YOUTHSTREAM MEDIA NETWORKS INC
Form 10-K
January 27, 2004

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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal years ended September 30, 2003

OR

o **TRANSITION REPORT UNDER 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 Business Issuer in Its Charter)

Delaware	**13-4082185**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
244 Madison Avenue, PMB #358, New York, New York	**10016**
(Address of Principal Executive Offices)	(Zip Code)

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

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

Securities registered under Section 12(g) of the Act:
Common Stock, par value $.01 per share

Indicate by check mark 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 for such shorter period that the registrant as required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes o No ý

As of January 5, 2004 there were 39,242,000 shares of the registrant's common stock outstanding. As of January 5, 2004, the aggregate market value of voting stock held by non-affiliates of the registrant was $8,085,000 (based on the closing price of the registrant's common stock as of such date).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement under Regulation 14A, which statement will be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference in Part III hereof.

YOUTHSTREAM MEDIA NETWORKS, INC.
ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

This report on Form 10-K, including without limitation the Business section and Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include, but are not limited to, statements concerning future liquidity and financing requirements and plans to make acquisitions, dispositions or strategic investments.

Certain information and statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report, including statements containing words such as "could", "expects", "may", "anticipates", "believes", "estimates", "plans", and similar expressions, are forward-looking statements. The forward-looking statements of the Company are subject to risks and uncertainties. Some of the factors that could cause future results to materially differ from the recent results or those projected in the forward-looking statements include, but are not limited to, management's success in settling the Company's outstanding obligations and reduction of operating costs, ability to sell the Company's remaining business operations and acquire new business opportunities, results of litigation, failure to retain and recruit key employees, adverse economic conditions, acts of war or global terrorism, and unexpected natural disasters. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-K.

GENERAL AND CORPORATE STRUCTURE

Prior to August 2002, YouthStream Media Networks, Inc. ("YouthStream" or the "Company") had two reporting segments: media and retail. The media segment represented the Company's media, marketing and promotional services provided to advertisers by Network Event Theater, Inc. ("NET") and American Passage Media, Inc. ("American Passage"). As described below, in August 2002, the Company sold substantially all of the assets and certain liabilities from this segment and discontinued its operation. Other than during the period from July 1, 2002 through August 5, 2002 (prior to the sale of its media segment), the Company operated in one business segment, retail. The retail segment consists of on-campus, online and retail store poster sales provided by its Beyond the Wall subsidiary.

The Company's new management intends to continue efforts to settle the Company's outstanding obligations and reduce operating costs. In addition, the Company's new management is exploring various strategic alternatives, including the sale of the Company's remaining business operations and the acquisition of one or more new business opportunities. However, there can be no assurances that such efforts will be successful. The Company may finance any acquisitions through a combination of debt and/or equity securities.

NET was founded in 1995 and held its initial public offering in 1996. In February 2000, NET was reorganized and became a wholly-owned subsidiary of the Company, then a newly-established Delaware holding company.

RECENT EVENTS

The Company underwent significant changes during the fiscal year ended September 30, 2003 as described below:

Sale of Media Segment

On August 5, 2002, the Company completed the sale of certain assets and liabilities relating to its Media segment to Cass Communications, Inc., a subsidiary of Alloy, Inc. ("Alloy") for a purchase price of $7 million in cash funds. Net cash proceeds from the sale were approximately $6,900,000. The Company discontinued any remaining media operations that were not sold to Alloy.

Nasdaq Delisting

In December 2002, the Company's common stock was delisted from Nasdaq due to non-compliance with the minimum $2,000,000 net tangible asset requirement or the alternative minimum $2,500,000 stockholders' equity requirement necessary for continued listing on Nasdaq's SmallCap Market. The Company's common stock currently trades on the OTC Bulletin Board under the symbol YSTM.

Debt Restructuring and Amendments

In January 2003, the Company reached an agreement with the holders of all of its and its Network Event Theater subsidiary's outstanding notes, in the aggregate principal amount of $18 million, to cancel those notes. In exchange for cancellation of all of the principal and interest due on the old notes, the note holders received in aggregate $4.5 million in cash, preferred stock with a face value of $4 million, and 3,985,000 shares of common stock, valued at $255,000, and $4 million aggregate principal amount of promissory notes issued by the Company's retail subsidiary, Beyond the Wall, Inc., secured by the Company's pledge of all of its stock in Beyond the Wall.

At the closing of the January 2003 debt restructuring, all of the Company's previous directors and officers resigned, and three new directors were appointed. Jonathan V. Diamond, who previously had been a director and interim Chief Executive Officer of the Company, was appointed as Chairman of the Board of Directors, and Hal G. Byer and Robert Scott Fritz were appointed as directors of the Company. Mr. Diamond was appointed as Chief Executive Officer and Robert N. Weingarten was appointed as Chief Financial Officer.

During May 2003, the Company issued options to the three new directors to purchase an aggregate of 700,000 shares of common stock exercisable at the fair market value of $0.04 per share for a period of seven years. In addition, the three new directors paid an aggregate of $7,500 ($0.04 per share) in cash to acquire options from the holder of the shares of preferred stock that were issued in the January 2003 restructuring to purchase an aggregate of 187,500 shares of such holder's preferred stock, exercisable at $0.36 per share.

During June 2003, the Company amended the original provisions of the $4,000,000 of promissory notes issued in conjunction with the January 2003 restructuring to provide for the following:

1. Beyond the Wall was replaced by the Company as the issuer of the notes, and was released from any liability with respect to the notes.

2. The note holders agreed to convert the notes from secured to unsecured, and to release their security interest in all of the outstanding common stock of Beyond The Wall.

3. The note holders agreed to delete all provisions in the notes requiring the issuer of the notes to make mandatory prepayments based on the occurrence of certain events.

