YOUTH STREAM MEDIA NETWORKS INC
Form 10-Q
May 11, 2001

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 0-27556

YOUTHSTREAM MEDIA NETWORKS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-4082185
(State or Other Jurisdiction of Incorporation of Organization)	(I.R.S. Employer Identification No.)
28 West 23rd Street, New York, New York	10010
(Address of Principal Executive Offices)	(Zip Code)

(212) 622-7300
(Registrant's Telephone Number, Including Area Code)

Check whether the registrant (1) has 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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

At May 8, 2001 there were 29,844,480 shares of Common Stock, $.01 par value outstanding.

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FORM 10-Q
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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YOUTHSTREAM MEDIA NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	March 31, 2001 (Unaudited)
Current assets:	
Cash and cash equivalents	$ 11,696
Marketable debt securities, at amortized cost	13,310
Accounts receivable, net of allowance for doubtful accounts of $324	

and $404 at March 31, 2001 and June 30, 2000, respectively	5,226
Inventories	1,499
Prepaid expenses	5,673
Deposits and other current assets	--
Total current assets	37,404
Property and equipment, net of accumulated depreciation of $5,650 and $3,593 at March 31, 2001 and June 30, 2000, respectively	7,520
Deferred financing costs, net of accumulated amortization of $913 and $355 at March 31, 2001 and June 30, 2000, respectively	3,567
Intangible assets, net of accumulated amortization of $4,569 and $2,468 at March 31, 2001 and June 30, 2000, respectively	17,021
Restricted cash	1,328
Net non-current assets of discontinued operations	--
Other assets	241
Total assets	$ 67,081
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 1,645
Accrued employee compensation	860
Other accrued expenses	2,188
Net current liabilities of discontinued operations	4,891
Deferred revenues	1,955
Current portion of deferred purchase price	--
Current portion of capitalized lease obligations	130
Current portion of long-term debt	1,328
Total current liabilities	12,997
Net non-current liabilities of discontinued operations	429
Capitalized lease obligations	67
Long-term debt	18,766
Deferred rent	363
Deferred purchase price	2,250
Commitments and contingencies	--
Stockholders' equity:	
Preferred stock, $.01 par value, 5,000 shares authorized, no shares issued and outstanding	--
Common stock, $.01 par value, 100,000 shares authorized, 29,844 shares and 28,031 shares issued and outstanding at March 31, 2001 and June 30, 2000, respectively	298
Additional paid-in capital	328,709
Accumulated deficit	(296,798)
Total stockholders' equity	32,209
Total liabilities and stockholders' equity	$ 67,081

See notes to consolidated financial statements

YOUTHSTREAM MEDIA NETWORKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNT)
(UNAUDITED)

	Three months ended March 31,		Nine
	2001	2000	20
Net Revenues	$ 5,765	$ 7,069	$ 23
Operating Expenses:			
Cost of goods sold	325	166	1
Selling, general and administrative expenses	7,406	5,849	24
Corporate expenses	1,850	1,271	5
Depreciation and amortization	1,422	814	4
Total operating expenses	11,003	8,100	35
Loss from operations	(5,238)	(1,031)	(12
Equity loss in investment	--	(850)	
Interest income	425	446	1
Other income	(34)	--	
Interest expense	(794)	(238)	(2
Loss before provision for income taxes	(5,641)	(1,673)	(12
Provision for income taxes	121	92	
Loss from continuing operations	(5,762)	(1,765)	(13
Loss from discontinued operations	--	(14,780)	(40
Loss on disposal of discontinued operations, including provision of $5,175 for operating losses during phase-out period	--	--	(164
Net Loss	$ (5,762)	$ (16,545)	$(218
Per share of common stock basic and diluted			
Loss from continuing operations	$ (0.20)	$ (0.08)	$ (
Loss from operation of discontinued operations	--	(0.64)	(
Loss on disposal of discontinued operations	--	--	(
Net loss per basic and diluted common share	$ (0.20)	$ (0.72)	$ (
Weighted average basic and diluted common shares outstanding	29,481	23,091	29

