YOUTH STREAM MEDIA NETWORKS INC
Form 10-Q
February 13, 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 December 31, 2000

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 February 9, 2001 there were 29,449,967 shares of Common Stock, $.01 par value outstanding.

YOUTHSTREAM MEDIA NETWORKS, INC.

FORM 10-Q
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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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	(Unau
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1
Marketable debt securities, at amortized cost	2
Accounts receivable, net of allowance for doubtful accounts of $257 and $404 at December 31, 2000 and June 30, 2000, respectively	
Inventories	
Prepaid expenses	
Deposits and other current assets	----
Total current assets	4
Property and equipment, net of accumulated depreciation of $4,997 and $3,593 at December 31, 2000 and June 30, 2000, respectively	
Deferred financing costs, net of accumulated amortization of $721 and $355 at December 31, 2000 and June 30, 2000, respectively	
Intangible assets, net of accumulated amortization of $3,844 and $2,468 at December 31, 2000 and June 30, 2000, respectively	1
Restricted cash	
Net non-current assets of discontinued operations	
Other assets	----
Total assets	$ 7
	====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$
Accrued employee compensation	
Other accrued expenses	
Net current liabilities of discontinued operations	
Deferred revenues	
Current portion of deferred purchase price	
Current portion of capitalized lease obligations	
Current portion of long-term debt	----
Total current liabilities	1
Net non-current liabilities of discontinued operations	
Capitalized lease obligations	

Long-term debt	1
Deferred rent	
Deferred purchase price	
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, 29,174 shares and 28,031 shares issued and outstanding at December 31, 2000 and June 30, 2000, respectively	
Additional paid-in capital	32
Accumulated deficit	(29
Total stockholders' equity	3
Total liabilities and stockholders' equity	$ 7

See notes to consolidated financial statements

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

	Three months ended December 31,		S
	2000	1999	2
Net Revenues	$ 7,291	$ 6,601	$ 17
Operating Expenses:			
Cost of goods sold	271	136	1
Selling, general and administrative expenses	8,447	5,616	16
Corporate expenses	2,064	1,015	3
Depreciation and amortization	1,419	834	2
Total operating expenses	12,201	7,601	24

Loss from operations	(4,910)	(1,000)	(7
Equity loss in investment	-	(1,248)	
Interest income	552	345	1
Other income	(14)	-	
Interest expense	(796)	(240)	(1
Loss before provision for income taxes	(5,168)	(2,143)	(7
Provision for income taxes	72	44	
Loss from continuing operations	(5,240)	(2,187)	(7
Income (loss) from discontinued operations	(15,767)	43	(40
Loss on disposal of discontinued operations, including provision of $5,175 for operating losses during phase-out period	(164,971)	-	(164
Net Loss	$(185,978)	$(2,144)	$(213
Per share of common stock basic and diluted:			
Loss from continuing operations	$ (0.18)	$ (0.12)	$ (
Loss from operation of discontinued operations	(0.54)	-	(
Loss on disposal of discontinued operations	(5.66)	-	(
Net loss per basic and diluted common share	$ (6.38)	$ (0.12)	$ (
Weighted average basic and diluted common shares outstanding	29,172	17,584	29

See notes to consolidated financial statements

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

	SIX MONTHS DECEMBER
	2000

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$(213,190)
Adjustments to reconcile net loss to net cash (used in) operating activities:	
Loss (income) from discontinued operations	40,606
Loss on disposal of discontinued operations	164,971
Net change in assets and liabilities of discontinued operations	(9,795)
Bad debt expense	(147)
Depreciation and amortization	2,736
Gain on sale of equipment	(9)
Amortization of deferred financing costs	366
Deferred rent	4
Amortization of original issue discount on Subordinated Notes	59
Changes in assets and liabilities net of acquisitions:	
Increase in accounts receivable	(1,090)
Increase in due from affiliate	-
(Increase) decrease in inventory	(2)
(Increase) decrease in prepaid expenses	(228)
Decrease (increase) in deposits and other current assets	2,905
(Decrease) increase in accounts payable	(268)
Increase (decrease) in accrued employee compensation	446
(Decrease) increase in other accrued expenses	(891)
Increase (decrease) in deferred revenues	1,001
Net cash (used in) operating activities	(12,526)
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(865)
Proceeds from sale of equipment	37
Sale of investments in marketable debt securities	5,152
Other assets	58
Payment for business acquisitions (net of cash acquired)	(99)
Net cash provided by (used in) investing activities	4,283
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from sale of common stock and exercise of warrants and options	127

