DETOUR MAGAZINE INC
Form 10KSB/A
May 18, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A

(Mark One)
[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

[ ] Transitional Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2000

Commission File No. 0-25388

DETOUR MEDIA GROUP, INC.
(Name of small business issuer in its charter)

DETOUR MAGAZINE, INC.
(Former Name)

| | |
|---|---|
| Colorado | 84-1156459 |
| (State or other jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |

7060 Hollywood Blvd., Suite 1150
Los Angeles, California 90038
(323) 469-9444
(Address, including zip code and telephone number, including area code, of registrant's executive offices)

Securities registered under Section 12(b) of the Exchange Act:
none

Securities registered under to Section 12(g) of the Exchange Act:

Common Stock
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

(Continued on Following Page)

Issuer's revenues for its most recent fiscal year: $3,995,820.

State the aggregate market value of the voting stock held by non-affiliates, computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days: As of May 8, 2001: $3,322,162.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of April 16, 2001 there were 29,161,629 shares of the Company's common stock issued and outstanding.

Documents Incorporated by Reference: None

This Form 10-KSB consists of Fifty Two Pages.
Exhibit Index is located at Page Forty Eight.

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FORM 10-KSB ANNUAL REPORT

DETOUR MEDIA GROUP, INC.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Detour Media Group, Inc., f/k/a Detour Magazine, Inc. ("we," "our," "us," the "Company" or "Detour") is engaged principally in the publication and distribution of Detour, an internationally distributed magazine best known for presentation of cutting-edge trends and strong editorial focus in fashion, entertainment, lifestyle and contemporary social issues. Our mission is to be the premier urban avant-garde publication devoted to these topics, thereby attracting a readership consisting primarily of affluent and style conscious men and women in the 18 to 35 age group. We have derived revenues primarily from advertising in the magazine and, to a lesser extent, from subscription and newsstand sales.

In addition to the continuation of publication of Detour, management is attempting to implement a new business strategy in areas related to the Internet and custom publishing, subject to our ability to raise funds in order to allow us to undertake this new strategy. This new business strategy is described in detail below.

DETOUR MAGAZINE

We publish ten issues of the magazine each year, including two double issues. The magazine has been published since 1987.

To distinguish itself from other entertainment publications, Detour Magazine attempts to identify and feature entertainers and media personalities well before they reach widespread recognition and the level of conventional acceptance which typifies its competition. This in part accounts for Detour Magazines's image as a "cutting-edge" magazine featuring tomorrow's personalities and today's trends.

Editorials follow the same focus, providing insight into and publicity for entertainers and media personalities who have not yet received widespread recognition. Detour Magazine prides itself on some of the most talked about and respected photo journalism and editorials in the industry. In this regard, since 1996, we have produced our Annual Young Hollywood Issue.

Five years ago, in our first Hollywood issue, our "30 Under 30" round-up introduced our readers to such future stars as Matt Damon, Renee Zellweger, Tobey Maquire, Emily Watson, Joaquin Phoenix and Lucy Liu. In the years since, our "12 to Watch" feature has given readers cover subjects including Katie Holmes, Denise Richards, Freddie Prinze Jr., Ryan Phillippe, Leelee Sobieski, Chris Klein, Amanda Peet and Kate Hudson -- all well before they earned starring roles and landed on glossy magazine covers.



This years "12 to Watch" are: Ethan Suplee (Boy's Meets World, Road Trip, Blow, John Q); Amy Smart (Varsity Blues, Road Trip, The Seventies, It's A Mad, Mad, Mad, Mad World); Peter Sarsgaard (Dead Man Walking, Boys Don't Cry, Unconditional Love, The Salton Sea); Mark Weber (American Buffalo); Monet Mazur (Austin Powers, The Mod Squad, Mystery Men, Blow); Sean Patrick Thomas (Dracula 2000, Cruel Intentions, The District); Leonor Varela (Cleopatra, The Tailor of Panama); Sanna Lathan (Love & Basketball, Disappearing Acts); Patrick Fugit (Almost Famous); Angela Bettis (Sparrow, Girl Interrupted, Bless the Child, Flamingo Rising); D.J. Qualls (Road Trip, Big Trouble, New Guy); and Mia Maestro (Tango, Picking Up the Pieces, Timecode, For Love or Country, In the Time of the Butterflies).

During 2000, each issue (other than double issues) of Detour Magazine was approximately 150 pages in length, with approximately 50 pages of advertising. The 10 covers featured Meg Ryan (February 2000), Lucy Liu (March 2000), Sean Penn (May 2000), Penelope Cruz (June/July 2000), Hugh Jackman (August 2000), Chris Rock (September 2000), James King (October 2000), Katie Holmes (November 2000) and Benicio Del Toro (December 2000/January 2001).

Management does not expect to change the content or format of Detour Magazine materially beyond editorial changes necessary to broaden the magazine's appeal within the target readership, including making the magazine more visual by continuing to seek out both established and rising photographers.

In the beginning of 2000, we commenced plans to begin publishing two special issues each year under the name "Detour Space." However, we cancelled our plans to publish these two special issues due to lack of available capital. We hope to adopt these special issues in the near future, if sufficient capital becomes available to us. See "Part II, Item 6, Management's Discussion - Liquidity and Capital Resources."

"Detour Space" will take it's name from one of the magazine's most popular and appealing features, "a 'sneak peek" into some favorite celebrities and media personalities private lives. Each section will include photos of the celebrity in a place of special significance to the celebrity, accompanied by a quote explaining why he or she chose that particular location for the photo and why it means so much to them. "Detour Space" will expand upon the theme of place to feature longer pictorials and excursions involving personalities and their homes, their work spaces and other elements of the culture of the celebrity, in an effort to achieve a casual intimacy with those whom are typically seen only in highly mediated, artificial circumstances.

We now plan to develop a "Coffee Table" book based on this popular feature. We are currently in negotiations with several book publishers to work a joint venture with our company providing



the content and the book publisher providing the ancillary costs and distribution. We intend to publish "Detour Space" to generate additional revenue. However, there is no guarantee that a publishing partner will be signed and the book successfully marketed.

Advertising. Management believes that we have established a strong national advertising base. During 2000, our advertising customers included, among others, Bacardi, Bottega Veneta, Bombay Sapphire, Calvin Klein, Candies, Camel, Cartier, Charles David, Concord, Diesel Jeans, Evian, Prada, Polo, Playboy, Emporio Armani, Guess Jeans, Hugo Boss, Kahlua, Levi's, Louis-Boston, L'Oreal, Mossimo, Marlboro, Polygram Films, Sky Vodka, Sony Music, MGM/United Artists, Universal, Varda Versace, Phillips Electronics, Lexus Automobiles, Apple Computer, Altoids, Beefeater Gin, Virginia Slims and Winston.

Since inception, Detour Magazine has had well over 100 advertisers. Advertising revenues accounted for approximately 91.8% of our total revenues during 2000. Marlboro accounted for approximately 5.6% ($206,185) of our revenues during 2000. No other advertiser accounted for 5% or more of our advertising revenues.

Circulation/Distribution. During 1999, and until April 2000, Detour Magazine was distributed by Rider Circulation Services, Inc. Commencing with the May 2000 issue, the magazine was distributed by Curtis Circulation Company ("Curtis"). Curtis is a leading international distributor, allowing for broader distribution of the magazine.

Curtis has been performing various distribution assignments under the direction of our newsstand consultants, MCC, in attempts to increase circulation and sales efficiency of the magazine. Management remains optimistic that the assignments should result in matching our major competitors in the number of locations of Detour Magazine, as well as place more copies of the magazine in higher traffic potential retailers. Management is currently focusing on Los Angeles and New York to ensure the highest degree of sell- throughs.

During 2000, we continued to implement a program to create higher visibility in key transportation and community outlets. Our newsstand consultant coordinates this plan between the publisher and our distributor. Point of sales programs in airports, bus and train terminals and metro newsstands has been only curtailed due to lack of funds. The Company's ability to develop new retail display opportunities is subject to its ability to raise additional funds.