See notes to consolidated financial statements

YOUTHSTREAM MEDIA NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine months ended March 31, 2001	Nine months ended March 31, 2000
Cash Flows From Operating Activities		
Net loss	$ (218,952)	$ (19,0
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations	40,606	14,6
Loss on disposal of discontinued operations	164,971	--
Net change in assets and liabilities of discontinued operations	(11,694)	(9,6
Bad debt expense	(80)	1
Depreciation and amortization	4,158	2,5
Loss on disposal of equipment	24	--
Amortization of deferred financing costs	558	1
Deferred rent	10	
Amortization of original issue discount on Subordinated Notes	89	
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(265)	(4,1
Inventory	(28)	(
Prepaid expenses	(300)	(3
Deposits and other current assets	2,905	--
Accounts payable	(78)	1,0
Accrued employee compensation	(298)	(1
Other accrued expenses	(281)	(
Deferred revenues	1,290	
Net cash used in operating activities	(17,365)	(14,9
Cash Flows From Investing Activities		
Capital expenditures	(1,202)	(4,4
Unrealized loss on marketable securities	--	(
Proceeds from sale of equipment	37	--
Proceeds from marketable debt securities upon maturity	11,879	--
Other assets	149	(2,6
Payment for business acquisitions (net of cash acquired)	(109)	--
Net cash provided by (used in) investing activities	10,754	(7,1
Cash Flows From Financing Activities		
Net proceeds from sale of common stock and exercise of warrants and options	127	55,8
Net proceeds from issuance of warrants in connection with long-term debt	35	--
Repayment of capitalized lease obligations	(108)	(
Proceeds from long-term debt	965	1,9
Repayment of long-term debt	(944)	(5

Net cash provided by financing activities	75	57,2
(Decrease) increase in cash and equivalents	(6,536)	35,17
Cash and equivalents at beginning of period	18,232	7,0
Cash and equivalents at end of period	$ 11,696	$ 42,2
Supplemental cash flow information		
Cash paid for interest	$ 1,506	$ 7
Cash paid for income taxes	$ 252	$ 1
Noncash Financing Activities		
Issuance of warrants in connection with long-term debt	$ 162	$ --
Issuance of common stock in connection with acquisitions	$ 6,423	$ 216,8

See notes to consolidated financial statements

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YOUTHSTREAM MEDIA NETWORKS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JULY 1, 2000 TO MARCH 31, 2001
(IN THOUSANDS)
(UNAUDITED)

	Common Stock		Additional Paid-in
	Shares	Amount	Capital
Balances at June 30, 2000	28,031	$ 280	$ 321,980
Issuance of warrants in connection with long-term debt	--	--	197
Issuance of common stock upon exercise of stock options	45	1	126
Issuance of common stock in connection with acquisition of Teen.com	944	9	5,211
Issuance of common stock in connection with acquisition of HelloXpress	53	1	293
Issuance of common stock in connection with acquisition of Invino	711	6	857
Issuance of common stock in connection with acquisition of sixdegrees	60	1	45
Net loss	--	--	--
Balances at March 31, 2001	29,844	$ 298	$ 328,709

See notes to consolidated financial statements

YOUTHSTREAM MEDIA NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2001
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of YouthStream Media Networks, Inc. ("YouthStream"), and its wholly-owned subsidiaries, (collectively, the "Company"). The Company's operations consist of Network Event Theater, Inc. ("NET"), American Passage Media, Inc. ("American Passage"), Campus Voice, Inc. ("Campus Voice"), Beyond the Wall, Inc. ("Beyond the Wall"), Trent Graphics, Inc. ("Trent") and W3T.com, Inc. ("Teen.com"). In December 2000, the Company announced its intention to discontinue the operations of CommonPlaces, LLC ("CommonPlaces"), sixdegrees, inc., ("sixdegrees"), CollegeWeb.com, Inc. ("CollegeWeb") and Invino Corporation ("Invino") see note 2 - Discontinued Operations. All significant intercompany transactions have been eliminated.