4. The note holders agreed to delete provisions in the notes prohibiting the issuer from: (i) incurring any indebtedness for borrowed money; (ii) selling, or entering into any agreement to sell, all or substantially all of the assets or all or substantially all of the capital stock of the issuer; or (iii) entering into any transaction with an affiliate, other than transactions with the Company, Network Event Theater, Inc. and/or their successors, that have fair and reasonable terms which are no less favorable to the issuer than would be obtained in a comparable arms-length transaction with a person or entity that is not an affiliate.

Change in Accountants

In June and July 2003, the Company announced that it had terminated Ernst & Young LLP as its independent accountant and had retained Weinberg & Co, P.A. to act as its new independent accountant.

Change of Fiscal Year End

In July 2003, the Company announced that pursuant to a board resolution dated June 27, 2003, it had changed its fiscal year end from June 30 to September 30. The presentation of fiscal year 2003 contained in this report represents the twelve month period October 1, 2002 through September 30, 2003. The transition period for the three month period July 1, 2002 through September 30, 2002 (the "Transition Period") is reported separately in this report.

Affiliate Loans

During August 2003, the Company's subsidiary, Beyond the Wall, Inc., borrowed $100,000 from each of Jonathan V. Diamond and the Ravich Trust, which was used to fund the operations of Beyond the Wall, Inc. The loans were due December 31, 2003, and were secured by real estate owned by Beyond the Wall, Inc. As partial consideration for the loans, the Company issued to each lender warrants to purchase 400,000 shares of common stock, exercisable through August 31, 2008 at $0.11 per share, the closing bid price of the Company's common stock on the date of the loans.

During August 2003, the Company also borrowed $25,000 from each of Jonathan V. Diamond and the Ravich Trust, which was used to fund, in part, the Company's investment in KES Holdings (see below). The Company's remaining $75,000 investment in KES Holdings was funded from corporate funds. The loans were due December 31, 2003, and were unsecured. As partial consideration for the loans, the Company issued to each lender warrants to purchase 100,000 shares of common stock, exercisable through August 31, 2008 at $0.16 per share, the closing bid price of the Company's common stock on the date of the loans.

KES Holdings Investment

In September 2003, the Company announced that it made a capital contribution of $125,000 for a 1.00% membership interest in KES Holdings, LLC, a Delaware limited liability company ("KES Holdings"), which was formed to acquire certain assets of Kentucky Electric Steel, Inc., a Delaware company ("KES"), consisting of a steel mini-mill located in Ashland, Kentucky (the "Acquired Assets"). On September 2, 2003, KES Holdings, through its subsidiary, KES Acquisition Company, LLC, a Delaware limited liability company ("KES Acquisition"), completed the acquisition of the Acquired Assets pursuant to Section 363 of the United States Bankruptcy Code for cash consideration of $2,650,000. KES ceased production on or about December 16, 2002 and filed for a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on February 5, 2003.

In addition to the Company, investors in KES Holdings include, among others, affiliates of Libra Securities, LLC, a Delaware limited liability company and a registered NASD broker-dealer ("Libra"), consisting of Libra's parent entity, certain employees of Libra and the Ravich Revocable Trust of 1989 (Jess M. Ravich, Trustee) (the "Ravich Trust"). Robert Scott Fritz, one of the directors of the Company, is also an investor in KES Holdings. Jess M. Ravich, the President and Chief Executive Officer of Libra and the principal stockholder of Libra's parent entity, is the manager of KES Holdings, but does not have a controlling equity interest in KES Holdings. The contributions of the members of KES Holdings were used in part to fund the purchase price of the Acquired Assets, with the balance intended to be used for start-up costs, working capital purposes and deferred maintenance of the Acquired Assets.

The Company has had preliminary discussions with KES Holdings to acquire KES Acquisition. Although there are presently no understandings, agreements or commitments between KES Holdings and the Company pursuant to which KES Holdings would be obligated to sell KES Acquisition to the Company, or pursuant to which the Company would be obligated to purchase KES Acquisition from KES Holdings, it is presently contemplated that, should such a transaction occur, it would involve the delivery by the Company to KES Holdings of a subordinated note for all or substantially all of the purchase consideration. Such a transaction is subject to substantial risks, contingencies and uncertainties, including, among others, satisfactory completion of due diligence, preparation of definitive transaction documents, compliance with state and federal securities laws and regulations, additional debt and/or equity financing, and approval by the Company's stockholders. Accordingly, there can be no assurances that any transaction between the Company and KES Holdings ultimately will occur, or that if a transaction does occur, future operations of the steel mini-mill will be successful.

The Ravich Trust currently owns 1,000,000 shares of redeemable preferred stock and 1,860,000 shares of common stock of the Company. The Ravich Trust also owns warrants to purchase 500,000 shares of common stock of the Company, as described under the sub-heading "Affiliate Loans" above.

The Company's Board of Directors currently consists of Jonathan V. Diamond, Hal G. Byer and Robert Scott Fritz. Hal G. Byer is a Senior Vice President of Libra, and by virtue of his employment agreement with Libra, Mr. Byer has an economic interest in the investment in KES Holdings made by Libra's parent entity. The Company's three directors have each acquired an option from the Ravich Trust to purchase 62,500 shares at $0.04 per share of the Company's preferred stock issued to the Ravich Trust in January 2003, exercisable until December 31, 2006 or earlier upon the occurrence of certain events, as described under the sub-heading "Debt Restructuring and Amendments" above.

Sale of Patent

Effective September 23, 2003, the Company sold its interest in U.S. Patent No. 6,175,831 entitled "Method and apparatus for constructing a network database and system" (the "Six Degrees Patent") and certain related intellectual property rights, including computer source and object code files, software assets and other digital assets, documentation and rights (the "Technology"), for a cash payment of $700,000. The sales price was determined through an auction process involving arm's-length qualified purchasers. The Company is not utilizing the Technology in its current business operations. The Technology was sold to Degrees of Connection LLC, a Delaware limited liability company. Degrees of Connection LLC is unrelated to the Company or its affiliates, or any of its officers or directors, or associates of its officers or directors.