Readership Profile. Detour Magazine's reputation as a cutting-edge fashion and entertainment magazine has translated into a readership profile comprised of an attractive audience for



advertisers. Detour's average reader is a 29 year old professional, with an average income in excess of $75,000+ per year. Over 60% of the readers are single, and 74% percent have obtained college degrees. The average reader of Detour spends over $15,000 per year on clothing and dines out 2.6 times per week based upon a reader's survey conducted in Detour Magazine during the year 2000.

Editorials. The Company remains committed to its long-standing editorial mission: to be the premier urban avant-garde publication devoted to entertainment, fashion lifestyle and contemporary social issues. It's targeted audience of affluent, educated and creative professionals thrives on new information about the latest cultural trends. Long before assimilating into the mainstream, styles and trends begin on the margins, which is where Detour, as its name implies, derives its sensibility - off the beaten path, miles from the safe, familiar, well-paved roads of the pop-culture highway.

Over the past year, in a dual effort to reinforce its image as an essential fashion resource and to attract coveted fashion advertisers, the Company has featured 30-60 pages of fashion pictorials in each issue and it is expected that the Company will continue to do so in the future. In addition, the Company has expanded its style coverage to include service pages devoted to health and beauty, as well as profiles of new stores, restaurants, products and accessories, all of which provide enhanced opportunities for advertisers.

During 2000, we continued the editorial changes made in 1999 to include a sex column, an Internet column and articles emanating from New York to Los Angeles.

To fine-tune the magazine's visual appeal, in late 1999 we engaged two design consultants who assist with everything from image materials such as media kits and business cards, to the magazine's layouts, typefaces, photography and fashion editorials. The senior consultant, Mark Balet, is a designer with more than 20 years experience, including lengthy tenure at Interview Magazine under Andy Warhol, as well as creative supervision of numerous major books and advertising campaigns for Ralph Lauren and other major fashion companies. The other consultant, Tony Moxham, was art director of Interview Magazine, and recently lent his expertise to ad campaigns for such clients as Versace and Gap.

As of the date of this Report, we are continuing to experience severe cash shortages. As a result, these consultants are no longer engaged by the Company to provide such services.



NEW BUSINESS STRATEGY

During 2000, management continued to develop a broad operational and financial strategic plan to transform our company from a magazine publisher into an integrated, full service media company. Detour's intention is to create a media company by leveraging our brand in digital and traditional channels. Indicative of our intentions, our name was changed from Detour Magazine Inc. to Detour Media Group, Inc. in March 2001.

This strategy calls for us to:

- Utilize our core competency - print publishing - into custom publishing, the Internet and media consulting.

- Provide key marketing solutions for Internet companies seeking to expand their platform by providing services ranging from advertising to production, printing and circulation.

- Provide clients with immediate expertise allowing them to achieve rapid market penetration.

- Develop an integrated cross-media partnership of traditional brand and technology.

- Acquire profitable media companies as a primary strategy.

- Develop joint Internet ventures that will increase revenues, without significant expenditures.

This strategy also calls for our operations to be broken into five divisions:

- Detour Custom Publishing
- Detour Music
- Detour Events
- Detour Online
- Detour Magazine

Management estimates that approximately $1.5 million in capital will be required to implement this aspect of our new business strategy. As of the date of this Report, we do not have any capital readily available to allow us to implement this aspect of our new strategy. We are currently negotiating with several major independent music companies in order to establish a joint venture relationship or other strategic alliance in order to assist us in developing this plan. In addition, we are currently negotiating with two highly experienced and visible music entertainment executives to create the Detour Music division. As of the date of this Report, no definitive agreement has been reached in either regard and there can be no assurances that such

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relationships will be established in the future. See "Part II, Item 6, Management's Discussion - Liquidity and Capital Resources."

During 2000, Detour Online completed and launched www.DetourTV.com and www.DetourMag.com (f/k/a www.iDetour.com), two Internet web sites. We terminated the relationship with OpenSpace.com and LoadTV.com.

During 2001, we utilized a distribution agreement between Kick Media, our website developer, and Microsoft Windows Media. Through this agreement, DetourTV.com provided content to Windows Media in exchange for traffic and branding for the Company. Detour does not have a direct contract with Microsoft Windows Media. Popular features include red carpet footage from Hollywood events, clips from the catwalk, and behind the scenes stories that are covered by Detour Magazine.

While no assurances can be provided, we plan to generate additional ad revenue through sponsorship on Detour Online. In addition, we are providing an extra value to our current print advertisers by including them on our site.

Detour Custom Publishing

Detour Custom Publishing is being formed to capitalize on our core publishing competency and to leverage our existing editorial, creative and technical publishing skills. Detour Custom Publishing is expected to specialize in providing turnkey custom publishing solutions to small-to-medium size online companies. Detour Custom Publishing is also expected to help companies build their brand, generate revenues and develop cross-media marketing solutions for successful dot-com companies. The alliances are being structured to pay us all hard costs attendant to the publication and to share revenue on a percentage basis. Through Detour Custom Publishing, we also plan to enter into joint ventures or other strategic alliances with existing companies that intend to extend their brand into print media, in order to generate revenue and extend our core competency within a business model that creates no direct financial risk to us.

We initially hoped to commence this aspect of our business during 2000. However, as a result of poor market conditions for many Internet companies during 2000, we redirected our plans to market custom publishing to other industries. As a result, the decline in the Internet space did not allow us to properly attain our goal for 2000.

During 2000, we published the Football Preview Edition for the Vegas Insider. There were approximately 80,000 copies distributed by Curtis and we are currently in discussions to renew a contract for 2001. In addition, Zentropy Partners engaged us to provide a digital "Young Hollywood" supplement to Detour. Approximately

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80,000 copies were distributed. For 2001, we are beginning to see greater interest in potential clients. We are represented by Creative Artist Agency, one of the world's most premier talent agencies. The Company is currently in discussions to enter into a contract to publish Damez Magazine which caters to young female readers, but no definitive agreement has been reached.

Detour Events

Detour Events are a well known Hollywood community product. Detour's demographic appeal, upwardly mobile, urban 18-35 year old "opinion makers" is an ideal target for certain advertisers. We plan to create events in collaboration with our advertisers interested in creating visibility with our target audience. These events include movie premieres, parties, fashion shows and other social promotional activities.

We anticipate producing these events on a cost plus markup, to be billed directly to the relevant advertisers.

Our business plan also calls for the Company to launch Detour Europe through a strategic alliance with Das Werk, A.G., one of our shareholders and a leading European-based post-production and media company. The Detour Europe Magazine will have 80% content from Detour U.S. and 20% local content.

All of the above described plans are contingent upon our ability to raise additional capital. Failure to infuse this capital will cause us to abandon these projects, or otherwise limit the resources which are required to implement our plans. See "Part II, Item 6, Management's Discussion - Liquidity and Capital Resources and "Trends."

EMPLOYEES

At May 8, 2001, we had 15 full time employees, including 7 persons in our editorial department, 4 in sales, 2 in administration and 2 in our production department. We engage additional persons on an "as needed" basis, depending upon the number of projects in which we are involved, on a part time or independent contractor basis. Management believes that our relationship with our employees is satisfactory. No employee is a member of any union.

COMPETITION

We compete with publicly and privately held companies in the publishing business. Specifically, management views Interview (circulation 150,000), Paper (circulation 75,000) and Surface Magazine (circulation 50,000) as our principal magazine competitors, each of whom are believed to have greater resources,



both financial and otherwise, than the resources presently available to us.

While there are numerous competitors in the print magazines, such as Wallpaper, Details and Paper, the online efforts of most competitors are minimal. We believe that the major competition for our site will be from the mass market portals Excite, Yahoo, et al., and to a lesser extent, from the affinity portals that appeal to segments of the Detour audience, e.g. TimeOut and iVillage.

Current competitors to Detour Magazine have not established a strong Internet presence beyond providing an online version of their print content. Other major fashion and entertainment print titles with on-line offerings include Elle (ElleShop), Glamour, GQ, In Style (Instylenetwork), Mademoiselle, People, Playboy, Rolling Stone and Spin. However, unlike these competitors, Detour Online will be offering a comprehensive community site which extends its existing print brand to leverage its strength in both cutting edge fashion and entertainment.