The Company is a media, marketing services, promotions, and retail company targeting the teenage and young adult marketplace, particularly high school, college and university audiences. Through the combination of a unique portfolio of targeted media and retail properties the Company provides integrated, cost-effective solutions to advertisers and sponsors looking to reach young adults. The Company's portfolio of retail and media services include:

- Trent, an on-campus seller of decorative wall posters to students at colleges and universities throughout the country, which also operates a growing number of retail poster stores complementing its on-campus presence;
- Nationwide sampling, promotion and event marketing campaigns targeting teens and young adults;
- A national network of movie theaters on college campuses and expertise conducting film screenings at dozens of major college campuses;
- A national free postcard advertising brand targeting teenagers and young adults;
- A leading college newspaper advertising placement service;
- Editorial wall media networks in high schools, middle schools and on college campuses;
- A unique "Ads as Art" poster catalog distributed on campuses nationwide; and
- Teen.com, an online community for teenagers.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for an interim period are not necessarily indicative of the results that may be expected for the year ended June 30, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in Company's Form 10-KSB for the fiscal year ended June 30, 2000.

2. DISCONTINUED OPERATIONS

In December 2000, the Company announced its decision to discontinue the operations of its sixdegrees subsidiary and exit its Application Service Provider ("ASP") business. The ASP business includes the technology that was acquired and further developed by CommonPlaces, CollegeWeb and Invino. The Company determined that the ASP business was not aligned with its long-term vision and strategy. The Company shut down its sixdegrees website on December 30, 2000, and expects disposal of the ASP business to occur prior to June 30, 2001. In connection with the discontinuance of these businesses, the Company incurred a one-time charge of $165 million, related primarily to the write-off of goodwill, other net assets and an accrual for estimated losses during the phase-out period. The discontinuation of sixdegrees and the disposal of the ASP business represent the disposal of a business segment under Accounting Principles Board ("APB") Opinion No. 30. Accordingly, results of these operations have been classified as discontinued and prior periods have been restated. For business segment reporting purposes, the sixdegrees and ASP business results were previously classified as the segment "Online".

Net revenues and losses from discontinued operations are as follows (in thousands):

	Three months ended March 31, 2001	Three months ended March 31, 2000	Nine mo March
Net revenues	$ --	$ 402	$
Loss from discontinued operations	$ --	$ (14,780)	$
Loss on disposal of discontinued operations ...	--	--	(
Net loss from discontinued operations	$ --	$ (14,780)	$ (

YOUTHSTREAM MEDIA NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2001
(UNAUDITED)

3. ACQUISITIONS

In July 2000, the Company acquired Teen.com pursuant to a merger agreement among the Company, a wholly-owned subsidiary of the Company, and Teen.com. Teen.com is a family-friendly Web destination for teens and is ranked as one of the top websites visited by 13 to 19 year-olds. The purchase price consisted of 944,000 shares of the Company's common stock, including 50,000 shares issued to the broker, valued at approximately $5.2 million or approximately $5.53 per share, the then current market price.

The following unaudited pro forma information is presented as if the Company had completed the acquisition of Teen.com as of July 1, 2000 and 1999, respectively, and exclude those acquisitions that were discontinued (in thousands):

	Nine months ended March 31, 2001	2000
Net revenue	$23,693	$25,294
Loss from continuing operations	(13,404)	(6,317)
Loss from continuing operations per basic and diluted common share	(0.46)	(0.32)
Weighted average common shares outstanding basic and diluted	29,215	19,797

The pro forma information above is not necessarily indicative of the results of operations that would have occurred had the acquisition been made at the beginning of the respective periods.

In connection with the acquisitions of Invino and sixdegrees, the Company issued additional shares of common stock during the nine months ended March 31, 2001. The common stock issued to the former Invino shareholders is being recorded as a decrease to the deferred purchase price.

4. LONG-TERM DEBT

A summary of long-term debt is as follows (in thousands):

	March 31, 2001	June 30, 2000
Note Payable to Bank (A)	$ 1,239	$ 1,739
Subordinated notes - Private Placement (B)	5,000	5,000
Note Payable to Finance Company (C)	1,326	1,768
Subordinated Notes - Private Placement (D)	12,000	12,000
Subordinated Notes - Private Placement (E)	1,000	--
Other	7	9
	20,572	20,516
Less unamortized original issue discount attributed to subordinated notes	478	532
	20,094	19,984

Less current portion	1,328	1,275
	$ 18,766	$ 18,709

(A) This loan is secured by all of the assets of Campus Voice, Beyond the Wall and American Passage (the "Borrowers") and is guaranteed by NET. This loan is payable in equal monthly installments, commencing in February 1998, over a maximum of six years. Interest is payable monthly at a rate of interest of 275 basis points above LIBOR for U.S. dollar deposits of one month maturity.