MEDIA BUSINESS

As a result of the sale of its media segment effective August 5, 2002, the Company only operated this segment during approximately the first five weeks of the Transition Period. During this period, the Company generated only $399,000 of revenues from its media segment. Prior to the sale, the Company and its subsidiaries' principal media assets included: (a) more than 20,000 proprietary "out-of-home" media distribution locations at universities, colleges, high schools and middle schools in the United States; (b) a database and other items related to the Company's newspaper placement business; (c) equipment related to the Company's advance movie screening business; (d) equipment, vehicles and other assets related to the Company's event marketing business; and (e) certain intellectual property including domain names, trademarks, and service marks related to the Company's media business (together, "Media Assets").

Pursuant to the purchase agreement in the Alloy Transaction, until August 5, 2004, the Company is prohibited from engaging in certain businesses similar to those it sold to Alloy, including (a) owning or operating display media boards, and/or providing related marketing and media network services,

targeting individuals aged 10 through 24; (b) developing, soliciting and/or placing advertising for any third party in print media, targeting individuals aged 10 through 24; (c) owning and/or operating college newspaper advertising stands; (d) conducting event marketing programs targeting individuals aged 10 through 24; (e) conducting film screenings on college and/or university campuses; (f) conducting acquisition or promotional events on college and/or university campuses except for marketing or promotional events directly and solely related to its retail poster business; (g) conducting customer acquisition programs, targeting individuals aged 10 through 24; and (h) conducting any other advertising, promotions or services business whose primary method of generating revenue is to promote the products or services of any third party to individuals aged 10 through 24.

RETAIL BUSINESS

During fiscal 2003, YouthStream's Beyond the Wall subsidiary sold decorative wall posters, frames and related items (together, "Posters") to teenagers and young adults at on-campus sales events, in retail stores, and via the Internet. In fiscal 2003, the Company's retail segment generated 100% of its operating revenues.

During fiscal 2003, Beyond the Wall sold Posters through two distribution channels: on-campus sales events ("Events") and a chain of retail stores ("Stores"). Beyond the Wall's on-campus sales events were held at more than 600 colleges and universities nationwide in the Fall and Spring of fiscal 2003, and generated more than $4.8 million in revenues.

As of September 30, 2003, Beyond the Wall also operated a chain of 18 retail stores ("Stores") operating in 12 states nationwide, including the District of Columbia. During fiscal 2003, Stores were operating near college and university campuses, in urban locations, in tourist destinations, and in malls.

Revenues from the Company's retail segment decreased approximately 31% in fiscal 2003 compared to fiscal 2002 as a result of the store closings described below and weaker than expected performance in its Stores and lower than expected revenues from conducting its Events during fiscal 2003. The Company believes these declines are attributable to a variety of factors including, among other things, general economic conditions, issues related to the management of the Company's retail stores, the Company's limited ability to invest in capital expenditures, including a point-of-sale inventory tracking system, and increased competition. In addition to these factors, during the fourth quarter of fiscal 2002, three Beyond the Wall employees responsible for organizing Events and leading Beyond the Wall's Store expansion plan resigned without notice and attempted to establish a competing Events business. Beyond the Wall commenced litigation against these former employees that was promptly settled out-of-court; however, the company believes these events negatively impacted its ability to conduct Events and may continue to have a negative effect.

In early fiscal 2003 the Company followed through on its previously announced plans to close a number of under performing retail stores within its Beyond the Wall chain.

The Company is considering various strategic alternatives with respect to the Beyond the Wall business, including the sale of the business to certain investors. Although the Company is currently in negotiations with an investor group, no agreement has been finalized, and there can be no assurances that any transaction will be completed.

RETAIL SEGMENT: PRODUCTS AND SERVICES

During fiscal 2003, YouthStream's Beyond the Wall subsidiary sold decorative wall posters, frames and related items (together, "Posters") to teenagers and young adults at on-campus sales events, in retail stores, and via the Internet. The company purchases products from major vendors located primarily in the United Kingdom and the United States. The company serves strictly as a distributor of posters and does not retain the licensing rights to the poster titles.

ON-CAMPUS COLLEGE POSTER SHOWS

The Company believes that its Events constitute the largest network of on-campus poster shows in the nation's college market. In fiscal 2003, Beyond the Wall held Events on more than 600 campuses nationwide. More than 500,000 posters, frames and other items were purchased during these Events, generating approximately 53% of the Company's retail segment revenues for fiscal 2003.

RETAIL STORE OPERATIONS; ONLINE SALES

Beyond the Wall also operates its retail poster Stores in college towns, major urban areas, tourist destinations and malls around the country. As of June 30, 2002, Beyond the Wall operated 43 Stores. Subsequent to June 30, 2002, during early fiscal 2003, Beyond the Wall closed 25 Stores. As of September 30, 2003, Beyond the Wall operated 18 Stores. Beyond the Wall's Stores generated approximately 46% of the Company's retail segment revenues for fiscal 2003. The remainder of Beyond the Wall's sales were generated primarily through its website beyondthewall.com.

RETAIL STRATEGY

During fiscal 2003 Beyond the Wall executed a retrenchment strategy by scaling back its retail operations to focus on its core colleges events business and improve overall profitability of its retail stores operations. In fiscal 2003 the Company followed through on its previously announced plans to close a number of under performing retail stores within its Beyond the Wall chain. For the year ended September 30, 2003, the Company incurred approximately $1.8 million of expenses, relating to the closing of 25 retail store operations, including $214,000 for the write-off of fixed assets, $635,000 for the write-off of inventory, $879,000 of accruals for costs relating to the early termination of store leases and $62,000 for other expenses. The total closing costs were classified as a separate line item in the statement of operations as part of continuing operations.