Portal/community/city guide sites:

The major players include America Online/Digital City, Disney/Go Network, Excite, Lycos, Microsoft/Sidewalk, Ticketmaster- City Search, TimeOut and Yahoo. To date, each of these companies has been positioned to focus on capturing the mass market on-line audience. Other more specialized sites within this segment that are focused around gender or lifestyle include PlanetOut, iVillage, and Women.com. In contrast to these competitors, Detour Online offers specialized content appealing across genders to a "hipper" and less mass market oriented demographic.

Online and traditional entertainment/media companies:

Online media companies include CNet, EOnline, UltimateTV, and ZDNet. Traditional media company competitors include NewsCorp (Fox), Sony (SonyOnline), Time-Warner (Pathfinder and Warner Online), and Viacom (Nickelodeon, MTV, etc.).

We believe that building a strong Detour brand based on proprietary content, combined with our ability to deliver targeted audiences to advertisers and the overall cost-effectiveness of the advertising medium it offers are principal competitive advantages. However, many of our competitors, current and potential, may have greater financial or technical resources, and we could face additional competitive pressures that would have a material and adverse affect on our business, results of operations and financial conditions.

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TRADEMARKS

We have been issued a federal registration of the trademark Detour with the United States Patent and Trademark Office, Washington, D.C. and the application has been assigned a filing date of September 2, 1997, Serial No. 75-350798.

GOVERNMENT REGULATIONS

We are not subject to any extraordinary governmental regulations relating to our business.

ITEM 2. DESCRIPTION OF PROPERTY

Our principal place of business consists of approximately 4,180 square feet of advertising and executive office space at 7060 Hollywood Blvd., Suite 1150, Los Angeles, California, for which we pay rent of $6,270 per month. This space is subject to a three year lease which expires November 30, 2001. This lease contains cost of living increases. As of the date of this Report, we are reviewing our space requirements and are beginning to seek out other locations. However, no definitive decision has been made concerning this matter. In addition, we presently lease approximately 2,200 square feet of executive office space at 34 West 22nd. St., 3rd Floor, New York, New York, at a rental fee of $3,140 per month. The primary term of this lease expired on January 31, 2000. Since that time we have maintained this location on a month to month basis. We are continuing discussions with the landlord of this property about a long term lease, but as of the date of this Report, no definitive agreement has been reached. It is anticipated that our present premises will be adequate to meet our needs for the foreseeable future.

ITEM 3. 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.

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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 Commission issued 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. 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.

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, in the opinion of management, the liabilities, if any, resulting from these matters will not have a material affect on our financial statements. See "Part II, Item 6, Management's Discussion - Liquidity and Capital Resources."

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

On March 31, 2001, we held our annual meeting of shareholders. At the meeting, our shareholders adopted the following matters: (i) approved two (2) amendments to our Articles of Incorporation, including changing the name of our company to "Detour Media Group, Inc." and increased the authorized Common Stock from 25,000,000 shares to 100,000,000 shares; (ii) re-elected Messrs. Stein, Left and Nesis to our Board of Directors, to hold office until the next Annual Meeting of Shareholders or until their respective successors have been elected; and (iii) approved the appointment of Grant Thornton LLP as our independent accountants, to audit our books and records for the fiscal year ending December 31, 2001.



PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(a) Market Information. Our common stock is traded on the National Association of Securities Dealers OTC Bulletin Board. The table below sets forth the reported high and low bid prices for the periods indicated. The bid prices shown reflect quotations between dealers, without adjustment for markups, markdowns or commissions, and may not represent actual transactions in our securities.

| Quarter Ended | Bid Price High | Bid Price Low |
|---|---|---|
| March 31, 1999 | $0.47 | $0.18 |
| June 30, 1999 | $0.52 | $0.30 |
| September 30, 1999 | $0.51 | $0.18 |
| December 31, 1999 | $0.23 | $0.14 |
| March 31, 2000 | $1.02 | $0.17 |
| June 30, 2000 | $1.09 | $0.375 |
| September 30, 2000 | $1.01 | $0.53 |
| December 31, 2000 | $0.688 | $0.22 |

As of May 8, 2001, the closing bid and asked price of our common stock was $0.14 bid, $0.17 asked.

(b) Holders. As of April 16, 2001, there were 100 holders of record of our common stock, not including those persons who hold their shares in "street name."

(c) Dividends. We did not pay any dividends on our common stock during the two years ended December 31, 2000. Pursuant to the laws of the State of Colorado, a corporation may not issue a distribution if, after giving its effect, the corporation would not be able to pay its debts as they became due in the usual course of business, or such corporation's total assets would be less than the sum of their total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. As a result, management does not foresee that we will have the ability to pay a dividend on our common stock in the fiscal year ended December 31, 2001. See "Part II, Item 7, Financial Statements."

ITEM 6. 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.

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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 fiscal years ended December 31, 2000 and 1999.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the fiscal years ended December 31, 2000 and 1999

Total revenues increased from $3,335,912 in 1999 to $3,995,820 in 2000, an increase of $659,908 (20%). This increase was attributable to increased advertising revenues, as well as revenues derived from our custom publishing operation, which we commenced in 2000. This was offset by a decrease in newsstand and subscription revenue in 2000.

Costs of sales were $2,467,872 in 1999, compared to $2,804,395 in 2000, an increase of $336,523 (14%). This was due primarily to the publication of one additional issue and the increased costs caused by our need to use alternative and higher priced sources attributable to our lack of working capital and impaired credit.

Selling, general and administrative expenses were $1,870,152 in 1999, compared to $6,141,071 in 2000, an increase of $4,270,919 (228%). This increase was attributable to excessive costs and expenses in outside services ($2,058,104), settlement expenses ($453,600), legal and accounting fees ($396,734) and financial marketing expenses ($672,509), all caused as a result of our impaired financial condition and need to incur these expenses in order to attempt to procure new financing, as well as related to costs associated with attempts to modify existing financing obligations. These costs also include the value of our common stock and warrants which we issued in lieu of cash fees due to third parties.

Our interest expense increased from $683,616 during 1999, to $1,150,790 during 2000, as a result of additional borrowings during 2000.

As a result, we incurred a net loss of $(6,100,436) in 2000 ($0.30 per share) as compared to our net loss of $(1,297,958) ($.08 per share) in 1999.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000, we had $71,598 in cash. Accounts receivable increased to $397,447 from $193,012 for the similar period in 1999, an increase of $204,435 (106%). The increase is primarily due to the sale of a majority of the Company's advertising accounts receivable at December 31, 1999, which was discontinued throughout fiscal 2000. This was offset by a decline in the Company's newsstand receivable at December 31, 2000.

In December 2000, we entered into a new factoring arrangement with Receivable Financing Corp., Boca Raton, Florida ("RFI"). The majority of factoring provided by RFI is on a non-recourse basis. On average, we pay a fee to RFI of approximately 4.5% per month. We estimate that we will factor approximately $2.5 million per annum in accounts receivable with RFI. RFI'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, RFI will only be factoring 89% of our total eligible domestic advertising receivables.

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. 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 $170,000 on this obligation, primarily applied to accrued interest; however, the loan remains in default and we are continuing negotiations with the lender to work out a proposed repayment plan. As of the date of this Report, no definitive agreement has been reached. Prior to tendering the most recent payment referenced herein, we did receive a demand for payment, along with a threat of litigation if we failed to adhere to the demand. However, as of the date of this Report, no action has been filed. The loan provides for an exit



fee equal to 3% of the original principal amount of the loan ($16,500). Management is currently reviewing our options regarding this obligation, including seeking out other long-term lenders. However, no assurances can be provided that such other arrangement will be made to satisfy this obligation. This loan 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. Upon information and belief, we believe that this lender has begun foreclosing on the shares of common stock held as security for the loan but, as of the date of this Report, no shares have been sold to satisfy 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. Since its dismissal, we have not heard anything from this lender, nor otherwise been advised of any further action being brought.

At December 31, 2000, we had nine other notes payable in the aggregate principal amount of $937,421, bearing interest at rates ranging from 8% to 14% per annum, all of which require a monthly or quarterly payment of principal and/or interest. Except for one note in the principal amount of $77,972, these notes are due on demand.

