

Lateral Media, Inc.
Form 10-Q
May 20, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act
of 1934
FOR THE QUARTERLY PERIOD ENDED March 31, 2009

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 333-136806

LATERAL MEDIA, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| DELAWARE (State of other jurisdiction of incorporation or organization) | 98-0539032 (IRS Employer Identification Number) |
|---|---|

| | |
|---|------------|
| 2121 Avenue of the Stars Suite 2550 Los Angeles, CA90067 (Address of principal executive offices) | (Zip Code) |
|---|------------|

(310) 601- 2500

(Registrant's telephone number, including area code)

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 was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer
(do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a Shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 15, 2009, the Company had 9,143,836 shares of common stock par value \$0.001 per share issued and outstanding.

LATERAL MEDIA, INC.

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LATERAL MEDIA INC.
(Formerly Asianada, Inc.)
BALANCE SHEET

| | March 31, 2009 (Unaudited) | June 30, 2008 |
|---|-------------------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 46,730 | \$ 85,187 |
| Accounts receivable | 46,352 | - |
| Prepaid expenses | 90,000 | - |
| Security deposit | 5,005 | - |
| Total Current Assets | 188,087 | 85,187 |
| PROPERTY AND EQUIPMENT-net | 62,350 | - |
| OTHER ASSETS | | |
| Technology software, net | 470,294 | - |
| Covenant not-to-compete, net | 388,954 | - |
| Domain names | 208,000 | - |
| Total Other Assets | 1,067,248 | - |
| Total Assets | \$ 1,317,685 | \$ 85,187 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 340,303 | \$ 105,579 |
| Related party loan payable and accrued interest | 673,004 | 518,767 |
| Current portion of note payable | 365,852 | - |
| Total Current Liabilities | 1,379,159 | 624,346 |
| LONG-TERM LIABILITIES | | |
| Note payable | 470,465 | - |
| Total Liabilities | 1,849,624 | 624,346 |
| STOCKHOLDERS' DEFICIT | | |
| Preferred Stock - 5,000,000 shares authorized at par value \$0.001 - none outstanding | - | - |
| Common stock - 75,000,000 shares authorized at \$0.001 par value; 9,143,836 and 8,080,000 shares issued and outstanding at March 31, 2009 and June 30, 2008, respectively | 9,144 | 8,080 |
| Additional paid - in capital | 1,151,510 | 44,651 |
| Accumulated deficit | (1,692,593) | (591,890) |
| Total Stockholders' Deficit | (531,939) | (539,159) |

| | | | | |
|---|----|-----------|----|--------|
| Total Liabilities and Stockholders' Deficit | \$ | 1,317,685 | \$ | 85,187 |
|---|----|-----------|----|--------|

See notes to unaudited financial statements.

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LATERAL MEDIA, INC.
(Formerly Asianada, Inc.)
STATEMENT OF OPERATIONS
(UNAUDITED)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|--------------|--------------------------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| REVENUES | \$ 284,273 | \$ - | \$ 284,273 | \$ - |
| COST OF REVENUES | (254,897) | - | (254,897) | - |
| GROSS PROFIT | 29,376 | - | 29,376 | - |
| GENERAL AND ADMINISTRATIVE EXPENSES | (554,986) | (115,110) | (1,130,079) | (360,233) |
| NET LOSS | \$ (525,610) | \$ (115,110) | \$ (1,100,703) | \$ (360,233) |
| NET LOSS PER COMMON SHARE - basic and dilutive | \$ (0.06) | \$ (0.01) | \$ (0.13) | \$ (0.04) |
| WEIGHTED AVERAGE SHARES OUTSTANDING - basic and diluted | 9,143,836 | 8,080,000 | 8,546,461 | 8,080,000 |

See notes to unaudited financial statements.

LATERAL MEDIA, INC.
(Formerly Asianada, Inc.)
STATEMENT OF CASH FLOWS
(UNAUDITED)

For the Nine Months
Ended
March 31,
2009 2008

| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
|--|----------------|--------------|
| Net loss | \$ (1,100,703) | \$ (360,233) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock based compensation | 15,786 | 8,458 |
| Depreciation and amortization expense | 5,176 | - |
| Amortization of discount on note payable | 20,460 | - |
| Amortization of intangibles | 60,870 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (46,352) | - |
| Prepaid expenses | (90,000) | - |
| Accounts payable and accrued liabilities | 303,837 | 135,783 |
| Net cash used in operating activities | (830,926) | (215,992) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (67,526) | - |
| Purchases of domain names | (18,000) | - |
| Increase in security deposit | (5,005) | - |
| Net cash used in investing activities | (90,531) | - |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related party loan payable | 883,000 | 250,000 |
| Net cash provided by financing activities | 883,000 | 250,000 |
| | | |
| (Decrease) increase in cash | (38,457) | 34,008 |
| | | |
| Cash, beginning of period | 85,187 | - |
| Cash, end of period | \$ 46,730 | \$ 34,008 |
| | | |
| Noncash Transactions: | | |
| Issuance of common stock in payment of related party loan payable and accrued interest thereon | \$ 797,876 | - |
| Acquisition of intangible assets (in exchange for note payable and a warrant to purchase common stock) | \$ 1,102,382 | - |

See notes to unaudited financial statements.

LATERAL MEDIA, INC.
(Formerly Asianada, Inc.)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND OPERATIONS

Lateral Media, Inc. (the “Company”) was incorporated under the laws of the State of Nevada on February 17, 2006. On September 27, 2007, the Company reincorporated in Delaware and increased its authorized capital stock from 75,000,000 shares to 80,000,000 shares, consisting of 75,000,000 shares of common stock, par value \$0.001, per share, and 5,000,000 shares of “blank check” preferred stock, par value \$0.001, per share. No terms have been established for the preferred stock.

On December 4, 2008, the Company merged into its newly formed, wholly-owned subsidiary, Lateral Media, Inc., a Delaware corporation, effectively changing its name from Asianada, Inc. to Lateral Media, Inc.

The Company was planning to acquire and explore mineral properties through June 15, 2007 when this was abandoned, and the Company became an inactive development stage company.

On December 2, 2008, the Company commenced nominal operations and, on January 12, 2009, launched The Recycler Publishing Network, websites designed to assist sellers of cars, boats, RVs and motorcycles to market their products using the internet.

Through March 31, 2009, the Company has purchased additional domains names, software and other assets, hired employees and has expanded its operations.

The Company also creates and markets content for websites, using content designed to optimize visitors through search engine optimization.

The Company had formerly been a development stage company.

2. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred operating losses and negative operating cash flow since inception, and future losses are anticipated. The Company's plan of operation, even if successful, may not result in cash flow sufficient to finance and expand its business. These factors raise substantial doubt about the Company's ability to continue as a going concern. Realization of assets is dependent upon continued operations of the Company, which in turn is dependent upon management's plans to meet its financing requirements and the success of its future operations. These financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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The accompanying interim unaudited financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations set forth in Regulation S-X of the Securities and Exchange Commission for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statement presentation. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to present fairly the financial position, results of operations and cash flows for the interim periods have been included. These financial statements should be read in conjunction with the financial statements of Lateral Media, Inc. together with Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K for the year ended June 30, 2008. Interim results are not necessarily indicative of the results for a full year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Intangible Assets

Intangible assets are recorded at fair value and, if they have a definitive life, will be amortized. The carrying value of the intangible assets will be evaluated by management for impairment at least annually or upon the occurrence of an event which may indicate that the carrying amount may be greater than its fair value. If impaired, the Company will write-down such impairment. In addition, the useful life of the intangible assets will be evaluated by management at least annually or upon the occurrence of an event which may indicate that the useful life may be definitive and the Company will commence amortization over such useful life.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

Maintenance and repairs are charged to operating expenses as they are incurred. Improvements and betterments which extend the lives of the assets are capitalized. The cost and accumulated depreciation of assets retired or otherwise disposed of are relieved from the appropriate accounts and any profit or loss on the sale or disposition of such assets is credited or charged to income.

Revenue Recognition

Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and delivery or performance of service has occurred.

Website marketing revenue is recognized upon placement on the Company's website and content design revenue is recognized when services are provided.

New Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

4. RELATED PARTY TRANSACTIONS

Loan Agreement

On July 11, 2007, as amended on November 15, 2007, April 18, 2008, August 1, 2008, the Company executed a loan agreement (“Loan Agreement”), with Trinad Capital Master Fund (“TCMF”), a principal stockholder of the Company, whereby TCMF agreed to lend the Company up to a principal amount of \$750,000. The loans under the Loan Agreement bear interest at 10%, per annum. The entire outstanding principal amount of the loans and accrued interest thereon are payable by the Company upon a sale of securities (other than a sale of shares of the Company’s common stock to officers, directors or employees of or consultants to the Company in connection with their provision of services to the Company) to a third party or parties with proceeds to the Company of not less than \$1,000,000. TCMF may, at its option, receive any payment of principal and interest due on the loans in the form of common stock or other securities that may be issued by the Company in the event the Company consummates a financing in connection with a change of control or similar transaction involving the Company, calculated based on the value of the shares of common stock or other securities sold or issued by the Company in such financing transaction.

\$500,000 was advanced during the year ended June 30, 2008 and an additional \$250,000 was advanced through December 31, 2008.

On December 18, 2008, the Company repaid the entire principal and accrued interest outstanding under the Loan Agreement, \$750,000 and \$47,876, respectively, by the issuance of 1,063,836 shares of common stock to TCMF.

TCMF may continue to make additional loans to the Company in accordance with the Loan Agreement.

On April 30, 2009, the Company entered into a fourth amendment to the Loan Agreement, which increased the principal amount of the Loan to up to \$1,000,000 and provided that the principal amount of the loan and accrued interest thereon are due and payable by the Company upon a sale of securities (other than a sale of shares of the Company’s common stock to officers, directors or employees of or consultants to the Company in connection with their provision of services to the Company) to a third party or parties with proceeds to the Company of not less than \$1,250,000.

As of March 31, 2009, the Company borrowed \$633,000 and, in April 2009, the Company borrowed an additional \$137,000 from TCMF.

For the nine months ended March 31, 2009 and 2008, interest expense on the loans was \$39,113 and \$2,844, respectively.

Management Agreement

On July 11, 2007, the Company entered into a Management Agreement (the “Management Agreement”) with Trinad Management, LLC (“Trinad”), an affiliate of TCMF. Pursuant to the terms of the Management Agreement, which is for a term of five years, Trinad will provide certain management services, including, without limitation, the sourcing, structuring and negotiation of a potential business combination transaction involving the Company. The Company has agreed to pay Trinad a management fee of \$90,000 per quarter, plus reimbursement of all expenses reasonably incurred by Trinad in connection with the provision of management services. The Company may terminate the Management Agreement immediately by giving written notice and payment of a termination fee of \$1,000,000. The Company has paid \$270,000 and \$259,355 in management fees for the nine months ended March 31, 2009 and 2008, respectively, and has prepaid \$90,000.

On August 1, 2008, the Company entered into an amendment to the Management Agreement with Trinad, which provided that payment of the termination fee may be satisfied by the issuance of shares of the Company's common stock or other securities that may be issued by the Company in the event the Company consummates a financing in connection with a change of control or similar transaction involving the Company, calculated based on the value of the shares of common stock or other securities sold or issued by the Company in such financing transaction.

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Lease

On May 1, 2008, the Company entered into a sublease for office space with Trinad, on a month-to-month basis, with rent of \$3,500 through January 2009, and increased to \$8,500 thereafter, per month.

On March 1, 2009, the Company entered into a lease for office space for a term of six months and has a right to renew for an additional six months. The lease is payable in monthly installments of \$3,718.

5. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Company adopted both SFAS No. 157 and SFAS No. 159, without an effect on the financial statements.

Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require the use of fair value measurements. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement 115" ("SFAS 159"), permits an entity to elect to measure various financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings at each subsequent reporting date.

6. ASSET PURCHASE

On December 2, 2008, the Company entered into an asset purchase agreement (the "Purchase Agreement") with an entity owned by the Company's new Chairman of the Board of Directors and Chief Executive Officer to purchase a variety of internet domain names and technology software, including some relating to the automobile industry, such as RecyclerClassics.com and ExpertAutos.com, in exchange for a warrant to purchase 1,800,000 shares of the Company's common stock, exercisable at \$1.25, per share, over five years, and an unsecured contingent promissory note of \$1,000,000. The Purchase Agreement also provides for an agreement not-to-compete for an aggregate period of five years.

The shares of common stock underlying the warrant are subject to a two year lock-up period, commencing upon issuance of the shares underlying the warrant. The note bears interest at 6% per annum, and is payable in 36 equal monthly installments contingent upon sufficient cash flow of the Company during each monthly period, as defined in the note. If there is not sufficient working capital during any such monthly period, any principal and interest otherwise payable pursuant to the note shall be deferred and, on the final due date, any outstanding deferred payments shall be cancelled and the note and interest thereon shall be deemed to be paid-in full.