COMPETITION

The retail decorative wall poster industry for teens and young adults is both highly competitive and fragmented. The Company believes that the principal bases upon which Beyond the Wall competes are selection, quality, price, store location and service. Beyond the Wall's Stores compete with other sellers of decorative art, some of which are more established, better capitalized or have access to greater resources than Beyond the Wall. Although Beyond the Wall believes it is currently the largest and most established on campus seller of Posters via its annual Events, competition from other businesses seeking to schedule events similar to Beyond the Wall's Events on campuses has increased and can be expected to continue increasing.

SEASONALITY

The seasonality of the Company's retail businesses affects its profitability. Since products are most often purchased during the academic school year primarily from August through October, the Company experiences substantial seasonality in sales and profitability during its fiscal year.

PERSONNEL

RETAIL

As of January 5, 2004, the Company employed 109 full-time employees and 44 part-time employees in connection with its retail operations. None of these employees are represented by a collective bargaining unit, and the Company believes that relations with these employees are good.

CORPORATE

As of January 5, 2004, three employees, including the Company's Chief Executive Officer and Chief Financial Officer, continue to perform services principally dedicated to general corporate matters, including management of the existing business, maintenance of the corporate entity, review of strategic options, and settlement of debts and obligations.

Following the sale of the media business in August 2002, the Company's Chairman and Chief Corporate Strategist, Harlan Peltz, provided services for the Company pursuant to a contract between himself and the Company until his resignation effective January 24, 2003.

ITEM 2. PROPERTIES

As the result of the retrenchment of the media segment and subsequent sale of the media business to Cass Communications, Inc. in August 2002, the Company closed all of its media offices, including offices in Acton, Massachusetts; Chicago, Illinois; Los Angeles, California; New York, New York; Seattle, Washington; and Tempe, Arizona. The Company vacated these offices in advance of the lease expiration dates. To date the Company has reached settlements with the landlords on all office leases, except for the office in Seattle, Washington and Tempe, Arizona. The Company has appropriately accrued for the lease termination costs in connection with these two office leases, totaling $146,000.

The Company's significant real estate properties reside with its Beyond The Wall subsidiary. Beyond the Wall owns a warehouse containing office space in Stroudsburg, Pennsylvania, where the Company's retail operations are headquartered.

As of September 30, 2003, Beyond the Wall was a party to leases for retail stores operating in Ann Arbor, Michigan; Bloomington, Indiana; Burlington, Vermont; Chicago, Illinois; East Lansing, Michigan; Hadley, Massachusetts; Ithaca, New York; Lawrence, Kansas; Lexington, Kentucky; Myrtle Beach, South Carolina; New Hope, Pennsylvania; Newark, Delaware; New York, New York; Philadelphia, Pennsylvania; Saint Louis, Missouri; Taylor, Michigan; Valley Mall, Virginia; and Washington, D.C. The total future lease obligations as of September 30, 2003 for Beyond the Wall was approximately $718,000.

As of September 30, 2003, Beyond the Wall had vacated non-performing stores in Augusta, Georgia; Berkeley, California, Charlottesville, Virginia; Chesapeake, Virginia; Cincinnati, Ohio; Cleveland, Ohio; Chicago, Illinois; Nanuet, New York; and Yorktown Heights, New York, in advance of the termination dates for the leases governing these stores. Beyond the Wall intends to seek negotiated settlements of these liabilities where possible.

The Company believes it has adequate insurance to cover the value of its leased property and the personal property therein.

ITEM 3. LEGAL PROCEEDINGS

During fiscal 2003, the Company was involved in an arbitration filed in New York by the Company's former President and Chief Executive Officer seeking damages for alleged breach of his employment agreement, among other things. The Company reached an agreement in October 2003 with its former CEO to settle the dispute for nominal consideration.

The Company and/or its Beyond the Wall subsidiary are also defendants in various other lawsuits and claims from creditors of the Company seeking damages aggregating approximately $465,000. These matters have been brought by various trade creditors of the Company. The Company evaluates its response in each situation based on the particular facts and circumstances of a claim. Accordingly, the ultimate outcome of these matters cannot be determined at this time and may ultimately result in judgments and liens against the Company, its real estate or its other assets. The Company has made

sufficient accruals for the exposure related to such matters that have been deemed probable and reasonably estimable at September 30, 2003. In December 2003, Beyond the Wall was notified that a trade creditor had received a favorable court judgment that permitted the creditor to place a lien against the Beyond the Wall's real property for $139,000.

In addition, certain landlords of stores which Beyond the Wall has vacated in advance of the expiration dates of the store leases or failed to pay rent when due have commenced litigation against the Company. The Company intends to negotiate with the landlords to settle the lease termination liabilities and has sufficiently accrued for the exposure from lease termination costs.

Given the Company's current financial situation, the costs of defending these proceedings and diversion of management's attention to these matters, the outcome of such proceedings could have a material adverse effect on the Company's financial condition or operating results, including its ability to restructure its debts without seeking bankruptcy protection or being the subject of an involuntary bankruptcy petition, or its ability to continue as a going concern.

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

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of the Company's security holders.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock traded on the Nasdaq Small Cap Market ("Nasdaq") until December 2002 and currently trades on the OTC Bulletin Board. The Company's common stock trades under the symbol "YSTM".The following table sets forth the high and low closing bid prices for the common stock as furnished by Reuters. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	High	Low
Fiscal 2003		
First Quarter 12/31/02	0.24	0.02
Second Quarter 3/31/03	0.11	0.03
Third Quarter 6/30/03	0.10	0.03
Fourth Quarter 9/30/03	0.24	0.10
Fiscal 2002		
First Quarter 12/31/01	1.51	1.15
Second Quarter 3/31/02	1.39	0.51
Third Quarter 6/30/02	0.77	0.11
Fourth Quarter 9/30/02	0.15	0.04

As of January 5, 2004, there were approximately 223 holders of record of the Company's common stock. To date, the Company has not declared or paid any dividends on its common stock. The payment by the Company of dividends, if any, is within the discretion of the board of directors and will depend on the Company's earnings, if any, its capital requirements and financial condition, as well as other relevant factors. The board of directors does not intend to declare any dividends in the foreseeable future but instead intends to retain earnings for use in the Company's business operations.