In June, 2000, the Company issued a 5 year, 10% Convertible Debenture to five investors for aggregate proceeds of $1,000,000. These Debentures also contained warrants to purchase 250,000 shares of the Company's common stock at exercise prices of $.515 per warrant for 125,000 of the warrants and $.5859 per warrant for the remaining 125,000 warrants. 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 the Company's common stock during the 22 day trading period prior to conversion. The Company also has the right to repurchase all or any portion of these Debentures at a purchase price of 135% of the issuance price. Failure of the Company to register the relevant securities or repurchase the Debentures will cause the Company to be charged 2% per month as a penalty. As of the date of this Report, management intends to repurchase these Debentures. However, no assurances can be provided that the Company will have sufficient funds available to repurchase these Debentures.

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. This note is secured by substantially all of our assets, except for accounts receivable. Accrued interest payable to this stockholder at December 31, 2000, totaled $525,000. Interest expense for this note was $112,000 for the fiscal year ended December 31, 2000.

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 December 31, 2000, $2,556,021 of principal was outstanding and classified as short-term. Accrued interest payable to the majority stockholder at December 31, 2000, totaled $770,537. Interest expense on the advances was $298,000 for the year ended December 31, 2000.

The Company is in default in several of these obligations and some have demanded repayment of the outstanding principal and interest. Management of the Company is currently negotiating with each of these creditors to extend the repayment terms until such time that cash from operating activities is sufficient to service the debt. These negotiations may require modifications to the interest rate and/or issuance of the Company's common stock to these creditors. If the Company were unable to renegotiate the repayment terms of their notes payable, the impact could be severe.

TRENDS

In order to implement our business strategy described herein, we need to raise a minimum of two million dollars of capital. Without the additional capital, it will be necessary to abandon our plans for Detour Music and Detour Europe. In addition, we will be required to continue to substantially reduce costs for the magazine and sustain our existing advertising revenue or grow the circulation base. In the event all current discussions terminate without additional capital, 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 2000.

ITEM 7. FINANCIAL STATEMENTS

Financial Statements
and Report of Independent Certified Public Accountants
DETOUR MEDIA GROUP, INC.
(Formerly known as Detour Magazine, Inc.)
December 31,2000 and 1999

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C O N T E N T S

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Detour Media Group, Inc.

We have audited the accompanying balance sheet of Detour Media Group, Inc (formerly known as Detour Magazine, Inc.) as of December 31, 2000, and the related statements of operations, deficit in stockholders' equity and cash flows for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Detour Media Group, Inc. as of December 31, 2000, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has sustained losses from operations in recent years, its total liabilities exceed its total assets and it has a net working capital deficiency; these factors, among others, raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Grant Thornton L.L.P.

Los Angeles, California
April 16, 2001

Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
BALANCE SHEET
December 31, 2000

ASSETS

| | |
|---|---|
| CURRENT ASSETS | |
| Cash | $ 71,598 |
| Accounts receivable, less allowance for doubtful accounts of $246,962 | 397,447 |
| Prepaid expenses | 11,599 |
| Total current assets | 480,644 |
| FURNITURE AND EQUIPMENT, net | 42,753 |
| DEPOSITS AND OTHER ASSETS | 16,125 |
| | $ 539,522 |

LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY

| | |
|---|---|
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | $ 1,957,614 |
| Current maturities of notes payable | 2,559,921 |
| Accrued interest payable | 145,204 |
| Advances from stockholder | 2,556,021 |
| Note payable to stockholder | 932,313 |
| Accrued interest payable to stockholders | 1,296,037 |
| Total current liabilities | 9,447,110 |
| NOTES PAYABLE, less current maturities | 160,000 |
| COMMITMENTS AND CONTINGENCIES | - |
| DEFICIT IN STOCKHOLDERS' EQUITY | |
| Preferred sotck, $.01 par value 10,000,000 shares authorized, none issued and outstanding | - |
| Common stock, $0.001 par value, 100,000,000 shares authorized, 22,914,769 shares issued and outstanding | 22,915 |
| Additional paid-in capital | 9,008,872 |
| Unamortized debt issuance costs | (123,708) |
| Accumulated deficit | (17,975,667) |
| Total deficit in stockholders' equity | (9,067,588) |

| | |
|---|---|
| | $ 539,522 |

The accompanying notes are an intregral part of this statement.

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Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
STATEMENTS OF OPERATIONS
Years ended December 31,

| | 2000 | 1999 |
|---|---|---|
| Revenue | | |
| Advertising | $ 3,670,035 | $ 2,863,125 |
| Newsstand and subscription, net of returns | 325,785 | 472,787 |
| Total revenue | 3,995,820 | 3,335,912 |
| Cost and expenses | | |
| Cost of sales and other direct expenses | 2,804,395 | 2,467,872 |
| Selling, general and administrative expenses | 6,141,071 | 1,870,152 |
| | 8,945,466 | 4,338,024 |
| Loss from operations | (4,949,646) | (1,002,112) |
| Other expenses | | |
| Interest expense, net | (1,150,790) | (683,616) |
| Asset impairment charge | - | (198,581) |
| Loss on disposal of assets | - | (9,048) |
| Total other expenses | (1,150,790) | (891,245) |
| Net loss before extraordinary item | (6,100,436) | (1,893,357) |
| Extraordinary gain on extinguishment of debt | - | 595,399 |
| Net loss | $(6,100,436) | $ (1,297,958) |
| Loss per share of common stock (basic and diluted) | | |
| Net loss before extraordinary item | $ (0.30) | $ (0.12) |

| | | |
|---|---|---|
| Extraordinary gain on extinguishment of debt | - | 0.04 |
| Net loss per share | (0.30) | (0.08) |

The accompanying notes are an intregral part of this statement.



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
STATEMENT OF DEFICIT IN STOCKHOLDERS' EQUITY Years ended
December 31, 2000 and 1999

| | Common Stock | | Additional | Unamor |
|---|---|---|---|---|
| | Share | Amount | Paid-in Capital | Deb Issuanc |
| Balance at January 1, 1999 | 15,362,669 | $15,362 | $4,850,066 | $ |
| Sale of restricted common stock | 200,000 | 200 | 49,800 | |
| Issuance of restricted common stock to employees for compensation | 440,000 | 440 | 120,560 | |
| Net loss for the year | - | - | - | |
| Balance at December 31, 1999 | 16,002,669 | 16,002 | 5,020,426 | |
| Sale of restricted common stock, net of costs of $317,312 | 4,000,000 | 4,000 | 1,178,688 | |
| Issuance of restricted common stock in connection with short-term borrowings | 150,000 | 150 | 58,350 | |
| Issuance of restricted stock in connection with convertible debentures | 500,000 | 500 | 147,950 | ( |
| Beneficial conversion feature of convertible debentures | - | - | 212,687 | |



| | Common Stock | Additional | Unamor |
|---|---|---|---|

| | Share | Amount | Paid-in Capital | Deb Issuanc |
|---|---|---|---|---|
| Issuance of restricted common stock in exchange for release from consulting agreement | 600,000 | 600 | 393,000 | |
| Issuance of restricted common stock for services | 1,412,100 | 1,413 | 728,137 | |
| Conversion of note payable to common stock | 250,000 | 250 | 209,750 | |
| Fair value of warrants issued for services | - | - | 1,059,884 | |
| Net loss for the year | - | - | - | |
| | 22,914,769 | $22,915 | $9,008,872 | $ ( |

The accompanying notes are an integral part of this statement.

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Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
STATEMENTS OF CASH FLOWS
Years ended December 31,

| | 2000 | 1999 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $(6,100,436) | $(1,297,958) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Extraordinary gain on extinguishment of debt | - | (595,399) |
| Amortization of debt issuance costs | 24,742 | - |
| Amortization of intangibles | - | 62,709 |
| Asset impairment charge | - | 198,581 |
| Depreciation of furniture and equipment | 22,049 | 39,547 |
| Loss on disposal of property and equipment | - | 9,048 |
| Issuance of restricted common stock for: | | |
| Services | 729,550 | 121,000 |
| Release from consulting agreement | 393,600 | - |
| Issuance of restricted common stock in connection with short-term borrowings | 58,500 | - |
| Issuance of restricted common stock in connection with debt conversion | 60,000 | - |
| Warrants issued for services | 1,059,884 | - |
| Expense of beneficial conversion feature of the | | |

| | | |
|---|---|---|
| convertible debentures | 212,687 | - |
| Increase in accounts receivable | (204,435) | (116,216) |
| Decrease in prepaid expenses | 87,588 | 48,197 |
| Decrease (increase) in employee advances | 46,500 | (46,500) |
| Increase in other assets | (615) | - |
| Increase (decrease) in accounts payable and accrued expenses | 960,125 | (203,698) |
| Decrease in unexpired subscriptions | (83,515) | (55,317) |
| Increase in accrued interest payable | 513,666 | 425,289 |
| Net cash used in operating activities | (2,220,110) | (1,410,717) |

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The accompanying notes are an integral part of these statements.

