DETOUR MEDIA GROUP INC
Form 10QSB/A
October 12, 2001

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: June 30, 1997

Commission File Number: 0-25388

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

DETOUR MAGAZINE, INC.
(Former Name)

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)

90038
(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 October 10, 2001, was 36,572,364 shares.

PART I

ITEM 1. FINANCIAL STATEMENTS.

Our unaudited financial statements for the six month period ended June 30, 1997, 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

Detour Media Group, Inc., f/k/a Detour Magazine, Inc., f/k/a Ichi-Bon Investment Corporation ("we," "us," "our" or our "company"), was incorporated under the laws of the State of Colorado on May 18, 1990. On June 6, 1997, pursuant to the terms of an Agreement and Plan of Reorganization, we acquired all of the issued and outstanding securities of Detour, Inc., a California corporation, in exchange for 4,500,000 shares of our "restricted" common stock. As a result, we were the surviving entity.

We are engaged in the 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 offices in both Los Angeles and New York City.

Our magazine is published monthly, with the exception of the issues for January/February and July/August, 1997, for which one issue was published. The magazine has been, in general, approximately 192 pages in length, comprised of about 60 to 70 pages of advertising, with the balance in editorial pages. This reflects the limited, but growing, advertising base which typifies new publications.

This amendment is being filed in order to provide investors with revised financial statements for the six month period ended June 30, 1997 in accordance with a consent order entered between us and the Securities and Exchange Commission. See "Part II, Item 1, Legal Proceedings" below. For a current understanding of our operations and business plan, readers are advised to review our annual report on Form 10-KSB/A1 for the fiscal year ended December 31, 2000, as well as our Form 10-QSB/A1 for the six month period ended June 30, 2001.

The following information is intended to highlight developments in our operations, to present our results of operations, to identify key trends affecting our businesses and to identify other factors affecting our results of operations for the six month periods ended June 30, 1997 and 1996.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the six month period ended June 30, 1997 and 1996.

During the six month period ended June 30, 1997, our revenues were $1,761,398, compared to revenues of $1,368,104 for the similar period in 1996, an increase of $393,294 (22.3%). Management believes that this increase was attributable to additional advertising prompted by the efforts of management to increase the visibility of our magazine. Further, the economic climate in the United States was relatively favorable and our advertising clients tend to spend more on advertising during good economic times. During this period, costs of sales were $932,556, compared to $988,034 for the similar period in 1996, a decrease of $55,478 (5.6%). This was due primarily to a decrease in paper costs.

Selling, general and administrative expenses were $4,296,459 for the six months ended June 30, 1997, compared to $732,702 for the similar period in 1996, an increase of $3,563,757 (486.4%). This increase was attributable to numerous factors, including increases in factoring costs, professional fees, promotional costs and commissions payable due to the increased advertising revenues. Our sales advertising staff is paid on a commission basis. In addition, we incurred consulting fees of $3,278,000 arising from revised valuations of stock options issued by us in 1997. This new valuation takes into account the market value of our common stock following issuance of the options ($1.50 per share) as opposed to

the option exercise price per share ($0.01) and the term of the options granted (2 years). See "Part II, Item 1, Legal Proceedings" below. We also incurred factoring fees of $12,678 and interest expense of $86,518.

As a result, we incurred a net loss of $(3,554,135) for the six month period ended June 30, 1997, ($.71 per share) compared to a net loss of $(412,915) ($.08 per share) for the six month period ended June 30, 1996.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1997, we had $97,089 in cash. We increased our accounts receivable to $292,542 from $220,988 for the similar period in 1996, an increase of $71,554 (24.5%), which increase management attributes to increased advertising.

We had two outstanding notes payable, each payable to non-affiliates, including one note with an outstanding balance of $176,700 which accrues interest at the rate of 12% per annum and is due on demand. The remaining outstanding note aggregating $982,448 is payable to a shareholder. Relevant thereto, in 1995, one of our stockholders loaned us the principal amount of $932,313, which bears interest at the rate of 12% per annum and is due upon demand. This obligation is secured by all of our assets. The note holder agreed to subordinate this security position relevant to our accounts receivable. It is our intention to repay this obligation in full with the proceeds derived from the private equity offering described below.

We factor our monthly domestic accounts receivable with Riviera Financial, Inc., Los Angeles, California ("Riviera"). The majority of factoring provided by Riviera is on a non-recourse basis. On average, we pay a fee to Riviera of approximately 4.5% per month. Historically, we have factored approximately $3 million per annum in accounts receivable with Riviera. Riviera's maximum fee for factoring our receivables is 9% per month, with a hold back of 11% on each invoice until receipt of funds. Therefore, Riviera is only factoring 89% of our total eligible domestic advertising receivables. In addition, Riviera also acts in the capacity of credit manager for the Magazine by performing credit checks, mailing invoices, making collection calls and posting receivables. It is anticipated that, provided we successfully sell a substantial portion of the common stock being offered in a private offering described herein, the factoring relationship with Riviera will be terminated, as management believes that it will no longer be necessary due to sufficient cash then available to us. However, there are no assurances that we will sell a sufficient number of shares of our common stock to allow us to terminate.

Management intends to undertake a plan of expansion and in order to effectuate the same, has recognized our need for

additional operating capital. In response thereto, in November 1997, we commenced a private offering of our common stock wherein we are offering up to 2,350,000 shares of common stock at a price of $1.50 per share, for aggregate gross proceeds of $3,500,000. There can be no assurances that all of the shares being offered will be sold, or that we will generate sufficient interest in this offering to solve our cash shortage. Previously, we issued options to an overseas entity, allowing such entity to acquire up to 2,000,000 shares of our common stock at an exercise price of $1.50 per share. However, the options expired prior to exercise of the same as a result of a mutual decision between the subscriber and us, as we elected to proceed with the private offering instead.

As of June 30, 1997, our securities were not liquid, as there was no market for our securities; however, subsequently, we filed an application to list our common stock on the OTC Bulletin Board, which application was approved in December 1997.

TRENDS

Management believes that we will continue to operate our business at a loss for the next twelve months, but is optimistic that we will begin generating profits from operations beginning in the 1998 fiscal year. This will occur as a result of cost cutting measures which have been adopted by management and anticipation of increased circulation of and advertising in our magazine and corresponding revenues therefrom. However, there can be no assurances that we will become profitable within the time parameters described herein, or at all.

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 six month period ended June 30, 1997.

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.

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, make and keep books, record and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets. This amendment is being filed as a result of the aforesaid order.

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. We have advised the Commission of our intention to amend our filing with the Commission. No civil penalties were assessed against us relevant to the settlement of this matter.

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 have determined 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. The revised financial statements included in this amended Report reflect the expense recorded at the fair market value of the options at the time the options were issued.

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

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ITEM 2. CHANGES IN SECURITIES.

In June 1997, we issued an aggregate of 4,500,000 shares of our common stock as part of the merger with Detour, Inc., a California corporation. We relied upon the exemption from registration provided by Regulation D and/or Section 4(2), promulgated under the Securities Act of 1933, as amended, to issue the relevant shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Effective June 6, 1997, all of our shareholders executed a unanimous consent authorizing the merger with Detour, Inc., a California corporation. No proxy was disseminated to our shareholders and no solicitation by any of our management was utilized to obtain these consents.

ITEM 5. OTHER INFORMATION.

Effective June 6, 1997, pursuant to a definitive agreement, we consummated a merger with Detour, Inc. ("Detour"), a California corporation, and acquired all of the issued and outstanding securities of Detour, issuing an aggregate of 4,500,000 shares of our "restricted" common stock to the former shareholders of Detour in exchange for all of the issued and outstanding stock of Detour.

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

(a) Exhibits - none

(b) Reports on Form 8-K. We filed a report on Form 8-K on May 2, 1997, which is incorporated herein by reference as though fully set forth, reporting the execution of a letter of intent on April 30, 1997, with Detour, Inc. ("Detour"), a privately held California corporation, whereby the Registrant agreed in principle to acquire all of the issued and outstanding shares of Detour in exchange for issuance by the Registrant of 4,500,000 previously unissued "restricted" common stock of the Registrant. A copy of the letter of intent was annexed to the Form 8-K as an Exhibit. This transaction closed on June 6, 1997.

On or about June 20, 1997, we filed a report on Form 8- K, which is incorporated herein by reference, which report advised, among other things, of the consummation of the transaction with Detour and that, pursuant to the terms of an Agreement and Plan of Reorganization dated June 6, 1997, we acquired all of the issued and outstanding securities of Detour in consideration for the issuance of 4,500,000 shares of our "restricted" common stock to the former shareholders of Detour in exchange for all of the issued and outstanding stock of Detour. Detour did not survive the

the transaction. We also changed our name to "Detour Magazine, Inc." A copy of the Agreement and Plan of Reorganization was annexed to the Form 8-K as an Exhibit.

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

	(unaudited) For the Six Months Ended June 30 1997	(unaudited) For the Six Months Ended June 30 1996	(unaudited) For the Fiscal Year Ended December 31 1996
ASSETS:			
CURRENT ASSETS			
Cash	$ 97,089	$ 0	$ 0
Accounts receivable	292,542	220,988	174,079
Loan receivable-officers	0	26,121	0
Prepaid expenses and other current assets	21,395	56,968	35,548

Total current assets	411,026	304,077	209,627
PROPERTY AND EQUIPMENT, Net	139,296	153,785	148,885
OTHER ASSETS			
Loan to Officer	0	0	52,241
Security deposits	20,750	19,335	20,750
Total other assets	20,750	19,335	72,991
TOTAL ASSETS	$ 571,072	$ 477,197	$ 431,503
LIABILITIES:			
CURRENT LIABILITIES			
Bank overdraft	$ 0	$ 22,873	$ 23,062
Accounts payable and accrued expenses	939,723	457,374	500,751
Deferred revenue	25,664	20,692	25,664
Notes payable	176,700	300,000	190,000
Accrued interest payable	0	0	0
Due to stockholder	0	309,399	0
Note payable stockholders	982,448	932,313	960,903
Interest payable, stockholders	152,580	69,963	79,247
Total Current Liabilities	2,277,115	2,112,614	1,779,627
EQUITY:			
Common stock	5,000	8,445	9,366
Additional paid-in capital	4,055,743	155,875	855,161
Accumulated deficit	(5,766,786	(1,799,737)	(2,212,651)
TOTAL EQUITY	(1,706,043)	(1,635,417)	(1,348,124)
TOTAL LIABILITIES AND EQUITY	$ 571,072	$ 477,197	$ 431,503

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

	For the Six Months Ended June 30, 1997	For the Six Months Ended June 30, 1996	For the Three Months Ended June 30, 1997	For the Three Months Ended June 30, 1996

SALES	$ 1,761,398	$ 1,368,104	$ 680,422	$ 684,052
COST OF SALES	932,556	988,034	464,358	494,017
GROSS PROFIT	828,842	380,070	216,064	190,035
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,005,781	732,702	385,923	366,351
OPERATING LOSS	(176,939)	(352,632)	(169,859)	(176,316)
Factoring fees	(12,678)	0	3,341	0
Consulting fees	(3,278,000)	0	(3,278,000)	0
Interest expense	(86,518)	(60,283)	(50,000)	(30,141)
NET INCOME (LOSS)	$ (3,554,135)	$ (412,915)	$ (3,494,518)	$ (206,457)
Loss per share of common stock	$ (0.71)	$ (0.08)	$ (0.70)	
Weighted average shares outstanding	5,000,000	5,000,000		

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

	For the Six Months Ended June 30, 1997	For the Six Months Ended June 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$ (3,554,135)	$ (412,914)
Depreciation and amortization	19,123	16,547
Bad debt expense	0	2,500
Value of warrants issued as consulting fees	3,278,000	-
Increase in accounts receivable	(118,463)	44,409
Decrease in prepaid expenses and other current assets	14,153	20,005
Increase in accounts payable and accrued expenses	438,972	43,378
Increase in unexpired subscriptions	0	4,972
Increase in interest payable, stockholder	73,333	9,284

TOTAL ADJUSTMENTS	3,705,118	141,094
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	150,983	(271,820)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(9,534)	(11,647)
Net proceeds from officer	52,241	(26,121)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	42,707	(37,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in bank overdraft	(23,062)	-
Net disbursements on notes payable	(13,300)	-
Net proceeds from stockholder	21,545	-
Disbursements upon merger and recapitalization	(81,784)	-
Proceeds from additional paid in capital	0	309,399
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(96,601)	309,399
NET DECREASE IN CASH	97,089	(189)
CASH - beginning	0	(22,684)
CASH - ending	$ 97,089	$ (22,873)

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DETOUR MEDIA GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six Month Period Ended June 30, 1997

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, 1997. 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 six 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.

4. Subsequent Events

In December 1997 the Company undertook a forward split of its issued and outstanding common stock, wherein two shares of common stock were issued in exchange for each share then issued and outstanding. All references in this report to the Company's issued and outstanding common stock are presented on a pre-forward split basis, in order to allow the reader to avail himself of a better understanding of the Company and its capitalization for the period represented by this report.

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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 amendment to its report to be signed on its behalf by the undersigned, thereunto duly authorized.

DETOUR MEDIA GROUP, INC.
(Registrant)

Dated: October 10, 2001

By:s/ Edward T. Stein

Edward T. Stein, President

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