Equity Compensation Plan Information

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (excluding securities reflected in column(a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,086,544	$ 0.25	3,913,456
Equity compensation plans not approved by security holders	0	0	0
Total	1,086,544	$ 0.25	3,913,456

As of January 5, 2004, 5,000,000 options were authorized under the 2000 Plan and options to purchase 1,086,544 shares were outstanding and 3,913,456 options were available for future grants.

RECENT SALES OF UNREGISTERED SECURITIES

The securities described below were sold by us during the period covered by this report without being registered under the Securities Act. All such sales made in reliance on Section 4(2) and/or Rule 506 promulgated thereunder of the Securities Act were, to the best of our knowledge, made to investors that, either alone or together with a representative that assisted such investor in connection with the applicable investment, had such sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks connected with the applicable investment.

During September 2002, the Company issued 2,273,531 shares to the former founders of Invino as part of the merger agreement between Invino and the Company. The total shares issued approximated the final installment value on the purchase price adjustment payable in the Company's common stock for the quarter ended September 30, 2002.

During January 2003, in connection with a certain debt restructuring, the Company issued a total of 3,985,000 shares of common stock, valued at $255,000, to the holders of certain of the Company's notes as condition for the extinguishment of the notes. See Item 1 Business Debt Restructuring and Amendments.

During August 2003, in connection with certain loans that were made to the Company's subsidiary, Beyond the Wall, Inc., by Jonathan V. Diamond and the Ravich Trust, the Company issued to each lender warrants to purchase 400,000 shares of common stock, exercisable through August 31, 2008 at $0.11 per share, the closing bid price of the Company's common stock on the date of the loans. See Item 1. Business Recent Events Affiliate Loans.

During August 2003, in connection with certain loans that were made to the Company by each of Jonathan V. Diamond and the Ravich Trust, the Company issued to each lender warrants to purchase 100,000 shares of common stock, exercisable through August 31, 2008 at $0.16 per share, the closing bid price of the Company's common stock on the date of the loans. See Item 1. Business Recent Events Affiliate Loans.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation and the Company's consolidated financial statements and notes to those consolidated financial statements included elsewhere in this Form 10-K.

	Year Ended September 30, 2003	Three Months Ended September 30, 2002	Year Ended June 30,			
			2002	2001	2000	1999
Net sales and other income	$ 9,203	$ 6,446	$ 14,960	$ 10,026	$ 7,717	$
Net loss						
Loss from continuing operations	(3,979)	(2,079)	(16,913)	(13,003)	(41,150)	
(Loss)/gain from discontinued operations	851	(100)	(3,599)	(224,800)	(8,738)	(9,190)
Net loss	(3,128)	(2,179)	(20,512)	(237,803)	(49,888)	(9,190)
Total assets	6,079	18,978	19,987	48,706	276,445	30,252
Long-term debt and capital lease obligations, less current portion	4,913	38	113(1)	18,635	18,815	6,589
Basic and diluted						
Loss from continuing operations	(0.10)	(0.06)	(0.55)	(0.44)	(1.95)	
(Loss)/gain from discontinued operations	0.02	(0.01)	(0.12)	(7.67)	(0.41)	(0.72)
Net loss	(0.08)	(0.07)	(0.67)	(8.11)	(2.36)	(0.72)
Weighted average basic and diluted common stock outstanding	37, 987	33,008	30,414	29,334	21,111	12,800

ITEM 7. 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 discharge its liabilities and restructure its debt, changing consumer tastes 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.

As a result of the change in the Company's fiscal year end from June 30 to September 30, the following financial analysis compares the fiscal years ended September 30, June 30, 2002 and June 30, 2001. A transition period for the three months ended September 30, 2002 is also presented.

The Company has incurred recurring operating losses since its inception. As of September 30, 2003, the Company had an accumulated deficit of approximately $341,468,000 and expects to have insufficient capital to fund all of its obligations. In January 2003 the Company completed a debt restructuring transaction with the holders of $18 million of its subordinated notes. In addition, the Company's retail sales have been declining. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty. The Company is also exploring strategic alternatives with respect to its business, which could include disposing of its remaining assets. The Company may also consider a wide range of other business opportunities, some of which may be unrelated to the Company's current business.

The Company's new management intends to continue efforts to settle the Company's outstanding obligations and reduce operating costs. The Company believes that its current cash resources, combined with revenues from continuing operations and borrowings from related parties, will be adequate to fund its operations during fiscal 2004. However, to the extent the Company's estimates are inaccurate and/or the Company is unable to successfully settle outstanding obligations and reduce operating costs, the Company may not have sufficient cash resources to maintain operations. In such event, the Company may be required to consider a formal or informal restructuring or reorganization.

The Company is considering various strategic alternatives with respect to the Beyond the Wall business, including the sale of the business to certain investors. Although the Company is currently in negotiations with an investor group, no agreement has been finalized, and there can be no assurances that any transaction will be completed.

Critical Accounting Policies:

The Company prepared the financial statements in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of 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 the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's financial statements.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a last-in, first-out basis. Inventories consist primarily of posters and related products. The Company periodically reviews its inventory and records adjustments to reflect shortages and obsolete, damaged, slow-moving or overstocked items.

Revenue Recognition

The Company's primary source of revenue is from retail sales recorded by its Beyond the Wall subsidiary from the sale of merchandise to consumers on college campuses and in stores. Retail revenue is recognized at the time of the sale to the consumer.

Impairment of Assets

The Company periodically evaluates its non-current assets for potential impairment indicators. The Company's judgments regarding the potential impairment are based on legal factors, market conditions and operational performance indicators, among others. Future events could cause us to conclude that impairment indicators exist and that such assets (primarily investments and fixed assets) are impaired.

Accounts Receivable

Accounts receivable consist primarily of amounts due to the Company from the college campus activities of the Company's Beyond the Wall subsidiary. The Company periodically updates its allowance for doubtful accounts to reflect the expected uncollectibility of accounts receivable based on past collection history and specifically identified risk.