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Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
STATEMENTS OF CASH FLOWS - CONTINUED
Years ended December 31,

| | 2000 | 1999 |
|---|---|---|
| Cash flows from investing activities: | | |
| Purchases of furniture and equipment | $ (15,656) | $ (6,939) |
| Cash flows from financing activities: | | |
| Proceeds from short term borrowings | - | 873,568 |
| Principal repayments of short term borrowings, net | (731,626) | (96,978) |
| Proceeds from long term borrowings | 1,160,000 | - |
| Advances from stockholder | 765,754 | 382,155 |
| Proceeds from issuance of common stock, net | 1,182,688 | 50,000 |
| Net cash provided by financing activities | 2,376,816 | 1,208,745 |
| Net increase (decrease) in cash | 141,050 | (208,911) |
| Cash (overdraft) at beginning of year | (69,452) | 139,459 |
| Cash (overdraft) at end of year | $ 71,598 | $ (69,452) |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the years for: | | |
| Interest | $ 105,148 | $ 128,831 |
| Income taxes | $ - | $ 800 |

Noncash investing and financing activities:

One creditor converted its debt into common stock. The principal balance of the debt was $150,000 at the time of conversion. In connection with the debt conversion, the Company issued an additional 72,000 shares of common stock to the creditor resulting in a noncash financing charge (included in interest expense) of $60,000.

The accompany notes are an integral part of these statements.

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Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS
December 31, 2000 and 1999

NOTE A - DESCRIPTION OF BUSINESS

Detour Media Group, Inc. formerly known as Detour Magazine, Inc., (the "Company"), was incorporated under the laws of the State of Colorado on May 18, 1990. The Company is in the business of publishing an international fashion and entertainment magazine. The Company derives its revenue primarily from advertising, with the balance from circulation. The magazine is published ten times a year with two double issues per year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Periodicals published and distributed are sold on a fully returnable basis. Revenue and related costs are recognized at the on-sale date and an allowance for returns is established based upon historical experience, current events and assumptions about future events. Management reviews and revises the estimate for returns periodically. Adjustments to income resulting from such revisions are recorded in the year in which the revisions are made.

Revenue from the sale of magazine subscriptions, net of certain costs related to their procurement, are deferred and recognized as income over the term of the subscriptions.

Advertising revenue is recorded net of agency commissions and is recognized at the on-sale date of related issues.

Prepaid Publishing Expenses

Certain production expenses and other prepaid expenses related to future periodicals are incurred prior to sale. These costs are recorded as prepaid expenses and charged to cost of sales and other direct expenses at the time the related revenues are recognized.

Furniture and Equipment

Furniture and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leased improvements are amortized over the shorter of the lives of the respective leases or over the service lives of the assets. The straight-line method of depreciation is followed for substantially all assets for financial reporting and income tax purposes. The estimated lives used in determining depreciation are five to seven years.



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Income taxes are accounted for using the liability method, under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized.

At December 31, 2000, the Company has approximately $13,085,000 and $9,013,000 of federal and state net operating loss carryforwards available to offset future taxable income. The losses expire at various years through 2025 for federal purposes and 2015 for state purposes. The deferred tax asset related to these net operating loss carryforwards is $5,103,000 at December 31, 2000. There are no other significant deferred tax asset or liability amounts at December 31, 2000. In the opinion of management, it is more likely than not that these deferred tax assets will not be realized and therefore a valuation allowance has been recorded for 100% of the deferred tax asset.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory rate due to the increase in the valuation allowance.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of accounts receivable. The Company has no significant off-balance sheet concentrations of credit risk, such as foreign exchange contracts, option contracts or hedging arrangements. Accounts receivable are typically unsecured and are derived from transactions with and from customers primarily located in the United States. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. The Company maintains an allowance for doubtful accounts based on the expected collectibility of accounts receivable.

Fair Value of Financial Instruments
-----------------------------------

The Company's financial instruments consist of cash, short-term trade receivables and payables, short-term and long-term borrowings and amounts due to stockholders. The carrying values of cash and short-term trade receivables and payables approximate their fair values. Based on borrowing rates currently charged to the Company for financing, the carrying values of the short-term and long-term borrowings and amounts due to stockholders approximate their estimated fair values.



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Using Estimates
---------------

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs
-----------------

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to $597,259 and $318,477 for the year ended December 31, 2000 and 1999, respectively.

Segment Reporting
-----------------

The Company is centrally managed and operates in one business segment: publishing.

Loss per Share
--------------

Basic income (loss) per share excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted income per share reflects the potential dilution that could occur if options to acquire common stock were exercised. The weighted average number of shares used in the basic and diluted loss per share calculation was 20,009,185 and 15,610,169 for the year ended December 31, 2000 and 1999, respectively. All potential common shares from the exercise of stock options and warrants have been excluded from the denominator of the diluted per-share computation as a result of the net loss incurred by the Company in 2000 and 1999.

Warrants to purchase 4,635,000 and 2,100,000 shares of common stock were not included in the computation of diluted loss per share for the year ended December 31, 2000 and 1999 because to do so would have been antidilutive for the periods presented.





NOTE C - GOING CONCERN MATTERS

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The Company has incurred net losses of $6,100,436 and $1,297,958 during the years ended December 31, 2000 and 1999. At December 31, 2000, the Company's total liabilities exceeded its total assets by $9,067,588 and the Company had a net working capital deficiency of $8,966,466. The Company is also in default of certain notes payable. These factors, among others, indicate that the Company may be unable to continue as a going concern.

Management has developed a business plan that they believe will improve the operating results of the Company. The primary concept of the plan is to create strategic alliances in order to expand upon the Company's publishing base, accelerate the custom publishing activities which commenced in the year 2000, and to exploit the "Detour" brand outside the publishing arena. The plan also encompasses consolidating overhead and decreasing debt through these alliances.

Management is currently engaged in two separate negotiations, which could result in a stronger advertising and operational base for publishing and distribution in North America and also launch Detour Magazine in Europe. Also, utilizing the Company's existing agreement with Creative Artists Agency and relationships with various Internet driven and conventional companies seeking to place their content in magazine format, management believes it is positioned to expand upon its custom publishing revenue at relatively low cost.

As a result of current negotiations with a European production company already invested in the Company, management seeks to exploit the value of the "Detour" brand to create a joint venture of Detour TV properties in Europe without the burden of production or overhead costs.

Finally, management has been in discussions with certain parties from the music industry in order to form a Detour music group alliance encompassing music production, publishing and management.

Going forward, significant amounts of additional cash will be needed to pay the costs to implement the new business plan and to fund losses until the Company is profitable. While there is no assurance that funding will be available to execute the plan, the Company is continuing to seek financing to support its business plan and is exploring a number of alternatives in this regard. As discussed in Note L to the financial statements, the Company has raised $739,000 (net of issuance costs of $50,000) through the issuance of its common stock subsequent to December 31, 2000.

To implement the proposed business plan and to fund associated restructuring costs and operating losses, the Company also will be required to restructure certain of its outstanding debt and other financing arrangements. Several alternatives are being considered.



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE C - GOING CONCERN MATTERS - Continued

Management believes that, despite the financial hurdles and funding uncertainties going forward, it has developed a business plan that, if successfully funded and executed, can significantly improve operating results. The support of the Company's vendors, customers, lenders, stockholders and employees will continue to be key to the Company's future success.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

NOTE D - ACCOUNTS RECEIVABLE

During 1999, the Company sold a majority of its advertising accounts receivable to a finance company without recourse. The receivables were sold at a discount ranging from 3.99% to 10.64% on a pre-approved basis (average discount rate of 5% per month for 2000 and 1999), with a "hold-back" of 12% on each invoice until payment of the receivables. Therefore, the finance company was only factoring 88% of the Company's eligible advertising receivables. The finance company provided certain credit services for the Company, such as obtaining credit reports on customers and collections. In December 1999, the Company discontinued selling its accounts receivable and the remaining amount due from the finance company at December 31, 1999 was not significant. In January 2001, the Company began selling its accounts receivable to a different finance company at terms similar to the previous financing arrangement. Finance fees for the year ended December 31, 1999 totaled $117,524, and is included in interest expense on the statement of operations. Proceeds received from the sales of accounts receivable in 1999 are included in cash flows from operating activities in the statements of cash flows.