Net proceeds from issuance of warrants in connection with long-term debt	35
Repayment of capitalized lease obligations	(149)
Proceeds from long-term debt	965
Repayment of long-term debt	(626)
Net cash provided by financing activities	352
(Decrease) increase in cash and equivalents	(7,891)
Cash and equivalents at beginning of period	18,232
Cash and equivalents at end of period	$ 10,341
Supplemental cash flow information	
Cash paid for interest	$ 1,538
Cash paid for income taxes	$ 142
Noncash Financing Activities	
Issuance of warrants in connection with long-term debt	$ 162
Issuance of common stock in connection with acquisitions	$ 5,886

See notes to consolidated financial statements

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

	COMMON STOCK		ADDITI PAID CAPI
	SHARES	AMOUNT	
Balances at June 30, 2000	28,031	$ 280	$321
Issuance of warrants in connection with long-term debt	-	-	
Issuance of common stock upon exercise of stock options	45	1	

Issuance of common stock in connection with acquisition of Teen.com	944	9	5
Issuance of common stock in connection with acquisition of HelloXpress	53	1	
Issuance of common stock in connection with acquisition of Invino	101	1	
Net loss	-	-	
Balances at December 31, 2000	29,174	$ 292	$328

See notes to consolidated financial statements

YOUTHSTREAM MEDIA NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(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 discontinued 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 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;

- HotStamp, a national free postcard advertising brand targeting teenagers and young adults;

- A leading college newspaper advertising placement service reaching virtually every college newspaper in the nation;
- 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 the 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 final disposal of the ASP business should occur prior to June 30, 2000. 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 one-time 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 December 31, 2000	Three months ended December 31, 1999	Six Decem
Net revenues	$ 219	$ -	$
(Loss) income from discontinued operations	$ (15,767)	$43	$
Loss on disposal of discontinued operations	(164,971)	-	
Net (loss) income from discontinued operations	$(180,738)	$43	$

YOUTHSTREAM MEDIA NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000
(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):

	Six months ended December 31, 2000	1999
Net revenue	$17,982	$17,706
Loss from continuing operations	(7,707)	(3,709)
Loss from continuing operations per basic and diluted common share	(0.27)	(0.21)
Weighted average common shares outstanding basic and diluted	29,068	17,701

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.

4. LONG-TERM DEBT

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

	December 31, 2000	June 30, 2000
Note Payable to Bank (A)	$ 1,406	$ 1,739
Subordinated notes - Private Placement (B)	5,000	5,000
Note Payable to Finance Company (C)	1,477	1,768
Subordinated Notes - Private Placement (D)	12,000	12,000
Subordinated Notes - Private Placement (E)	1,000	-

Other	8	9
	20,891	20,516
Less unamortized original issue discount attributed to subordinated notes	509	532
	20,382	19,984
Less current portion	1,423	1,275
	$18,959	$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 December 31, 2000 was $1,056,000. 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 six months ending December 31, 2000, 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 December 31, 2000			
	Media	Retail	Total	Medi
Net revenues	$ 6,155	$1,136	$ 7,291	$ 5,7
Depreciation and amortization	1,252	167	1,419	6
Loss from operations	(3,180)	(1,730)	(4,910)	(5
Capital expenditures	319	63	382	1,0

	Six months ended December 31, 2000			

	Media	Retail	Total	Medi
Net revenues	$10,289	$7,569	$17,858	$10,9
Depreciation and amortization	2,406	330	2,736	1,4
Loss from operations	(7,107)	76	(7,031)	(1,2
Capital expenditures	613	252	865	2,3

	December 31, 2000			
	Media	Retail	Total	Medi
Identifiable assets	$64,853	$9,795	$74,648	$75,4

(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 ability to obtain financing, integration of acquisitions, the management of growth, 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.