The Borrowers are also party to an interest rate exchange agreement originally converting $3.0 million of the aforementioned floating rate debt to a fixed rate. The balance of the interest rate agreement at March 31, 2001 was $889,000. Under the interest rate exchange agreement, the Borrowers are required to pay interest at a fixed rate of 9.11% on the notional amount covered by the interest rate exchange agreement. In return, the Company receives interest payments on the same notional amount at the prevailing LIBOR rate plus 275 basis points. The interest rate exchange agreement terminates in June 2002.

(B) In July 1998, the Company issued Subordinated Notes to accredited investors in the aggregate amount of $5,000,000 less an original discount of $188,000. These notes bear interest at 11% per annum and are due in July 2003. In connection with the issuance of the Subordinated Notes, the Company issued 375,000 warrants to the accredited investors for $188,000, and 150,000 warrants to the placement agent. Each warrant, which expires in July 2003, entitles the holder to purchase one share of the Company's common stock for $4.125, the market price of the Company's common stock at the date of issuance. Based on an independent appraisal, the 525,000 warrants were valued at $740,000. The value of the warrants and closing costs of $314,000 have been recorded as deferred financing costs and are being amortized over the term of the Subordinated Notes. The original issue discount of $188,000 is also being amortized over the term of the related debt.

(C) In March 2000, the Company issued a note to a finance company in the amount of $1,971,000. The note bears interest at the rate of 11.95% per annum and is payable in 36 equal monthly payments commencing in March 2000. The note is secured by certain equipment owned by NET.

(D) In June 2000, the Company issued a subordinated note to an accredited investor in the amount of $12,000,000, less an original issue discount of $420,000. The note bears interest at 11% per annum and is due in June 2005. In connection with the issuance of the subordinated note, the Company issued 1,020,000 warrants to an accredited investor in exchange for $420,000. Each warrant, which expires in June 2005, entitles the holder to purchase one share of the Company's common stock for $5.9375, the market price of the Company's common stock at the date of issuance. Based on an independent appraisal, the 1,020,000 warrants were valued at $3,346,000. The value of the warrants and closing costs of $494,000 were recorded as deferred financing costs and are being amortized over the term of the subordinated note. The original issue discount of $420,000 is being amortized over the term of the related debt.

(E) In July 2000, the Company issued a subordinated note to an accredited investor in the amount of $1,000,000, less an original issue discount of $35,000. The note bears interest at 11% per annum and is due in July 2005. In connection with the issuance of the subordinated note, the Company issued 60,000 warrants to an accredited investor in exchange for $35,000. Each warrant, which expires in July 2005, entitles the holder to purchase one share of the Company's common stock for $3.75, the market price of the Company's common stock at the date of issuance. Based on an independent appraisal, the 60,000 warrants were valued at $197,000. The value of the warrants was recorded as deferred financing costs and is being amortized over the term of the subordinated note. The original issue discount of $35,000 is being amortized over the term of the related debt.

5. STOCKHOLDERS' EQUITY

For the nine months ending March 31, 2001, options were exercised resulting in the issuance of approximately 45,000 shares of common stock resulting in net proceeds to the Company of approximately $127,000.

6. SEGMENT INFORMATION

During the second quarter of fiscal year 2001, in connection with the decision to discontinue the Company's online segment, the Company revised its reporting of the remaining businesses. The Company's segments are now media and retail. The media segment represents the Company's media, marketing and promotional services provided to advertisers by NET, American Passage, Campus Voice, Beyond the Wall and Teen.com. The retail segment consists of on-campus and retail store poster sales provided by Trent. The prior periods' segments have been restated to reflect the Company's internal reorganization (in thousands).