NOTE E - FURNITURE AND EQUIPMENT

Furniture and equipment at December 31, 2000 consist of the following:

| | |
|---|---|
| Office equipment | $ 171,055 |
| Furniture and fixtures | 63,666 |
| Less accumulated depreciation | (191,968) |
| | $ 42,753 |



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE F - NOTES PAYABLE

Notes payable at December 31, 2000 consist of the following:

| | |
|---|---|
| Note payable to a financial institution, principal and unpaid interest was due in December 1998. The note bore interest at 18% through its maturity date and currently bears interest at 28%. The Company is in default of this note, which is personally guaranteed by the Company's majority stockholder. | $ 522,500 |
| Note payable, principal and unpaid interest was due on March 8, 2000. The note bears interest at 6%. The note was not repaid on the due date and the Company is currently in default of this note. | 100,000 |
| Notes payable, principal and unpaid interest was due on July 15, 1999. The note bore interest at 12% through maturity and currently bears interest at 14%. The note was not repaid on the due date and the Company is currently in default of this note. | 77,972 |
| Convertible debentures maturing on June 19, 2003. The debentures are issued to five creditors and bear interest at 10%. The debentures require quarterly interest only payments. | 1,000,000 |
| Convertible debentures maturing in December, 2005. The debentures are issued to eight creditors and bear interest at 6%. Principal and interest are due at maturity. | 160,000 |
| Eight notes payable, bearing interest at rates ranging from 10% to 12% and requiring monthly or quarterly | |

| | |
|---|---|
| interest payments. All eight notes are payable on demand. | 859,44 |
| | 2,719,921 |
| Less current maturities | 2,559,921 |
| Long-term portion | $ 160,000 |



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE F - NOTES PAYABLE - Continued

In connection with the issuance of convertible debentures, the Company paid issuance costs to financial advisors totaling $141,032. The debt issuance costs are included in interest expense in fiscal 2000. The Company also issued 500,000 shares of its common stock to the same financial advisors (see Note K). The convertible debentures can be converted into common stock at an amount equal to 80% of the average three lowest closing bid prices from the 20 days immediately preceding the conversion date. This beneficial conversion feature resulted in a noncash charge of $212,687 included in interest expense in fiscal 2000.

As of December 31, 2000, the Company did not make the quarterly interest payments on the convertible debentures maturing in 2003. This is an event of default under these agreements and the Company has not obtained a waiver of the violations. In accordance with accounting principles generally accepted in the United States of America, the debt is classified as current as of December 31, 2000.

Interest expense on notes payable (excluding interest expense on amount due to stockholders and debt issuance costs) totaled $209,000 and $175,000 for the year ended December 31, 2000 and 1999, respectively.

Future maturities of notes payable as of December 31, 2000 are as follows:

| Year ending December 31. | |
|---|---|
| 2001 | $2,559,921 |
| 2002 | - |
| 2003 | - |
| 2004 | - |
| 2005 | 160,000 |
| | $2,719,921 |

NOTE G - AMOUNTS DUE TO STOCKHOLDERS

Note payable to stockholder represents advances of $932,313 made to the Company in 1995. The note bears interest at 12% per year, is payable on demand, and is collateralized by substantially all the assets of the Company. At December 31, 2000, the full amount of principal is outstanding.

Accrued interest payable to this minority stockholder at December 31, 2000 totaled $525,500. Interest expense for this note was $112,000 for each of the years ended December 31, 2000 and 1999.



Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE G - AMOUNTS DUE TO STOCKHOLDERS - Continued

Advances from stockholder represent advances made by the majority stockholder of the Company for working capital purposes. At December 31, 1999, the advances bore interest at 12% per annum and were payable on demand. In March 2000, the majority stockholder agreed to reduce the annual interest rate to 8% and modified the repayment terms. Under the new repayment terms, the advances are repayable in monthly principal installments of $42,000 commencing January 1, 2001. However, the Company must use at least 25% of the net proceeds of any financing received by the Company to repay the advances. Further, all of the advances are due and payable in full at such time as the Company has received equity financing of at least $10,000,000. At December 31, 2000, $2,556,021 of principal is outstanding and classified as short-term. Accrued interest payable to the majority stockholder at December 31, 2000 totaled $770,537. Interest expense on the advances from stockholder was approximately $298,000 and $280,000 for the year ended December 31, 2000 and 1999, respectively.

NOTE H - ASSET IMPAIRMENT CHARGE

In February 1998, the Company entered into an agreement to purchase certain intangible assets from and assumed certain liabilities of Berle-Moll Enterprises, Inc. ("Berle") for a total purchase price of $295,842. The Company paid $85,706 in cash (including acquisition costs of $17,706), issued a note payable to Berle in the amount of $107,164 and assumed certain liabilities in the amount of $120,678. Under the agreement, the Company agreed that if it ceased to publish the acquired magazine acquired under the trademark purchased, promptly upon demand by Berle, the Company would transfer the magazine trademarks to Berle. The acquired intangible assets were being amortized on a straight-line method over five years. Amortization expense for the years ended December 31, 1999 was $62,709.

As a result of the Company's inability to publish the magazine under the acquired trademark, the Company recorded an asset impairment charge of $198,581 in December 1999, representing the unamortized carrying value of the acquired intangible assets.

NOTE I - EXTRAORDINARY GAIN ON EXTINGUISHMENT OF DEBT

In 1999, the Company recorded an extraordinary gain of $595,399 in connection with the settlement of two liabilities aggregating $693,399 by payment of a total of $98,000.

Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE J - COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The Company conducts its operations from two facilities that are leased under separate three year non-cancelable operating leases expiring in January 2001 and November 2001. The Company is required to pay its proportionate share of utilities and real estate taxes at one of its locations.

Rent expense for the years ended December 31, 2000 and 1999 was $119,807 and $119,862, respectively. Minimum future rental payments under non-cancelable operating leases as of December 31, 2000 total $72,000, payable in 2001.

2. Cease-and-Desist Proceeding by the Securities and Exchange Commission

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 the Company and its Chairman that it was recommending to the SEC that an enforcement action be filed against both the Company and its Chairman relating to accuracy of certain of the Company's 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 the Company has 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.

The Company believes that the issue regarding improper presentation of quarterly financial information relates to the Company's 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, the Company would be required to determine the actual costs and expenses for the affected quarters. The second issue related to whether the Company recorded the proper amount of compensation expense in connection with the issuance of the options to the consultants. The Company recorded an expense of $21,991, based on the exercise price of the options of $.005 per share. The Company understands 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 the paid-in capital of the Company. Thus, while the expense would increase the Company's net loss for 1997, the paid-in capital would be similarly increased and there would be no change to the Company's total deficit in stockholders' equity as of the end of 1997.

Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

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

On November 22, 2000, the Commission issued 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 the Company to amend its filings with the Commission to properly reflect its 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 the assets of the Company. The Commission further ordered the Company 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. The Company has advised the Commission of its intention to amend its filing with the Commission.

3. Litigation

The Company is a defendant in several other lawsuits in the normal course of its 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 the Company's financial statements.

NOTE K - EQUITY

In June 1997, the Company adopted the Detour Magazine, Inc. 1997 Non-Qualified Stock Option Plan (the "Plan"), which reserved an aggregate of 4,400,000 shares of the Company's common stock for issuance thereunder. In 1997, the Company authorized the issuance of 4,400,000 options under the Plan to five entities, granting each entity options at an exercise price of $.005. All of the issued options were exercised in 1998 and resulted in net proceeds of $21,991. None of the options to purchase shares of the Company's common stock under the Plan were issued to any member of management. At December 31, 2000, there are no further options reserved for issuance under the Plan and there are no outstanding options.