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 six months ended December 31, 2000 (unaudited) to the three months and the six months ended December 31, 1999 (unaudited).

RESULTS OF OPERATIONS

For the three months ended December 31, 2000, net revenues were $7.3 million as compared to $6.6 million for the three months ended December 31, 1999. The increase of $0.7 million was due to an increase of $0.4 million in the media segment and $0.3 million in the retail segment. The media segment increase of $0.4 million was related to an increase of $0.3 million due to the acquisition of Teen.com and $1.3 million increase related to other media operations partially offset by the loss of contributed media revenues of $1.2 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 $0.3 million was primarily due to additional retail store locations.

For the six months ended December 31, 2000, net revenues were $17.9 million as compared to $17.0 million for the six months ended December 31, 1999. The increase of $0.9 million was due to an increase of $1.6 million in the retail segment offset by a decrease of $0.7 million in the media segment. The retail segment increase of $1.6 million was due primarily to increased revenue at the fall poster shows and additional retail store locations. The media segment decrease of $0.7 million was due primarily to the loss of contributed media revenues of $2.0 million, offset by an increase of $1.3 million in media revenues of which $0.6 million was due 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.

For the three months ended December 31, 2000, cost of goods sold were $0.3 million as compared to $0.1 million for the three months December 31, 1999. The increase of $0.2 million was due to increased revenues in the retail segment.

For the six months ended December 31, 2000, cost of goods sold were $1.6 million as compared to $1.5 million for the six months December 31, 1999. The increase of $0.1 million was due to increased revenues in the retail segment.

For the three months ended December 31, 2000, selling, general and administrative expenses were $8.4 million as compared to $5.6 million for the three months ended December 31, 1999. The increase of $2.8 million was due to an increase of $1.5 million in the retail segment and $1.3 million in the media segment. The retail segment increase of $1.5 million was due primarily to a $1.1 million compensation expense related to certain amendments to employment agreements entered in connection with the acquisition of Trent and the remaining $0.4 primarily due to additional store locations. The media segment increase of $1.3 million was due to the acquisition of Teen.com, which accounted for $0.7 million of the increase with the remaining increase of $0.6 million due to increased costs to support increased revenues in the media segment.

For the six months ended December 31, 2000, selling, general and administrative expenses were $16.8 million as compared to $12.5 million for the six months ended December 31, 1999. The increase of $4.3 million was due to an increase of $2.1 million in the retail segment and $2.2 million in the media segment. The retail segment increase of $2.1 million was due primarily to a $1.1 million compensation expense related to certain amendments to employment agreements entered in connection with the acquisition of Trent and the remaining $1.0 million due to increased expenses related to increases in revenue and increased store locations. The media segment increase of $2.2 million was due to the acquisition of Teen.com, which accounted for $1.2 million of the increase with the remaining increase of $1.0 million due to increased costs to support increased revenues in the media segment.

For the three months ended December 31, 2000, corporate expenses were $2.1 million as compared to $1.0 million for the three months ended December 31, 1999. The increase of $1.1 million was primarily due to accrued severance to former employees, increased corporate personnel and expenses required to support the Company's efforts to evaluate potential establishment of operations in the People's Republic of China similar to its United States operations.

For the six months ended December 31, 2000, corporate expenses were $3.7 million as compared to $1.9 million for the six months ended December 31, 1999. The increase of $1.8 million was primarily due to accrued severance to former employees, increased corporate personnel and expenses required to support the Company's efforts to evaluate potential establishment of operations in the

People's Republic of China similar to its United States operations.