	Three months ended March 31, 2001			Three mon March 3	
	Media	Retail	Total	Media	Ret
Net revenues	$ 4,223	$ 1,542	$ 5,765	$ 5,942	$ 1
Depreciation and amortization	1,249	173	1,422	668	
Loss from operations	(4,598)	(640)	(5,238)	(625)	
Capital expenditures	204	133	337	1,063	

	Nine months ended March 31, 2001			Nine mont March 3	
	Media	Retail	Total	Media	Ret
Net revenues	$ 14,512	$ 9,111	$ 23,623	$ 16,916	$ 7
Depreciation and amortization	3,655	503	4,158	2,104	
Loss from operations	(11,705)	(564)	(12,269)	(1,893)	
Capital expenditures	817	385	1,202	3,401	1

	March 31, 2001			June	
	Media	Retail	Total	Media	Ret
Identifiable assets	$ 57,175	$ 9,906	$ 67,081	$ 75,481	$ 9

(a) June 30, 2000 excludes net non-current assets of discontinued operations

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

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the consolidated financial statements and related notes thereto. The following discussion contains certain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, the Company's ability to timely execute its business plan, the Company's management of growth, changing consumer tastes, the impact of competitive products and pricing, conditions in the markets in which the Company conducts business, including the advertising, media and retail markets, and general economic conditions. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

The Company's consolidated financial statements reflect reclassifications for prior periods due to the discontinued operation of the online segment. The Company revised its reporting segments from online and offline to media and retail. The following analysis incorporates reclassifications of prior periods due to discontinued operations and revision of the reporting segments. The following financial analysis compares the three months and the nine months ended March 31, 2001 (unaudited) to the three months and the nine months ended March 31, 2000 (unaudited).

RESULTS OF OPERATIONS

For the three months ended March 31, 2001, net revenues were $5.8 million as compared to $7.1 million for the three months ended March 31, 2000. The decrease of $1.3 million was due to a decrease of $1.7 million in the media segment offset by an increase of $0.4 million in the retail segment. After adjusting for the loss of contributed media of $0.9 million, the decrease of revenue in the media segment was $0.8 million, attributable to the de-emphasis of certain non-profitable businesses as well as softening market condition in the advertising industry, offset by an increase of $0.2 million related to the acquisition of Teen.com. Contributed media revenues related to media and marketing services provided to CommonPlaces in exchange for equity prior to the merger with the Company. The retail segment increase of $0.4 million was attributable to year-over-year same store growth as well as the expansion of the retail store network.

For the nine months ended March 31, 2001, net revenues were $23.6 million as compared to $24.0 million for the nine months ended March 31, 2000. The decrease of $0.4 million was due to a decrease in the media segment of $2.4 million offset by an increase of $2.0 million in the retail segment. After adjusting for the loss of contributed media of $2.9 million, revenues in the media segment increased by $0.5 million. Contributed media revenues related to media and marketing services provided to CommonPlaces in exchange for equity prior to the merger with the Company. The retail segment increase of $2.0 million was attributable to year-over-year same store growth as well as the expansion of the retail store network.

For the three months ended March 31, 2001, cost of goods sold were $0.3 million as compared to $0.2 million for the three months March 31, 2000. The increase of $0.1 million was due to increased revenues in the retail segment.

For the nine months ended March 31, 2001, cost of goods sold were $2.0 million as compared to $1.7 million for the nine months March 31, 2000. The increase of $0.3 million was due to increased revenues in the retail segment.

For the three months ended March 31, 2001, selling, general and administrative expenses were $7.4 million as compared to $5.8 million for the three months ended March 31, 2000. The increase of $1.6 million was due to an increase of $1.2 million in the media segment and $0.4 million in the retail segment. The media segment increase of $1.2 million was primarily due to the acquisition of Teen.com. The retail segment increase of $0.4 million was primarily due to the expansion of the retail store network.

For the nine months ended March 31, 2001, selling, general and administrative expenses were $24.4 million as compared to $18.3 million for the nine months ended March 31, 2000. The increase of $6.1 million was due to an increase of $3.6 million in the media segment and $2.5 million in the retail segment. The media segment increase of $3.6 million was primarily due to the acquisition of Teen.com. The retail segment increase of $2.5 million was due to $1.8 million of one time costs related to the acquisition of Trent and the remaining $0.7 million due to increased expenses related to expansion of the retail store network.

For the three months ended March 31, 2001, corporate expenses were $1.9 million as compared to $1.3 million for the three months ended March 31, 2000. Corporate expenses grew as an improved management team was put in place.