In 1999, the Company issued 440,000 shares of its common stock to employees as compensation for services rendered. The stock was valued at the closing stock price on the day of issuance and expensed in the 1999 statement of operations. The Company also issued 200,000 shares of its common stock for cash proceeds totaling $50,000.

Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE K - EQUITY - Continued

In December 1999, the Company and its majority stockholder entered into an agreement with two financial advisors to assist the Company in obtaining equity and debt financing and to provide other consulting services, including identifying potential acquisitions and strategic partners, analyzing potential acquisitions and other business arrangements, assisting in strategic planning and business development, market support and assisting in developing e-business plans. In connection with this agreement, the Company issued to each advisor warrants to purchase 800,000 shares of its common stock at an exercise price of $.10 a share. The vesting of such warrants was subject to certain conditions during a service period that extended through September 30, 2000, as follows: (i) 25,000 warrants vest per month throughout the service period; (ii) in addition, at such time that the Company receives at least $1,000,000 of financing arranged by the financial advisors, additional warrants shall vest in a ratio equal to the aggregate funds raised divided by $5,000,000; and (iii) in the event of a sale of the Company during the service period, additional warrants vest in an amount equal to the number of vested warrants immediately prior to the sale (effectively doubling the number of vested warrants). In no event shall the number of vested warrants exceed the initial number of warrants of 1,600,000.

Management believed the agreement did not contain a performance commitment because the financial advisors had no disincentive for nonperformance other than the loss of the cash, options and warrants attributable to the work performed. Accordingly, the options and warrants issued under this agreement were measured at the fair value on the dates the advisors were successful in obtaining financing for the Company. At December 31, 1999, the Company had not received any financing arranged by the financial advisors. Between January 1, 2000 and March 31, 2000, the Company received $1,800,000 of financing (debt and equity) resulting in the vesting of warrants to purchase 416,000 shares of the Company's common stock. The agreement was amended in fiscal 2000 resulting in the vesting of the remaining warrants to purchase an additional 1,184,000 shares of the company's common stock. The vesting of the remaining warrants to purchase 1,184,000 resulted in a noncash charge of $663,040 included in general and administrative expense in fiscal 2000.

The agreement also provided the financial advisors an option to purchase 3,000,000 shares of common stock of the Company at an exercise price of $.10. The options were exercisable if and only if the Company received at least $5,000,000 in financing arranged by the financial advisors. The agreement also provided for a cash financing fee of 10% of the funds raised. In addition, the financial advisors may have been entitled to cash consulting fees up to $10,000 per month, depending on the amount of funds raised on behalf of the Company.

Detour Media Group, Inc.
(formerly known as Detour Magazine, Inc.)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2000 and 1999

NOTE K - EQUITY - Continued

In September 2000, the Company terminated this agreement with the two financial advisors. In addition to the 800,000 of stock warrants issued to each advisor, the Company issued an additional 300,000 shares of its restricted common stock to each advisor in order to terminate the agreement. The issuance of these additional 600,000 shares resulted in a noncash charge of $393,600 involved in general and administrative expense in fiscal 2000. In connection with this termination agreement, the option to provide 3,000,000 shares of the Company's stock was cancelled.

In January 2000, the Company issued 20 units for $5,000 per unit, or a total of $100,000. Each unit consists of promissory note of the Company in a principal amount of $5,000, bearing interest at 10% per year due and payable on April 25, 2000, and 5,000 warrants, each warrant entitling the holder to purchase one share of common stock for $.10 per share at any time through December 31, 2002. The notes were repaid in April 2000.

In February 2000, the Company issued two units for $100,000 per unit, or a total of $200,000. Each unit consists of a promissory note of the Company in a principal amount of $100,000, bearing interest at 10% per year due and payable on January 31, 2001, and 75,000 warrants, each warrant entitling the holder to purchase one share of common stock for $.10 per share, at any time through December 31, 2004.

In March 2000, the Company issued 3,000,000 shares of common stock for $.33 1/3 per share, or a total of $1,000,000 (less stock issuance costs). The purchasers received demand registration rights exercisable after September 14, 2000. The Company was in violation of certain representations and warranties made in the stock purchase agreements and has not received waivers of these violations. These violations could subject the Company to damages, including the potential rescission of the shares, if waivers cannot be obtained. In the opinion of management, the damages, if any, resulting from the violations would not be material to the Company's financial position or results of operations.

In April 2000, the Company issued 1,000,000 shares of common stock for $.50 per share, for a total of $500,000 (less stock issuance costs). The purchaser received demand registration rights exercisable after April 30, 2001.





NOTE K - EQUITY - Continued

Between June 2000 and December 2000, the Company issued 1,412,100 shares of common stock in exchange for various professional services, including legal, marketing, promotional and financial services. The issuance of these shares resulted in a noncash charge included in general and administrative expenses of $729,550 in fiscal 2000.

The Company also issued warrants to acquire approximately 2,120,000 shares of the Company's common stock in exchange for various professional services including the 1,184,000 shares issued to the two financial advisors described above. The fair value of the warrants issued in fiscal 2000 totaled $1,259,884 and is included in selling, general and administrative expense.

In February 2000, the Company issued 150,000 shares of its common stock in connection with short-term borrowings. The issuance of the shares resulted in a noncash financing charge (included in interest expense) of $58,500 in fiscal 2000.

In November 2000, the Company issued 500,000 shares of its common stock to financial advisors in connection with the issuance of certain convertible debentures (Note F). The issuance of the shares has been reflected as a debt issuance cost in the statement of deficit in stockholder's equity and being amortized over the lives of subordinated debentures (3 years).

NOTE L - SUBSEQUENT EVENTS

On April 9, 2001, the Company's former financial advisors exercised warrants to acquire 1,333,333 shares of the Company's common stock. On April 11, 2000, the company issued 1,000,000 shares to various shareholders resulting from the Company's noncompliance with the shareholders' request to register previously issued restricted shares. The shareholders previously received demand registration rights.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The directors and officers of our company as of the date of this Report are as follows:

| Name | Age | Position |
|---|---|---|
| Edward T. Stein | 50 | Chairman of Board |
| Andrew Left | 31 | President, Chief Executive Officer & Director |
| Kevin Nesis | 32 | Secretary & Director |

Directors are elected for one-year terms or until the next Annual Meeting of Shareholders and until their successors are duly elected and qualified. Our officers are appointed by our Board of Directors and serve at the pleasure of the Board, subject to any rights under employment agreements.

There are no family relationships among the officers and directors. There is no arrangement or understanding between us (or any of our directors or officers) and any other person pursuant to which such person was or is to be selected as a director or officer.

In 1999, we recruited and hired a new Chief Executive Officer, Mr. Andrew Left, to organize and head up our prospective Internet business, Detour Online. During 1999, Mr. Left also assumed the position of President of the Company.

Edward T. Stein has been Chairman of the Board and a Director of our Company and our predecessor since January 1995. From November 1999 to April 1999, Mr. Stein served as our President. Since 1986, he has also been President of Edward T. Stein Associates, Ltd., a privately held financial services firm engaged in money management, insurance and financial planning located in Melville, New York, and Prima Capital Management Corp., an affiliated company. Mr. Stein obtained a Bachelor of Science degree from Rider University, where he majored in finance. He devoted substantially all of his time to our business activities during the fiscal year 2000.



Andrew Left assumed the position of President and Chief Executive Officer in April 1999, and director in November 1999. Mr. Left received a Bachelor of Arts degree in political science from Northeastern University in 1993. Since his graduation from Northeastern University, Mr. Left managed his family portfolio, specifically in the stock market. During this time he developed an expertise in Internet companies and the Internet. Mr. Left devotes substantially all of his business time to our affairs.

Kevin Nesis has been our Secretary and a director since November 1999. In addition to his positions with us, since January 2000, Mr. Nesis has been employed by Time Capital Securities Corp., a privately held New York corporation, where his duties included financial services, estate and tax planning. From April 1997 through January 2000, Mr. Nesis was employed by Edward T. Stein Associates, Ltd., where his duties included financial services, estate and tax planning. From June 1996 through March 1997, Mr. Nesis was unemployed. Mr. Nesis received a Bachelor of Arts degree from Boston University in 1993 and a Juris Doctor degree from New York Law School in 1996. He also holds a Series 7 and 63 license with the National Association of Securities Dealers, Inc. He devotes approximately 30% of his business time to our business affairs.