Income Taxes

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made.

RESULTS OF OPERATIONS
(in thousands)

YEAR ENDED SEPTEMBER 30, 2003 COMPARED TO YEAR ENDED JUNE 30, 2002

For the year ended September 30, 2003, net revenues were $9,203 as compared to $14,960 for the year ended June 30, 2002. The decrease of $5,757 was attributable to comparable same stores sales decline as well as the closing of retail stores.

For the year ended September 30, 2003, cost of goods sold were $2,312 as compared to $3,747 for the year June 30, 2002. The decrease of $1,435 was due a decline in same store retail sales, reduction in number of retail stores and the one-time write off of goodwill relating to the retail segment in fiscal 2002.

For the year ended September 30, 2003, selling, general and administrative expenses were $7,525 as compared to $11,192 for the year ended June 30, 2002. The decrease of $3,667 was due to overhead savings attributable to sale of the media business in the three months ended September 2002 and

occupancy and payroll related savings attributable to the reduction in the number of retail stores in operation.

For the year ended September 30, 2003, corporate expenses were $2,807 as compared to $6,123 for the twelve months ended June 30, 2002. The decrease of $3,316 was due to overhead savings attributable to sale of the media business in August 2002 and the closing of the New York City headquarters in October 2002, as well as the change in management and substantial layoffs and other cost reductions implemented by new management.

For the year ended September 30, 2003, depreciation and amortization expenses were $499 as compared to $570 for the year ended June 30, 2002. The $71 decrease was due primarily to a reduction in capital expenditures following the plan to close a number of retail stores in early fiscal 2003.

For the year ended September 30, 2003, interest income was $36 as compared to $450 for the year ended June 30, 2002. The decrease of $414 was due to lower interest income earned on decreased cash balances.

For the year ended September 30, 2003, interest expense was $1,055 as compared to $3,068 for the year ended June 30, 2002. The decrease of $2,013 was primarily related to the decrease in long-term debt as a result of the debt restructuring in January 2003.

For the year ended September 30, 2003, gain from discontinued operations was $151 as compared to a loss of $4,476 for the year ended June 30, 2002.

For the year ended September 30, 2003, gain on disposal of discontinued operations was $700, as compared to a gain on disposal of discontinued operations of $877 for the year ended June 30, 2002.

YEAR ENDED JUNE 30, 2002 COMPARED TO YEAR ENDED JUNE 30, 2001

For the year ended June 2002, net revenues were $14,960 as compared to $10,026 for the year ended June 30, 2001. The increase of $4,934 was attributable to comparable same stores sales growth as well as the rapid expansion of the retail store chain.

For the year ended June 30, 2002, cost of goods sold were $3,747 as compared to $2,430 for the year June 30, 2001. The increase of $1,317 was a function of increased revenue in the retail segment primarily related to same store growth and expansion of the retail store chain.

For the year ended June 30, 2002, selling, general and administrative expenses were $11,192 as compared to $10,035 for the year ended June 30, 2001. The increase of $1,157 was due to higher costs associated with the opening of retail stores.

For the year ended June 30, 2002, corporate expenses were $6,123 as compared to $8,163 for the year ended June 30, 2001. The decrease of $2,040 was due to various cost cutting initiatives, including the reduction in corporate officers and staff.

For the year ended June 30, 2002, depreciation and amortization expenses were $570 as compared to $914 for the year ended June 30, 2001. The $344 decrease was due primarily to the adoption of FAS 142, a new accounting policy that no longer permits amortization of goodwill.

For the year ended June 30, 2002, interest income was $450 as compared to $2,131 for the year ended June 30, 2001. The decrease of $1,681 was due to lower interest income earned on decreased cash balances.

For the year ended June 30, 2002, interest expense was $3,068 as compared to $3,026 for the year ended June 30, 2001. The decrease of $42 was primarily related to the decrease in long-term debt.

For the year ended June 30, 2002, loss from discontinued operations was $4,476 as compared to $60,847 for the year ended June 30, 2001. For the year ended June 30, 2001, the loss from discontinued operations of $60,847 represents net operating losses for the Company's entire

media segment.

For the year ended June 30, 2002, gain on disposal of discontinued operations was $877, as compared to a loss on disposal of discontinued operations of $163,953 for the year ended June 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has financed its operations primarily through the sale of equity securities and debt. As of September 30, 2003, the Company had $1.5 million in cash and marketable securities, a decrease of $7.6 million from September 30, 2002 and a decrease of $893,000 from June 30, 2002. The Company has never been profitable and expects to continue to incur operating losses in fiscal 2004. The Company's consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern. The Company's independent auditors have issued their report dated January 5, 2004 that includes an explanatory paragraph stating that the Company's recurring losses and accumulated deficit, working capital deficiency and negative cash flow, among other things, raise substantial doubt about the Company's ability to continue as a going concern. The Company's historical sales have never been sufficient to cover its expenses and it has been necessary to rely upon financing from the sale of equity securities and debt to sustain operations. The Company may find it necessary to rely upon financing from debt, if made available, or on the sale of equity securities to continue to sustain its operations, acquire or develop new operations, and to be able to meet its cash demands. There can be no assurance that the Company will be able to obtain sufficient additional capital under acceptable terms or conditions. Furthermore, there can be no assurances that the Company will be able to generate sufficient revenues from the operation of the retail business to meet the Company's ongoing obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

During the year ended September 30, 2003, the Company used $3.2 million cash in operating activities related primarily to its $3.1 million loss during 2003, which included net gain from discontinued operations of $851,000 and non-cash activities $499,000 for depreciation and amortization, and $1.7 million in loss on disposal of assets. During the year ended June 30, 2002, the Company used $15.6 million cash in operating activities related primarily to its $20.5 million loss during 2002, which included net loss of $3.6 million relating to discontinued operations and non-cash activities $779,000 for depreciation and amortization, and $7.4 million in loss on disposal of assets. During the year ended June 30, 2001 the Company used $21.4 million in operating activities, related primarily to its $237.8 million loss during 2001, which included $224.8 million relating to the Company's discontinued operations and non-cash activities of $317,000 in impairments of goodwill, and $914,000 in depreciation and amortization.