For the nine months ended March 31, 2001, corporate expenses were $5.4 million as compared to $3.2 million for the nine months ended March 31, 2000. The increase of $2.2 million includes $1.1 million related to the cost of upgrading the senior management team, $0.4 million related to the exploration of a venture in the People's Republic of China, and $0.4 million caused by one time charges, mostly severance and moving expenses.

For the three months ended March 31, 2001, depreciation and amortization expenses were $1.4 million as compared to $0.8 million for the three months ended March 31, 2000. The increase of $0.6 million was primarily due to the acquisition of Teen.com.

For the nine months ended March 31, 2001, depreciation and amortization expenses were $4.2 million as compared to $2.5 million for the nine months ended March 31, 2000. The increase of $1.7 million was primarily due to the acquisition of Teen.com.

For the three months ended March 31, 2001, there was no equity loss in investment as compared to $0.9 million for the three months ended March 31, 2000. Equity loss in investment represented the Company's minority interest share of the loss in CommonPlaces.

For the nine months ended March 31, 2001, there was no equity loss in investment as compared to $2.9 million for the nine months ended March 31, 2000. Equity loss in investment represented the Company's minority interest share of the loss in CommonPlaces.

For the three months ended March 31, 2001, interest income was $0.4 million as compared to $0.4 million for the three months ended March 31, 2000.

For the nine months ended March 31, 2001, interest income was $1.7 million as compared to $1.0 million for the nine months ended March 31, 2000. The increase of $0.7 million was due to interest income earned on increased cash balances resulting from the issuance of debt and the sale of common stock.

For the three months ended March 31, 2001, interest expense was $0.8 million as compared to $0.2 million for the three months ended March 31, 2000. The increase of $0.6 million was primarily related to the increase in long-term debt.

For the nine months ended March 31, 2001, interest expense was $2.4 million as compared to $0.7 million for the nine months ended March 31, 2000. The increase of $1.7 million was primarily related to the increase in long-term debt.

For the three months ended March 31, 2001, there was no loss from discontinued operations as compared to $14.8 million for the three months ended March 31, 2000. The loss from discontinued operations represents the net loss of the online segment prior to the December 2000 measurement date. For the three months ended March 31, 2000, loss from discontinued operations primarily represents amortization of goodwill and depreciation of $11.8 million, operating expenses of $4.1 million offset by other income of $0.7 million and net revenues of $0.4 million

For the nine months ended March 31, 2001, loss from discontinued operations was $40.6 million as compared to $14.6 million for the nine months ended March 31, 2000. The nine months ended March 31, 2001, loss from discontinued operations of $40.6 million represent operating losses for the online segment from July to the December 2000 measurement date. The nine months ended March 31, 2000, loss from discontinued operations of $14.6 million represent operating losses for the online segment primarily incurred during the period January to March 2000.

For the nine months ended March 31, 2001, loss on disposal of discontinued operations was $165.0 million. The loss on disposal primarily represents the write-down of net assets, including goodwill of the online segment and provision for operating losses during phase-out period. The Company's exit from these operations is expected to occur prior to June 30, 2001.

The following unaudited proforma information is presented for purposes of restating the Company's prior period results to reflect the impact of discontinued operations (in thousands):

	Three months ended September 30, 1999	Three months ended December 31, 1999	Three months ended March ,31 2000	Three mont ended June 30, 2000
Net Revenues	$ 10,361	$ 6,601	$ 7,069	$ 4,1
Income (loss) from operations	346	(1,000)	(1,031)	(5,6

Loss before provision for taxes	(468)	(2,143)	(1,673)	(5,2
Loss from continuing operations	(516)	(2,187)	(1,765)	(5,5
Income (loss) from discontinued Operations	107	43	(14,780)	(25,2
Net loss	$ (409)	$ (2,144)	$ (16,545)	$ (30,7
Per share of common stock basic And diluted				
Loss from continuing operations ...	$ (0.04)	$ (0.12)	$ (0.08)	$ (0.
Income (loss) from discontinued Operations	0.01	--	(0.64)	(0.
Net loss	$ (0.03)	$ (0.12)	$ (0.72)	$ (1.
Weighted average basic and diluted Shares outstanding	15,929	17,584	23,091	25,5

LIQUIDITY AND CAPITAL RESOURCES

In July 2000, the Company realized net proceeds of approximately $1,000,000 from the sale of an 11% Subordinated Note and warrants to purchase 60,000 shares of the Company's common stock.