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and person who own more than 10% of our common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission. All of the aforesaid persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. There were no changes in the holdings of management during 2000.

ITEM 10. EXECUTIVE COMPENSATION.

REMUNERATION

The following table reflects all forms of compensation for services to us for the years ended December 31, 2000 and 1999 of our then chief executive officer, as well as those persons who received in excess of $100,000 in annual compensation from us during the aforesaid time.



SUMMARY COMPENSATION TABLE

| | | Annual Compensation | | | Long Term Compensation: Awards | | Long Term Compensation: Payouts | |
|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary ($) | Bonus ($) | Other Annual Compen- sation ($) | Restricted Stock Award(s) ($) | Securities Under- lying Options/ SARs (#) | LTIP Payouts ($) | All Other Compen- sation ($) |
| Edward T. Stein,(1) President & | 1999 | $ 0 | $ 0 | $ 0 | $ 0 | 0 | $ 0 | $ 0 |
| Director | 2000 | $105,417 | $ 0 | $ 0 | $ 0 | 0 | $ 0 | $ 0 |
| Andrew Left, | 1999 | $ 0 | $ 0 | $ 0 | $ 0 | 0 | $ 0 | $ 0 |
| President(1) | 2000 | $ 68,750 | $ 0 | $ 0 | $ 0 | 0 | $ 0 | $ 0 |
| Barbara Zawlocki, | 1999 | $ 60,000 | $ 0 | $247,166(2) | $ 0 | 0 | $ 0 | $ 0 |
| Publisher | 2000 | $ 60,000 | $ 0 | $157,000(2) | $ 0 | 0 | $ 0 | $ 0 |

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No member of management serves pursuant to a definitive employment agreement.

We reimburse our officers and directors for out of pocket expenses incurred by each of them in the performance of their relevant duties. We reimbursed Mr. Stein, our Chairman, in the amounts of $84,074 and $53,096 for such expenses during the fiscal years ended December 31, 1999 and 2000, respectively, and Ms. Zawlocki in the amount of $37,944 and $29,205 during the fiscal years ended December 31, 1999 and 2000, respectively.

Recently, two of our key employees resigned. In the first quarter of 2001, Juan Morales, our former Editor in Chief, resigned in order to assume a position with another company. We do not intend to retain a new person in this capacity in the near future, but rather, will handle these responsibilities with our current staff. In May, 2001, Ms. Zawlocki resigned as our publisher, as a result of our cash shortage. We owed money to her which we were unable to pay when the same became due. We intend to utilize outside, independent contractors to handle those responsibilities formerly undertaken by Ms. Zawlocki.

We have no current stock plan for employees, but may adopt one in the future.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The table below lists the beneficial ownership of our voting securities by each person known by us to be the beneficial owner of more than 5% of such securities, as well as by all directors and officers of the issuer, as of April 16, 2001. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|---|
| Common | Edward T. Stein(1)<br>201 N. Service Rd.<br>Suite 100<br>Melville, NY 11747 | 7,316,829 | 25.1% |
| Common | Koyah Leverage Partners<br>601 W. Main St.<br>Spokane, WA 99201 | 1,800,000 | 6.2% |
| Common | Andrew Left(1)<br>2241 Coldwater Canyon<br>Beverly Hills, CA 90210 | 400,000 | 1.4% |
| Common | Kevin Nesis(1)<br>201 N. Service Rd.<br>Suite 100<br>Melville, NY 11747 | 11,500 | * |
| Common | All Officers and Directors as a Group (3 persons) | 7,728,329 | 26.5% |

* Less than 1%

(1) Officer and/or director of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

At December 31, 2000, we owe Edward T. Stein, the principal shareholder and Chairman of the Board of our Company, the principal amount of $2,556,021, which Mr. Stein advanced to us for working capital purposes. This obligation originally accrued interest at the rate of 12% per annum and was due upon demand. In March 2000, Mr. Stein agreed to reduce the annual interest rate to 8% and modified 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 only use at least 25% of net proceeds of any financing received by us to repay these advances. Further, all of the advances are due and payable in full at such time as we have received equity financing of at least $10,000,000. Accrued interest payable on this obligation at December 31, 2000, totaled $770,537. Interest expense on the advances from stockholder was approximately $298,000 and $280,000 for the years ended December 31, 2000 and 1999, respectively.

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. This note is collateralized by substantially all of our assets, except for accounts receivable. Accrued interest payable to this stockholder at December 31, 2000 totaled $525,500. Interest expense for this note was $112,000 for the fiscal year ended December 31, 2000.



PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

3.1* Certificate and Articles of Incorporation

3.2* Bylaws

3.3** Articles of Merger

3.4*** Certificate of Correction dated March 6, 2000

3.5 Amendment to Articles of Incorporation

* Filed with the Securities and Exchange Commission in the Exhibits to Form 10-SB, filed in January 1995 and are incorporated by reference herein.

** Filed with the Securities and Exchange Commission in the Exhibits to Form 10-KSB filed in April 1998 and is incorporated by reference herein.

*** Filed with the Securities and Exchange Commission in the Exhibits to Form 10-KSB, filed in May 2000 and is incorporated by reference herein.

(b) Reports on Form 8-K

In the last fiscal quarter of the fiscal year ended December 31, 2000, we did not file any reports on Form 8-K.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company caused this amended Report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 17, 2001.

DETOUR MEDIA GROUP, INC.
(Registrant)

By:s/ Andrew Left
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Andrew Left, President and Chief Executive Officer

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on May 17, 2001.

s/ Edward T. Stein
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Edward T. Stein, Director

s/ Andrew Left
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Andrew Left, Director

s/ Kevin Nesis
-----------------------------------
Kevin Nesis, Director

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DETOUR MEDIA GROUP, INC.

EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-KSB
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

| EXHIBITS | | Page No. |
|---|---|---|
| 3.5 | Amendment to Articles of Incorporation . . . . . . . . . . . . . . . | 51 |

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Mail to: Secretary of State
Corporations Section
1560 Broadway, Suite 200
Denver, CO 80202
(303) 894-2251
Fax (303) 894-2242

For office use only 002
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2001 MAR 23 AM 9:04
SECRETARY OF STATE
STATE OF COLORADO

MUST BE TYPED
FILING FEE: $25.00
PLEASE SUBMIT TWO COPIES

Please include a typed
self-addressed envelope

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION

Pursuant to the provisions of the Colorado Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the corporation is Detour Magazine, Inc.

SECOND: The following amendment to the Articles of Incorporation was adopted on March 21, 20 01 , as prescribed by the Colorado Business Corporation Act, in the manner marked with an X below:

_____ No shares have been issued or Directors Elected - Action by Incorporators

_____ No shares have been issued but Directors Elected - Action by Directors

_____ Such amendment was adopted by the board of directors where shares have been issued and shareholder action was not required.

X Such amendment was adopted by a vote of the shareholders. The number of shares voted for the amendment was sufficient for approval.

See Annexed Amendments.

THIRD: If changing corporate name, the new name of the corporation is

Detour Media Group, Inc.

FOURTH: The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows:

Not applicable.

If these amendments are to have a delayed effective date, please list that date:

(Not to exceed ninety (90) days from the date of filing)

DETOUR MAGAZINE, INC.

Signature s/Edward T. Stein

Title Chairman

Revised 7/95

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DETOUR MAGAZINE, INC.

The following shall be inserted in the place and stead of Article First of the Articles of Incorporation of Detour Magazine, Inc.:

> FIRST: The name of the Corporation (which is hereinafter referred to as Corporation) is "DETOUR MEDIA GROUP, INC."

The following shall be inserted in the place and stead of the first paragraph of Article Fourth of the Articles of Incorporation of Detour Magazine, Inc.:

> FOURTH: The amount of the total authorized capital stock of the corporation shall be one hundred ten million (110,000,000) shares divided into one hundred million (100,000,000) shares of Common Stock, $.001 par value each, and ten million (10,000,000) shares of Preferred Stock, $0.01 par value and the designations, preferences, limitations and relative rights of the shares of each such class are as follows:

The balance of Article Fourth shall remain as previously stated.

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