DETOUR MEDIA GROUP INC
Form 10QSB
June 13, 2002

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

FORM 10-QSB

Quarterly Report Under
the Securities Exchange Act of 1934

For Quarter Ended: March 31, 2002

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.)

10008 National Blvd. #345
Los Angeles, California 90034

(Address of registrant's executive offices)

90034
(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 June 13, 2002, was 42,242,965 shares.

PART I

ITEM 1. FINANCIAL STATEMENTS.

Our unaudited financial statements for the three month period ended March 31, 2002, 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 audited 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 our behalf. We disclaim any obligation to update forward looking statements.

The following information is intended to highlight developments in our operations, to present the results of our operations, to identify key trends affecting our business and to identify other factors affecting our results of operations for the three month periods ended March 31, 2002 and 2001.

OVERVIEW

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

Our Magazine has normally been published monthly, with the exception of the issues for December/January and June/July, for which one double issue has been published. However, due to our

impaired financial condition, we published only one issue during each calendar quarter during 2001, with the last issue published in October 2001. We have conducted no business operations during the three month period ended March 31, 2002. As of the date of this Report, we plan to again commence publishing our Magazine beginning in the Spring of 2003, provided that we have sufficient working capital to fund future publications. There are no assurances that we will have sufficient capital available to being publishing our Magazine in the future. See "Liquidity and Capital Resources" below.

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 three month periods ended March 31, 2002 and 2001.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the Three Month Periods Ended March 31, 2002 and 2001

During the three month period ended March 31, 2002, we generated no revenues as a result of our ceasing publication of our Magazine. During the same period in 2001, we generated revenues of $399,569.

In the three month period ended March 31, 2002, we incurred no costs of sales, also as a result of our ceasing publication as described above. Our cost of sales during the three month period ended March 31, 2001, was $237,316.

Selling, general and administrative expenses were $306,766 for the three months ended March 31, 2002, compared to $528,644 for the similar period in 2001, a decrease of $221,878 (42%). Relevant expenses during the three month period ended March 31, 2002 included consulting and professional fees, salaries and rent. We have eliminated a significant number of our employees, keeping only a skeleton staff in order to allow us to supplement our fund raising activities described below under "Liquidity and Capital Resources."

Interest expense decreased from $194,500 in the three months ended March 31, 2001, to $166,475 for the three months ended March 31, 2002, a decrease of $28,025 (14%) as a result of certain outstanding liabilities being paid down. See "Liquidity and Capital Resources" below. As a result, we generated a net loss of $(484,738) for the three month period ended March 31, 2002, ($0.01 per share) compared to a net loss of $(710,891) for the three month period ended March 31, 2001 ($.03 per share).

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, we had $9,942 in cash. Accounts receivable decreased from 92,778 at March 31, 2001, to $26,957 for the similar period in 2002, a decrease of $65,821 (71%), which decrease is attributable to the fact that we have not published our Magazine since October 2001.

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 have also paid all interest which had accrued through June 30, 2000. In April 2001, we tendered a payment of $173,760 on this obligation, applied to accrued interest and late fees, and entered into a Forbearance Agreement which provides, among other things, for us to pay this lender $25,000 per month applicable first to interest and then to principal until the entire balance is paid in full. In

September and October, 2001, shares of our common stock being held as security were sold for an aggregate principal reduction in the amount of $46,089. Upon payment in full of this loan, the lender will return the balance of the stock provided as security. Interest continues to accrue at the default rate. As of the date of this Report, Mr. Stein has loaned us the monthly $25,000 payment due under the Forbearance Agreement and we are current under the terms of said Agreement. At March 31, 2002,the principal balance due this lender was $429,079.

In December 1999, we obtained a $200,000 loan from Sigmapath Corporation, an unaffiliated entity, which loan accrued interest at the rate of 6% per annum and became due on March 8, 2000. We paid $100,000 on this obligation. The lender did file an action against us to collect all balances due and a judgment was entered against us in May 2002. See "Part II, Item 1, Legal Proceedings" below.

At March 31, 2002, we had eight other notes payable, in the aggregate principal amount of $727,090, bearing interest at rates ranging from 10% to 14% 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.

During the periods ended June 30, 2000 and March 31, 2001, we borrowed a total of $1,300,000 in 10% Convertible Debentures from five creditors. Among other terms, the debentures may be converted at any time during a three year term at a conversion price equal to the lesser of $.90 per share, or 80% of the average three lowest closing bid prices of our common stock during the 22 day trading period prior to conversion. In June, July and December, 2001 a total of $125,000 of principal and $13,872 in accrued interest was converted, with the resulting issuance of 3,399,861 shares of our common stock. At March 31, 2002, $1,175,000 of principal remained outstanding.

In December 2000, we borrowed $160,000 in 6% Convertible Debentures from eight entities. Among other terms, the debentures may be converted at any time during a five year term at a conversion price equal to the lesser of 120% of the closing bid price or 80% of the average three lowest closing bid prices of our common stock during the 22 day trading period prior to conversion. In December 2001, $15,600 of principal was converted, with the resulting issuance of 991,533 shares of our common stock. In January and February 2002, $60,000 in principal and $1,300 in accrued interest was converted into 4,222,470 shares of our common stock. At March 31, 2002, $84,400 of principal remained outstanding.

Advances from stockholder represent advances made by Mr. Stein, 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 $24,000 commencing January 1, 2001. We did not make the principal payments in 2001 and 2000. 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 March 31, 2002, $2,835,729 of principal was outstanding and classified as short-term. Accrued interest payable to the majority stockholder at March 31, 2002, totaled $1,217,567. Interest expense on the advances was $85,695 for the three month period ended March 31, 2002.

We are in default in most of these obligations and some have demanded repayment of the outstanding principal and interest. Our management has been and is currently negotiating with each of these creditors to extend the repayment terms until such time as our business plan is capitalized and the financial reorganization plan can be implemented, which may include some forgiveness of debt and/or issuance of our common stock to these creditors. If we are unable to renegotiate the repayment terms of these notes payable, the impact could be severe.

During the period October 1, 2001, to December 31, 2001, we borrowed, in the aggregate, $252,000 from 1970 Asset Management Corp., an unaffiliated entity, which loan bears interest at the rate of 10% per annum. Principal and accrued interest on this Note is payable in full on or before June 30, 2002. It is doubtful that we will be able to repay this obligation in a timely manner, and the lender has been advised of the same. No other arrangements relating to a prospective default have been discussed as of the date of this Report. Between January 1, 2002 and March 31, 2002, we received $218,500 in additional advances from Ed Stein, our President and Chairman. In addition, we borrowed an additional $136,600 from 1970 Asset Management Corp. These funds were utilized to pay certain obligations necessary to allow us to continue to remain in business. These loans accrue interest at the rate of 11% per annum and are due upon demand.

Our viability as a company is dependent upon our ability to raise additional capital to continue as a going concern. We are in discussions with investment bankers and others to provide or assist in providing this financing. However, we do not have any written commitments for any of this financing and no assurances can be provided that we will obtain any additional financing. The failure to infuse additional capital into our Company will affect our ability to implement our new business plan. These issues raise substantial doubt about our ability to continue as a going concern.

TRENDS

In order to implement our business strategy described herein, we need to raise approximately $6.5 million of capital. In the event all current discussions toward that endeavor terminate, we will have to enter a joint publishing arrangement with other magazine publishers 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 three month period ended March 31, 2002.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In December 1999, we obtained a $200,000 loan from Sigmapath Corporation, an unaffiliated entity, which loan accrued interest at the rate of 6% per annum and became due on March 8, 2000. We paid $100,000 on this obligation. The lender did file an action against us to collect all balances due and a judgment was entered against us in May 2002 in the amount of $113,496.66.

In February 2002, we commenced an action against Andrew Left, our former President, which action has been filed in the Superior Court for the State of California for the County of Los Angeles, Case No. BC269050, for the recovery of approximately $25,000, plus costs, interest and exemplary and punitive damages. Our complaint alleges fraud and deceit, negligent misrepresentation, breach of fiduciary duty and unlawful monetary conversion. As of the date of this Report, we have filed a motion for default judgment in this matter and are awaiting entry of a judgment in our favor.

In June 2001, our former publisher, Barbara Zowlocki and her company, BZI Media Services, Inc. obtained a judgment against us in the principal amount of $59,186, arising out of sums due Ms. Zowlocki for services rendered to us. Approximately $52,000 remains due on this judgment as of the date of this Report.

In August 2001, a judgment in the principal amount of $144,714 was entered against us and in favor of Western Laser Graphics, Inc., one of our prior printers. As of the date of this Report, this judgment remains outstanding.

In July 2001, a judgment in the principal amount of $180,473 was entered against us and in favor of Gottesman, Inc. This judgment remains outstanding as of the date of this Report.

Numerous other judgments have been entered against us and we have been named as a defendant in several other lawsuits in the normal course of our business. We have also received numerous threats of pending litigation from our creditors who hold delinquent notes and other obligations. It is anticipated that we will enter into settlement negotiations to resolve these matters if and when we receive additional funding. Except for those matters specifically discussed above, and in the "Liquidity and Capital Resource" section, in the opinion of management, the liabilities, if any, resulting from these matters will not have a material affect on our financial statements.

ITEM 2. CHANGES IN SECURITIES

In December 2000, we borrowed $160,000 in 6% Convertible Debentures from eight entities. Among other terms, the debentures may be converted at any time during a five year term at a conversion price equal to the lesser of 120% of the closing bid price or 80% of the average three lowest closing bid prices of our common stock during the 22 day trading period prior to conversion. In January and February 2002, $60,000 in principal and $1,300 in accrued interest was converted into 4,222,470 shares of our common stock.

We relied upon the exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended, to issue these shares.

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.

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DETOUR MEDIA GROUP, INC.

BALANCE SHEET

	Unaudited March 31, 2002	Audited December 31, 2001
ASSETS		
CURRENT ASSETS		
Cash	$ 9,942	$ 9,683
Accounts receivable, net	26,957	92,778
Prepaid expenses and other current assets	22,331	30,511
Total Current Assets	59,230	132,972
Property and Equipment, net	16,412	20,912
Security Deposits and other assets	-	8,890
TOTAL ASSETS	$ 75,642	$ 162,774
LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	$ 62,633	$ -
Accounts payable and accrued expenses	2,197,327	2,149,913
Notes payable	2,904,170	2,920,932
Accrued interest payable	386,899	333,969
Due to stockholder	3,054,229	2,952,293
Interest payable, stockholders	1,220,025	1,131,873
Total Current Liabilities	9,825,283	9,488,980
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	42,245	38,022
Additional paid-in capital	12,177,936	12,120,858
Accumulated deficit	(21,969,822)	(21,485,086)

Total deficit in stockholders' equity	(9,749,641)	(9,326,206)
TOTAL LIABILITIES & EQUITY	$ 75,642	$ 162,774

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DETOUR MEDIA GROUP, INC

UNAUDITED STATEMENT OF OPERATIONS

	For the Three Months Ended March 31, 2002	
	2002	2001
SALES	-	399,569
COST OF SALES	-	237,316
GROSS PROFIT	-	162,253
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	306,766	528,644
OPERATING LOSS	(306,766)	(366,391)
Financing fees	-	(150,000)
Interest expense	(186,475)	(194,500)
Other income	8,503	-
NET INCOME (LOSS)	(484,738)	(710,891)
Loss per share of common stock	(0.01)	(0.03)

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DETOUR MEDIA GROUP, INC.

UNAUDITED STATEMENT OF CASH FLOWS

For the Three Months
Ending March 31,

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$ (484,738)	$ (710,891)
Depreciation and Amortization	4,500	6,600
Decrease (increase) in accounts receivable	65,821	109,046
Decrease (increase) in prepaid expenses and other current assets	8,180	(177,837)
Decrease (increase) in stock subscriptions receivable	-	(500,000)
Decrease (increase) in other assets	8,890	(18,584)
Increase (decrease) in accounts payable and accrued expenses	47,416	(68,406)
Increase (decrease) in accrued interest payable	52,930	92,000
Increase in interest payable, stockholder	88,152	102,497
Total Adjustments	275,889	(454,684)
NET CASH USED IN OPERATING ACTIVITIES	(208,849)	(1,165,575)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase (disposal) of fixed assets	-	1,572
NET CASH USED IN INVESTING ACTIVITIES	-	1,572
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in bank overdraft	62,633	-
Net proceeds from (payments on) notes payable	(16,762)	300,000
Net proceeds from (payments to) stockholders	101,936	(93,512)
Proceeds from issuance of stock	-	289,000
Common stock issued for services	-	605,368
Common stock issued for debt conversion	4,223	-
Additional paid-in capital for debt converted to equity	57,078	-
Fair value of warrants issued to non-employees for services	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	209,108	1,100,856
NET INCREASE (DECREASE) IN CASH	259	(63,147)
CASH - beginning	9,683	71,598
CASH - ending	$ 9,942	$ 8,451

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DETOUR MEDIA GROUP, INC.
f/k/a DETOUR MAGAZINE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three Month Period Ended March 31, 2002

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, 1997, 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 three 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 March, 2001, our shareholders approved amendments to our Articles of Incorporation, which amendments included changing our name to "Detour Media Group, Inc." and increasing the number of authorized common shares to 100,000,000 shares.

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SIGNATURES

Pursuant to the requirements of Section 12 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.

DETOUR MEDIA GROUP, INC.
(Registrant)

Dated: June 13, 2002

By:/s Edward T. Stein

Edward T. Stein, President

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