In December 2000, the Company announced the discontinuation of its online business segment. As a result of this decision, the Company's future cash requirements to operate these businesses will be significantly reduced.

In May 2001, the Company announced a stock repurchase program. The Company is authorized to repurchase up to $2.0 million of its outstanding common stock. The purchases will be made from time to time in open-market transactions at prevailing prices.

The Company used approximately $17.4 million in its operating activities in the first nine months of fiscal year 2001 as compared to $14.9 million in the first nine months of fiscal year 2000. The increase of approximately $2.5 million represents the increase in net loss, accounts receivable and other assets and the decrease in short-term liabilities offset by the increase in depreciation and amortization and a decrease in deposits and other current assets. Cash provided by investing activities in the first nine months of fiscal year 2001 of approximately $10.7 million is composed primarily of proceeds from marketable securities upon maturity offset by capital expenditures. Cash provided by financing activities in the first nine months of fiscal year 2001 of approximately $0.1 million is primarily attributable to the issuance of long-term debt offset by repayments of capitalized lease obligations and long-term debt.

The Company's primary capital requirements with respect to its operations are to fund corporate overhead including expenses in evaluating opportunities in China, expansion of its retail store locations, its network of campus theaters and postcard distribution. As of March 31, 2001, the Company had approximately $11.7 million in cash and cash equivalents. The Company believes that such amounts plus an additional amount of $13.3 million, which represents investments in marketable debt securities with maturities of less than one year, will be sufficient to fund working capital, including debt service and interest requirements. In the event that the Company's plans and assumptions for each of its operations, with regard to the Company's ability to fund operations, working capital, capital expenditures and debt repayments, prove to be inaccurate, the Company could be required to seek additional financing.

The Company's ability to improve its operations will be subject to prevailing economic conditions and to legal, financial, business, regulatory, industry and other factors, many of which are beyond the Company's control. The Company may also seek additional debt or equity financing to fund the cost of its retail expansion, to expand its network of campus theaters, to develop or acquire additional media and marketing services businesses or to fund its operations. To the extent that the Company finances its requirements through the issuance of additional equity securities, any such issuance would result in dilution to the interests of the Company's stockholders.

Additionally, to the extent that the Company incurs indebtedness or issues debt securities in connection with financing activities, the Company will be subject to all of the risks associated with incurring substantial indebtedness, including the risk that interest rates may fluctuate and cash flow may be insufficient to pay principal and interest on any such indebtedness. The Company has no current arrangements with respect to, or sources of, additional financing. There can be no assurance that any additional financing will be available to the Company on acceptable terms, if at all.

The Company currently projects a thirty five percent increase in revenues in fiscal year 2002 in both the media and retail segments. Growth in the media segment is expected to be broad based but driven primarily by event marketing, sampling and promotion. These projections assume improvement in the advertising market and continued growth in the Company's retail operations, among other things. The retail segment revenue growth is comprised of same store year-over-year growth, new store openings and price increases for the campus sales events. The Company also projects earnings before interest, taxes, depreciation and amortization ("EBITDA") to be positive in the first quarter of fiscal 2002 and in the full fiscal year 2002 due to projected increase in revenues, as well as projected improvements in operating margins. The projected EBITDA improvement is expected to reduce cash consumption below $7.0 million in fiscal year 2002 including an expected $3.0 million of capital investments in the business. Net income is expected to result in a loss of less than $10.0 million. The Company projects that it will sustain its revenue growth momentum through fiscal year 2003, which should result in improved EBITDA, sufficient to generate positive cash flow and positive net income in fiscal year 2003.

PART II

OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

None

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 11, 2001

YOUTHSTREAM MEDIA NETWORKS, INC.

BY: /s/ JAMES G. LUCCHESI

JAMES G. LUCCHESI
President and
Chief Executive Officer

BY: /s/ IRWIN ENGELMAN

IRWIN ENGELMAN
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer