filed against us by an officer of Sigmapath to collect the balance of $100,000 remaining due. However, this action was dismissed by the court because the plaintiff who brought the action was not the proper party in interest. Subsequently, we were served with another copy of a complaint in November 2001. See "Part II, Item 1, Legal Proceedings" below.

At September 30, 2001, we had eleven other notes payable, including two convertible debentures, in the aggregate principal amount of $2,311,590, bearing interest at rates ranging from 8% to 12% per annum, all of which require a monthly or quarterly payment of principal and/or interest. These notes are due on demand or past due.

In 1995, our majority stockholder loaned us $932,313. In 1996, this note was converted to a demand note, bearing interest at the rate of 12% per annum. In 1996, this stockholder subsequently assigned this Note to JCM Capital Corp., a minority stockholder, who, upon information and belief, has assigned portions of this note to other unaffiliated parties. In July 2001, the holders of these various notes agreed to convert this obligation, including all principal and accrued interest, into shares of our common stock at a conversion price of approximately $.46 per shares. They received 3,237,468 shares of our common stock, in aggregate. These notes were secured by substantially all of our assets, except for accounts receivable. Upon converson of the notes, the security interest was released.

Advances from stockholder represent advances made by our majority stockholder for working capital purposes. At September 30, 2000, the advances bore interest at 8% per annum and were payable on demand. In March 2000, our majority stockholder agreed to reduce the annual interest rate to 8% from 12%, effective January 1, 2000 and modify the repayment terms. Under the new repayment terms, the advances are repayable in monthly principal installments of $42,000 commencing January 1, 2001. However, we must use at least 25% of the net proceeds of any financing received by us to repay the advances. Further, all of the advances are due and payable in full at such time as we have received equity financing of at least $10 million. At September 30, 2001, $2,805,604 of principal was outstanding and classified as short- term. Accrued interest payable to the majority stockholder at September 30, 2001 totaled $1,041,703. Interest expense on the advances was $85,369 for the nine month period ended September 30, 2001.

TRENDS

Management has completed a comprehensive business plan including a new business strategy and reorganization of our debt,

capital structure and plan for capital formation required to implement the new business strategy. In October, November and December of 2001, we entered into finders fee and consulting agreements to assist in the formation and implementation of the business plan and capital formation activities. The business strategy focuses initially on strengthening Detour Magazine's distribution and brand in North America, attracting new management and laying the groundwork for licensing the Detour brand on an expanded product and geographical basis.

In October 2001, we published our most recent issue and we currently plan to publish our next issue in the third quarter of 2002, which will be dependent upon the receipt of additional loan proceeds to fund our significantly reduced interim overhead and publication of that next issue. On or before April 30, 2002, we anticipate the reorganization of our debt pursuant to such plan, the funding of equity capital required to implement such plan and the hiring of new management.

There is no assurance that we will be able to raise interim loan proceeds or the equity financing required pursuant to the business plan, in which case we would have no additional funds, other than collection of current accounts receivable, with which to continue in business and may be forced to enter into a joint publishing arrangement or sell or liquidate.

INFLATION

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material affect on our results of operations during the nine month period ended September 30, 2001.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

By notice dated March 30, 2000, the staff of the Salt Lake City District Office of the Securities and Exchange Commission ("SEC" or "the Commission") notified us and our Chairman that it was recommending to the SEC that an enforcement action be filed against both us and our Chairman relating to accuracy of certain of our financial statements in 1997 and 1998. The recommended enforcement action was based on: (i) the improper presentation of certain quarterly financial information; and (ii) the failure to record in accordance with generally accepted accounting principles the proper compensation expense resulting from the issuance to consultants in 1997 of options to purchase 4,400,000 shares of common stock. According to the notice from the Commission, the SEC anticipates alleging that we had violated Section 17(a) of the Securities Act of 1933, and Section 10(b) of the Securities

Exchange Act of 1934, Rule 10b-5, Section 13(a) of the Exchange Act and various rules promulgated thereunder.

We believed that the issue regarding improper presentation of quarterly financial information relates to our averaging of certain costs and expenses in certain quarterly periods in 1997 and 1998 instead of calculating these costs and expenses precisely. To comply with the staff's requirement, we would be required to determine the actual costs and expenses for the affected quarters. The second issue related to whether we recorded the proper amount of compensation expense in connection with the issuance of the options to the consultants. We recorded an expense of $21,991, based on the exercise price of the options of $.005 per share. We understand that the staff believes that the expense should be the fair market value of the options at the time the options were issued. Under generally accepted accounting principles, any such additional compensation expense in connection with the options would result in a corresponding increase in our paid-in capital. Thus, while the expense would increase our net loss for 1997, the paid-in capital would be similarly increased and there would be no change to our total deficit in stockholders' equity as of the end of 1997.

In 2000, we advised the staff that we wished to cooperate fully and reach an agreement on an appropriate remedy to resolve this matter. We had determined to restate our financial statements to address the concerns raised by the staff.

On November 22, 2000, the matter was resolved by the Commission issuing a cease-and-desist proceeding pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934. The Commission ordered us to amend our filings with the Commission to properly reflect our financial condition and operating results, and as required by Section 13(b)(2) of the Exchange Act, we have been instructed to make and keep books, record and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets. The Commission further ordered us to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions are recorded as necessary to permit the preparation of financial statements in conformity with generally accepted accounting principles. As of the date of this Report, we have filed with the Commission applicable amendments to our Form 10-QSB filings for the quarters ended March 31, June 30 and September 30 of 1997 and for the quarters ended March 31, June 30 and September 30 of 1998, reflecting restated financial statements for those quarters. No civil penalties were assessed against us relevant to the settlement of this matter.

We have been named as a defendant in several other lawsuits in the normal course of our business. With the exception of one

prospective matter described in "Subsequent Events" below, in the opinion of management after consulting with legal counsel, the liabilities, if any, resulting from these matters will not have a material effect on our financial statements.

Subsequent Event

On November 26, 2001, we were served with an amended notice of motion for summary judgement in lieu of complaint by Doc. J. Thurston, III and Sigmapath Corporation, who named both our company and Edward Stein, our President, as defendants. The action, which has been filed in the Supreme Court of the State of New York, County of Nassau, Index No. 1313/01, prays for judgment in the amount of $100,000, plus appropriate interest, relating to the Sigmapath note described above under "Liquidity and Capital Resources." This action remains pending as of the date of this Amendment.

ITEM 2. CHANGES IN SECURITIES

During the three month period ended September 30, 2001, we issued an aggregate of 700,000 warrants as follows: two to employees (100,000 warrants apiece) and one to a consultant (500,000 warrants), each warrant exercisable to purchase one share of our common stock at an exercise price of $.20 per share. The warrants have a term of 3 years from the date of issuance. We have granted the holders of these warrants "piggyback" registration rights for the shares underlying the warrants.

In July 2001, two holders of our outstanding convertible debentures elected to convert. They converted an aggregate of $50,000 in principal and $5,514 in accrued interest, into an aggregate of 1,119,231 shares of our common stock pursuant to the terms of the applicable debenture.

In July 2001, as discussed above under "Liquidity and Capital Resources," the holders of notes in the principal amount of $932,313 agreed to convert this obligation, including all principal and accrued interest, into shares of our common stock at a conversion price of approximately $.46 per share. They received 3,237,468 shares of our common stock, in aggregate.

Subsequent Event

In October 2001, the Company issued 350,000 warrants plus such additional number of warrants as shall equal 1% of the amount by which the fully diluted number of common shares outstanding on January 8, 2002, exceeds 35,000,000. The issuance represents compensation to a consultant under the terms of a consulting agreement to provide and promote relationships with the Company to include potential strategic partners, merger or acquisition candidates, customers, business contacts, employees, agents and

consultants. Each warrant is exercisable to purchase one share of our Common Stock at an exercise price of $0.04 per share. The warrants have a term of 5 years from the date of issuance. We have granted the holder of these warrants "piggyback" registration rights for the shares underlying the warrants.

In each instance cited above, we relied upon the exemption from registration provided by Section 4(2), promulgated under the Securities Act of 1933, as amended, to issue the relevant securities.

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 - none

(b) Reports on Form 8-K - None.

DETOUR MEDIA GROUP, INC.
f/k/a Detour Magazine, Inc.
CONDENSED BALANCE SHEET

ASSETS	September 30, 2001	December 30, 2000
CURRENT ASSETS		
Cash	$ 45,954	$ 71,598
Accounts receivable	89,339	397,447
Prepaid expenses	21,612	11,598
Total current assets	156,905	480,643
FURNITURE AND EQUIPMENT, net	28,567	42,753
DEPOSITS AND OTHER ASSETS	35,525	16,125
	$ 220,997	$ 539,521
LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,878,466	1,957,614
Notes payable	1,563,076	1,559,921
A ccrued interest payable	294,160	145,204
Due to stockholder	2,805,604	2,556,021
Note payable stockholders	-	932,313
Interest payable stockholders	1,041,703	1,296,034
Convertible debentures	1,360,000	1,160,000
Total current liabilities	8,943,009	9,607,107
COMMITMENTS AND CONTINGENCIES	-	-
DEFICIT IN STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value 10,000,000 shares authorized, None issued and outstanding	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 35,238,694 and 22,914,769 shares issued and outstanding in 2001 and 2000, respectively	35,240	22,916

Additional paid-in capital	11,870,149	8,885,165
Accumulated deficit	(20,627,401)	(17,975,667)
Total deficit in stockholders' equity	(8,722,012)	(9,067,586)
	$ 220,997	$ 539,521

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DETOUR MEDIA GROUP, INC.
f/k/a Detour Magazine, Inc.
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,	
	2001	2000	2001	2000
Revenue				
Advertising	$ 257,600	$ 1,064,304	$ 927,889	$ 2,906,562
Newsstand and subscription, net of returns	2,447	182,359	30,582	379,924
Total revenue	260,047	1,246,663	958,471	3,286,486
Cost and expenses				
Cost of sales and other direct expenses	62,474	969,252	631,494	2,237,673
Selling, general and administrative expenses	489,064	1,524,321	2,217,530	4,278,695
	551,538	2,493,573	2,849,024	6,516,368
Loss from operations	(291,491)	(1,246,910)	(1,890,553)	(3,229,882)
Other expenses				
Interest expense, net	225,050	167,731	761,181	833,628
Asset impairment charge	-	-	-	-
Loss on disposal of assets	-	-	-	-
Total other expenses	225,050	167,731	761,181	833,628
Net loss before extraordinary item	(516,541)	(1,414,641)	(2,651,734)	(4,063,510)
Extraordinary gain on extinguishment of debt	-	-	-	52,309
	$ (516,541)	$(1,414,641)	$(2,651,734)	$(4,011,201)