The Company's consolidated cash and cash equivalents at September 30, 2003 were $1,490,000, with approximately 50% of such balance consisting of the proceeds from the sale of the Six Degrees Patent and certain related intellectual property rights in September 2003 (see "ITEM 1. BUSINESS RECENT EVENTS Sale of Patent"). The Company does not currently anticipate any similar transactions during the fiscal year ended September 30, 2004. At September 30, 2003, the Company's current ratio was 0.67:1.

For the year ended September 30, 2003, the Company generated $595,000 from investing activities primarily relating to proceeds of $106,000 from the sale of fixed assets and proceeds of $700,000 from the sale of the Six Degrees Patent, offset by an investment of $125,000 in KES Holdings and $86,000 of capital expenditures. For the year ended June 30, 2002, the Company generated $3.6 million from investing activities primarily relating to the sale of $5.7 million of investment in marketable debt

securities, offset by $1.0 million for the purchase of fixed assets, $1.1 million in connection with an additional earnout payment on the retail acquisition and purchase of an event marketing plan. For the year ended June 30, 2001, the Company generated $18.4 million in investing activities primarily relating to the sale of investment in marketable debt securities, offset by $1.0 million for capital expenditures.

For the year ended September 30, 2003, the Company used $5.0 million in financing activities, relating primarily to the $4.5 million in repayments in connection with the January 2003 debt restructuring. Net cash used in financing activities was $2.3 million for the year ended June 30, 2002 and $346,000 for the year ended June 30, 2001.

The Company's principal commitments consist of obligations outstanding under operating leases totaling approximately $718,000.

The Company does not have any material commitments for capital expenditures at September 30, 2003.

Off-Balance Sheet Arrangements

The Company does not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements at September 30, 2003.

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44 and 64, Amendment of SFAS 13, and Technical Corrections as of April 2000". SFAS No. 145 revises the criteria for classifying the extinguishment of debt as extraordinary and the accounting treatment of certain lease modifications. SFAS 145 was effective May 15, 2002, and is not expected to have a material impact on the Company's consolidated financial statements other than the classification of any gains or losses related to the early extinguishment of debt.

In July 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 provides guidance on the timing of the recognition of costs associated with exit or disposal activities. The new guidance requires costs associated with exit or disposal activities to be recognized when incurred. Previous guidance required recognition of costs at the date of commitment to an exit or disposal plan. The provisions of the statement are to be adopted prospectively after December 31, 2002. Although SFAS No. 146 may impact the accounting for costs related to exit or disposal activities the Company may enter into in the future, particularly the timing of the recognition of these costs, the adoption of the statement will not have a material impact on the Company's present financial condition or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FAS 123" ("SFAS 148"). This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements to SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition and annual disclosure to provisions of SFAS 148 are effective for interim periods beginning after December 15, 2002. Accordingly, the Company has adopted the disclosure requirements of SFAS 148 for the quarter ended March 31, 2003.

In January 2003, The FASB issued Interpretation No. 46, "*Consolidation of Variable Interest Entities*", an interpretation of Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements". Interpretation No. 46 addresses consolidation by business enterprises of variable interest entities, which have one or both of the following characteristics: (i) the equity investment at risk is not

sufficient to permit the entity to finance its activities without additional subordinated support from other parties, which is provided through other interest that will absorb some or all of the expected losses of the entity; (ii) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: the direct or indirect ability to make decisions about the entities activities through voting rights or similar rights; or the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities; the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses.

Interpretation No. 46 also requires expanded disclosures by the primary beneficiary (as defined) of a variable interest entity and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary. Interpretation No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Interpretation No. 46 may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. The Company does not expect adopting the disclosure requirements of FASB Interpretation No. 46 will have a significant effect on the Company's financial statement presentation or disclosures.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative and when a derivative contains a financing component. The clarification provisions of SFAS No. 149 require that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The Company does not expect that the adoption of SFAS No. 149 will have a significant effect on the Company's financial statement presentation or disclosures.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim

period beginning after June 15, 2003. SFAS No. 150 is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of SFAS No. 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The impact from the adoption of SFAS No. 150 for the year ended September 30, 2003 resulted in the reclassification of the mandatorily redeemable preferred stock from the mezzanine section of the balance sheet to non-current liabilities.

In June 2003, the FASB issued an Exposure Draft for proposed SFAS entitled "*Qualifying Special Purpose Entities ("QSPE") and Isolation of transferred Assets*", an amendment of SFAS No. 140 ("The Exposure Draft"). The Exposure Draft is a proposal that is subject to change and as such, is not yet authoritative. If the proposal is enacted in its current form, it will amend and clarify SFAS 140. The Exposure Draft would prohibit an entity from being a QSPE if it enters into an agreement that obliged a transferor of financial assets, its affiliates, or its agents to deliver additional cash or other assets to fulfill the special-purposes entity's obligation to beneficial interest holders. The Company does not expect that the adoption of the Exposure Draft will have a significant effect on the Company's financial statement presentation or disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The Company does not have any market risk with respect to such factors as commodity prices, equity prices, and other market changes that affect market risk sensitive investments.

The Company does not have any foreign currency risk, as its revenues and expenses, as well as its debt obligations, are denominated and settled in United States dollars.

Interest Rate Risk

The Company's investments are classified as cash and cash equivalents and debt securities with original maturities of three months or less. Therefore, changes in the market's interest rates do not affect the value of the investments as recorded by the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item appears as a separate section following Item 13 of this report. Such information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective June 27, 2003, the Company terminated Ernst & Young LLP ("EY") as its independent accountant. Effective July 26, 2003, the Company engaged Weinberg & Company, P.A. as its new independent accountant. The termination of EY and the retention of Weinberg were approved by the Company's Board of Directors.

EY audited the Company's financial statements for the fiscal years ended June 30, 2001 and 2002. EY's reports on the Company's financial statements for the fiscal years ended June 30, 2001 and 2002 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to audit scope or accounting principles; however, the report for the fiscal year ended June 30, 2002 contained a modification paragraph that expressed substantial doubt about the Company's ability to continue as a going concern.

During the fiscal years ended June 30, 2001 and 2002 and the subsequent interim period, there were no disagreements with EY on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures, which if not resolved to the satisfaction of EY would have caused EY to make reference to the matter in their report. There were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

Prior to Weinberg being retained as the independent accountant for the Company, neither the Company, nor anyone on its behalf, consulted with Weinberg regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type

of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided that Weinberg concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement as defined at Item 304(a)(1)(iv) or a reportable event as defined at Item 304 (a)(1)(v) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and its Chief Financial Officer, the Company conducted an evaluation of its disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Act of 1934, as amended, as of the end of the reporting period. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced above.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report (the "Company's Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)

The following documents are filed as part of this report:

(1) Financial Statements: Consolidated Balance Sheets at September 30, 2003 and June 30, 2002, Consolidated Statements of Operations for the years ended September 30, 2003, June 30, 2002 and 2001, and the three months ended September 30, 2002; Consolidated Statements of Cash Flows for the years ended September 30, 2003, June 30, 2002 and2001, and the three months ended September 30, 2002, Consolidated Statements of Stockholders' Equity (Deficiency) for the years ended September 30, 2003, June 30, 2002 and 2001, and the three months ended September 30, 2002.

(2) Financial Statement Schedules: All financial schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(c) Exhibits:

3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
3.2	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
3.3	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to the Company's Form 10-KSB for the fiscal year ended June 30, 1998, filed May 27, 1998).
3.4	Certificate of Designation for Preferred Stock of YouthStream Media Networks, Inc. (incorporated by reference to Exhibit 99.3 to the Company's Form 8K filed February 7, 2003).
3.5*	Certificate of Correction to the Certificate of Designation of Series A Preferred Stock of YouthStream Media Networks, Inc.
3.6	Bylaws (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
3.7	Bylaws (incorporated by reference to Exhibit 4.2 to YouthStream's Registration Statement on Form S-8, Registration No. 333-32022, filed on March 9, 2000).
4.1	Warrant Agreement (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
4.2	Underwriter's Warrant (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
10.1	Employment Stock Option Plan of the Company (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
10.2	Employment Agreement between the Company and Harlan D. Peltz (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
10.3	Employment Agreement between the Company and Don Leeds (incorporated by reference to Exhibit 1 to the Company's Form 10-QSB for the quarterly period ended June 30, 1996).

10.4	Non-Incentive Stock Option Agreement dated June 17, 1996 between the Company and Don Leeds incorporated by reference to Exhibit 10.3 to the Company's Form 10-QSB for the quarterly period ended June 30, 1996).
10.5	Employment Agreement between the Company and Bruce L. Resnik (incorporated by reference to Exhibit 2 to the Company's

	Form 10-QSB for the quarterly period ended September 30, 1996).
10.6	NET Portfolio Investors Agreement dated December 21, 1995 between the Company and NET Portfolio Investors, L.P. (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
10.7	Standard Form of School Contract (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form SB-2, Registration No. 33-80935, filed on March 6, 1996).
10.8	Asset Purchase Agreement dated September 13, 1996 among American Passage Media Corporation, Gilbert Scherer, the Company and American Passage Media, Inc. (incorporated by reference to Exhibit 2 to the Company's Form 8-K, filed on September 28, 1996).
10.9	Option Agreement between the Company and American Passage Media corporation (incorporated by reference to Exhibit 5 to the Company's Form 8-K, filed on September 28, 1996).
10.10	Bill of Sale and Agreement dated January 31, 1997 among SCCGS, Inc., Sirrom Capital Corporation, Campus Voice, L.L.C. and the Company (incorporated by reference to Exhibit 10.23 to the Company's Form 10-KSB for the fiscal year ended June 30, 1997).
10.11	Asset Purchase Agreement dated April 11, 1997 among Posters Preferred, Inc., Dennis Roche, Brian Gordon and the Company (incorporated by reference to Exhibit 10.30 to the Company's Form 10-KSB for the fiscal year ended June 30, 1997).
10.12	Asset Purchase Agreement dated April 30, 1997 among the Company, Pik:Nik Media, LLC, Pik:Nik, LLC and Garth Holsinger, Annett Schaefer-Sell and Sunny Smith (incorporated by reference to Exhibit 10.31 to the Company's Form 10-KSB for the fiscal year ended June 30, 1997).
10.13	Stock Purchase Agreement dated June 24, 1997 among Warburg, Pincus Emerging Growth Fund, Inc., Small Company Growth Portfolio of Warburg, Pincus Institutional Fund, Inc. and the Company (incorporated by reference to Exhibit 10.32 to the Company's Form 10-KSB for the fiscal year ended June 30, 1997).
10.14	Registration Rights Agreement dated June 24, 1997 among Warburg, Pincus Emerging Growth Fund, Inc., Small Company Growth Portfolio of Warburg, Pincus Institution Fund, Inc., and the Company (incorporated by reference to Exhibit 10.33 to the Company's Form 10-KSB for the fiscal year ended June 30, 1997).
10.15	Stock Purchase Agreement dated December 23, 1997 between the Company and Dirrom Investments, Inc. (incorporated by reference to Exhibit 10.15 to the Company's Form 10-KSB for the fiscal year ended June 30, 1998).
10.16	Placement Manager Agreement (incorporated by reference to Exhibit 10.17 to the Company's Form 10-KSB for the fiscal year ended June 30, 1998).
10.17	Form of Stock Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 10-KSB for the fiscal year ended June 30, 1998).