For the three months ended December 31, 2000, depreciation and amortization expenses were $1.4 million as compared to $0.8 million for the three months ended December 31, 1999. The increase of $0.6 million was primarily due to the acquisition of Teen.com.

For the six months ended December 31, 2000, depreciation and amortization expenses were $2.7 million as compared to $1.7 million for the six months ended December 31, 1999. The increase of $1.0 million was primarily due to the acquisition of Teen.com.

For the three months ended December 31, 2000, there was no equity loss in investment as compared to $1.2 million for the three months ended December 31, 1999. Equity loss in investment represented the Company's minority interest share of the loss in CommonPlaces.

For the six months ended December 31, 2000, there was no equity loss in investment as compared to $2.0 million for the six months ended December 31, 1999. Equity loss in investment represented the Company's minority interest share of the loss in CommonPlaces.

For the three months ended December 31, 2000, interest income was $0.5 million as compared to $0.3 million for the three months ended December 31, 1999. The increase of $0.2 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 six months ended December 31, 2000, interest income was $1.3 million as compared to $0.6 million for the six months ended December 31, 1999. 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 December 31, 2000, interest expense was $0.8 million as compared to $0.2 million for the three months ended December 31, 1999. The increase of $0.6 million was primarily related to the increase in long-term debt.

For the six months ended December 31, 2000, interest expense was $1.6 million as compared to $0.5 million for the six months ended December 31, 1999. The increase of $1.1 million was primarily related to the increase in long-term debt.

For the three and six months ended December 31, 2000, loss from discontinued operations was $15.8 million and $40.6 million, respectively. The loss from discontinued operations represents the discontinuance of the online segment and the loss primarily represents amortization of goodwill and depreciation, of approximately $14.0 million, and operating expenses, of approximately $1.8 million for the three months ended December 31, 2000. For the six months ended December 31, 2000, amortization of goodwill and depreciation was approximately $32.7 million, and operating expenses were approximately $7.9 million.

For the three and six months ended December 31, 2000, 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 final disposal should 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 months ended June 30, 2000
Net Revenues	$10,361	$ 6,601	$ 7,069	$ 4,190
Income (loss) from operations	346	(1,000)	(1,031)	(5,636)
Loss before provision for taxes	(468)	(2,143)	(1,673)	(5,246)
Loss from continuing operations	(516)	(2,187)	(1,765)	(5,555)
Income (loss) from discontinued operations	107	43	(14,780)	(25,235)
Net loss	$ (409)	$(2,144)	$(16,545)	$(30,790)
Per share of common stock basic and diluted				
Loss from continuing operations	$ (0.04)	$ (0.12)	$ (0.08)	$ (0.21)
Income (loss) from discontinued operations	0.01	-	(0.64)	(0.99)
Net loss	$ (0.03)	$ (0.12)	$ (0.72)	$ (1.20)
Weighted average basic and diluted shares outstanding	15,929	17,584	23,091	25,561

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.

The Company used approximately $12.5 million in its operating activities in the first six months of fiscal year 2001 as compared to $6.7 million in the first six months of fiscal year 2000. The increase of approximately $5.8 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. Cash provided by investing activities in the first six months of fiscal year 2001 of approximately $4.3 million is composed primarily of sale of investments in marketable securities offset by capital expenditures. Cash provided by financing activities in the first six months of fiscal year 2001 of approximately $0.4 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 December 31, 2000, the Company had approximately $10.3 million in cash and cash equivalents. The Company believes that such amounts plus an additional amount of $20.0 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.

PART II

OTHER INFORMATION

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

(a) Exhibits.

27.1 Financial Data Schedule.

(b) Reports on Form 8-K.

Current report on Form 8-K filed December 20, 2000 announcing write-off during second quarter.

Current report on Form 8-K filed January 24, 2001 attaching analyst report from SM Berger & Company.

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.

February 13, 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