DETOUR MEDIA GROUP, INC.
f/k/a Detour Magazine, Inc.
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	September 30, 2001	September 30, 2000
Cash flows from operating activities:		
Net loss	$(2,651,734)	$(4,011,201)
Adjustments to reconcile net loss to net cash used in operating activities:		
Extraordinary gain on extinguishment of debt	-	52,309
Amortization of debt issuance costs	10,300	-
Depreciation of furniture and equipment	14,186	15,989
Issuance of restricted common stock for Services	333,873	298,616
Warrants issued for services	197,700	1,029,839
Expense of beneficial conversion feature of the convertible debentures	-	296,437
Increase in bank overdraft	-	174,342
Decrease (increase) in accounts receivable	308,108	(440,903)
Increase in prepaid expenses	(10,013)	(226,747)
Decrease in employee advances	-	39,529
Increase in other assets	(19,400)	-
Decrease (increase) in accounts payable and accrued expenses	(79,148)	180,274
Decrease in unexpired subscriptions	-	(10,753)
Increase in interest payable, stockholder	299,073	323,317
Increase in accrued interest payable	154,158	37,276
Net cash used in operating activities	(1,442,897)	(2,241,676)
Cash flows from investing activities:		
Purchases of furniture and equipment	-	(15,655)
Cash flows from financing activities:		
Proceeds from short term borrowings	642,370	828,310
Principal repayments of short term borrowings, net	(419,632)	-
Proceeds from long term borrowings, net of issuance costs	300,000	-
Principal repayments of long term borrowings, net	(50,000)	-
Advances from stockholder	-	(70,979)
Cost of acquiring financing	-	-
Proceeds from issuance of common stock, net	944,515	1,500,000
Net cash provided by financing activities	1,417,253	2,257,331
Net increase (decrease) in cash	(25,644)	-
Cash (overdraft) at beginning of year	71,598	-
Cash (overdraft) at end of year	$ 45,954	$ -

DETOUR MEDIA GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Nine Month Period Ended September 30, 2001

1. Unaudited Interim Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions for Form 10-QSB and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation, have been included. Operating results for any quarter are not necessarily indicative of the results for any other quarter or for the full year.

2. Basis of Presentation

Business combination

On June 6, 1998, pursuant to the terms of an Agreement and Plan of Reorganization, Ichi-Bon Investment Corporation ("IBI") acquired all of the outstanding common stock of Detour, Inc. ("Old Detour") in exchange for 4,500,000 unregistered shares of IBI's common stock. As a result of the transaction, the former shareholders of Old Detour received shares representing an aggregate of 90% of IBI's outstanding common stock, resulting in a change in control of IBI. As a result of the merger, IBI was the surviving entity and Old Detour ceased to exist. Simultaneously therewith, IBI amended its articles of incorporation to reflect a change in IBI's name to "Detour Magazine, Inc." References to the "Company" or "Detour" refer to Detour Magazine, Inc. together with the predecessor company, Old Detour.

The acquisition of Old Detour has been accounted for as a reverse acquisition. Under the accounting rules for a reverse acquisition, Old Detour is considered the acquiring entity. As a result, historical financial information for periods prior to the date of the transaction are those of Old Detour. Under purchase method accounting, balances and results of operations of Old Detour will be included in the accompanying financial statements from the date of the transaction, June 6, 1998. The Company recorded the assets and liabilities (excluding intangibles) at their historical cost basis which was deemed to be approximate fair market value. The reverse acquisition is treated as a non-cash transaction except to the

extent of cash acquired, since all consideration given was in the form of stock.

Earnings per share

Earnings per share have been computed based on the weighted average number of common shares outstanding. For the nine month period prior to the reverse acquisition discussed in the business combination section of Note 2 above, the number of common shares outstanding used in computing earnings per share is the number of common shares outstanding as a result of such reverse acquisition (5,000,000 shares).

3. History and Business Activity

Detour was originally incorporated as Ichi-Bon Investment Corporation on May 18, 1990, under the laws of the State of Colorado. The name was changed to Detour Magazine, Inc. concurrent with the business combination described in Note 2. Prior to such business combination, Detour had not engaged in any operations or generated any revenue.

Old Detour was a publisher of a nationally distributed magazine entitled "Detour" which is published monthly and contains articles and pictorial displays on fashion, music and social commentary.

In February 2001, pursuant to the affirmative vote of the holders of a majority of our common stock, we amended our articles of incorporation, changing our name to "Detour Media Group, Inc."

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this amendment to its report to be signed on its behalf by the undersigned, thereunto duly authorized.

DETOUR MEDIA GROUP, INC.
(Registrant)

Dated: March 19, 2002

By: s/Edward T. Stein

Edward T. Stein, President