The Company determined the fair value of the assets purchased under SFAS 157, "Fair Value Measurements", and, as part of the determination, utilized the services of an independent valuation specialist. Based on the determination, the Company recorded the assets purchased, note payable and warrant at their estimated fair values at the date of purchase, as follows:

| | |
|-------------------------|------------|
| Technology software | \$ 503,886 |
| Internet domain names | 190,000 |
| Covenant not-to-compete | 416,232 |

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| | |
|------------------------|--------------|
| Total assets purchased | \$ 1,110,118 |
| Note payable | \$815,857 |
| Warrant | \$294,261 |

The purchased technology software and covenant not-to-complete are being amortized over 5 years. Amortization expense for the nine months ended March 31, 2009 was \$60,870. As of March 31, 2009, amortization expense for each of the five succeeding years was as follows:

| | | |
|------|----|---------|
| 2010 | \$ | 184,024 |
| 2011 | \$ | 184,024 |
| 2012 | \$ | 184,024 |
| 2013 | \$ | 184,024 |
| 2014 | \$ | 123,152 |

The domain names are not being amortized as they have an indefinite life.

The effective interest rate on the note payable is 19%, per annum. The discount on the note of \$184,143 is being amortized over the term of the note and recorded as interest expense.

7. INCOME TAXES

Management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements as of March 31, 2009.

8. SUBSEQUENT EVENT

Effective as of April 15, 2009, the Company entered into an employment agreement with Michael Rose, pursuant to which he became executive vice president of operations of the Company, at an annual base salary of \$200,000, plus quarterly commissions. Additionally, the Company granted an option to purchase 228,596 shares of the Company's common stock, exercisable at \$1.25, per share, to Mr. Rose pursuant to the Company's 2007 Employee, Director and Consultant Stock Plan.

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

Special Note Regarding Forward-Looking Statements

We may, in discussions of our future plans, objectives and expected performance in periodic reports filed by us with the Securities and Exchange Commission (the "SEC") (or documents incorporated by reference therein) and in written and oral presentations made by us, include projections or other forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or Section 21E of the Securities Act of 1933, as amended (the "Securities Act"). When used in this Quarterly report on Form 10-Q ("Form 10-Q"), the words "anticipate", "believe", "estimated", "expect" and other similar expressions as they relate to our management or us, are intended to identify such forward looking statements. Such projections and forward-looking statements are based on assumptions, which we believe are reasonable but are, by their nature, inherently uncertain. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, the following: (i) our inability to obtain sufficient cash to fund ongoing obligations and continue as a going concern; (ii) our ability to carry out our operating strategy; and (iii) other factors, including those discussed below. We undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

DESCRIPTION OF BUSINESS

Prior to February 12, 2009, we were inactive and considered a "shell" company by the SEC and are currently controlled by Trinad Capital Master Fund, Ltd. ("TCMF"), our majority shareholder. We were planning to acquire and explore mineral properties through June 15, 2007 when this was abandoned and the Company became a development stage company. On December 2, 2008, the Company commenced nominal operations, and on January 12, 2009, launched The Recycler Publishing Network, websites designed to assist sellers of cars, boats, RVs and motorcycles to market their products using the internet.

Overview

We plan to build a unique combination of online publishing and performance marketing companies through asset acquisitions, mergers, exchanges of capital stock or other business combinations with domestic or foreign businesses. The Company intends to operate online publishing and performance marketing, including the automotive, financial services, and professional service sectors. We have a portfolio of websites and domains in the automobile industry which were launched as part of our Recycler Publishing Network. Our domains are designed to facilitate the sales process for private parties attempting to sell their car, classic, boat, motorcycle, or heavy equipment online. These sites are designed to distribute their inventory across the Internet to increase exposure for our private party advertisers. The Company also creates and markets content for websites, using content designed to optimize visitors through search engine optimization. The Company had minimal operations prior to February 12, 2009.

Results of Operations

During the three months and nine months ended March 31, 2009, the Company started to generate revenues and associated cost of revenues of \$284,273 and \$254,897, respectively. General and administrative expenses have increased during the three and nine months ended March 31, 2009 from \$115,110 to \$554,986 for an increase of \$439,876 and \$360,233 to \$1,130,079 for an increase of \$769,846, respectively, as compared to the comparable periods ending March 31, 2008. The increase is due to the commencement of operations and no longer being a development stage company. For the quarter ended March 31, 2009, interest expense, payroll, and professional fees were \$40,349, \$136,831 and \$115,104, respectively. General and administrative expenses also include amortization and depreciation of \$46,006 and \$5,176, respectively.

Asset Purchase

In December 2008, we purchased a variety of internet domain names and technology software, including some relating to the automobile industry, such as AutoSuperSaver.com and LuxuryCarSpot.com, in exchange for a note and a warrant as explained in Note 6 to the financial statements. To assist in determining the fair values, we engaged ValueScope, Inc. ("ValueScope"), an independent valuation specialist. In determining the values of the assets, note and warrant, ValueScope utilized the following methods and assumptions:

- Technology software – a hybrid of the income and market approaches. The valuation of the technology utilizes the relief from royalty method. The analysis utilizes a revenue forecast for the post-purchase entity with cash flows discounted at the intangible assets' rate of 19.0%.
- Internet domain names – the cost approach. ValueScope examined the market for domain names that consisted of automobile brand names and vehicle category names. With consideration of the typical range of asking prices for these domain names ValueScope estimated a domain price of \$5,000 for the 31 automobile brand domain names and seven vehicle category domain names.
- Covenant not-to-compete – the discounted cash flow method, a form of the income approach. ValueScope utilized the discounted cash flow method and scenario analysis, including the details of consideration, incentive compensation and the new executive's role in the post-purchase entity, to determine the value of the covenant not-to-compete.

ValueScope considered the status of the Company as a development stage company and the contingent nature of the note payment each month in calculating the fair value analysis of the promissory note. Because payment is based on a calculation of sufficient cash flow, of which amounts for expenses, liabilities and capital expenditures may vary each quarter, the note was discounted at 13.5%. The fair market rate of the promissory note was derived from the overall cost of equity of 19.0%, minus the equity risk premium of 5.5%.

Black-Scholes modeling was used to calculate the value of the equivalent call option. ValueScope performed a valuation analysis to estimate the fair value of the Company's common stock to be \$1.02, per share, assuming the purchase of the operating assets. The exercise price for the warrants is \$1.25, per share. ValueScope used the following assumptions: historical volatility for comparable companies of 85%, a risk free interest rate of 1% and a term of two years. This value was further adjusted for dilution and marketability.

Liquidity and Capital Resources

As of the date of the filing of the Form 10-Q, we have generated minimal revenues from the launching of our websites.

On December 18, 2008, we repaid our outstanding loans to TCMF of \$797,876, including outstanding principal plus accrued interest, by issuance of 1,063,836 shares of our common stock. As of March 31, 2009, we borrowed \$633,000 and, in April 2009, we borrowed an additional \$137,000 from TCMF.

Prior to February 2009, the Company was a public shell company with nominal operations. The primary sources of liquidity have historically been issuances of common stock and loans from TCMF (See Note 4 of the Notes to the Financial Statements). In the future, we anticipate that our primary sources of liquidity will be cash generated from our operating activities.

As of March 31, 2009, the Company had \$46,730 of cash, accounts receivable of \$46,352 and \$337,000 available under the Loan Agreement. Although management believes operations will generate sufficient cash if the Company's plan of operation is successful, there can be no assurance that the cash will be sufficient to satisfy the Company's monetary needs in the next twelve months. Therefore, we still may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities in order to obtain a credit facility. The sale of additional equity or debt securities could result in additional dilution to our stockholders. The incurrence of increased indebtedness would result in additional debt services obligations and could result in additional operating and financial covenants that could restrict our operations. In addition, there can be no assurance that any additional financing will be available on acceptable terms, if at all.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable as we are a smaller reporting company.

ITEM 4(T). CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

Changes in Internal Controls. There were no changes in our internal controls over financial reporting, identified in connection with the evaluation of such internal controls that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Not applicable as we are a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following Exhibits are attached hereto:

Exhibit No.

Document Description

- | | |
|------|--|
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-15(a) and Rule 15d-15(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-15(a) and Rule 15d-15(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002. |

SIGNATURES

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

LATERAL MEDIA, INC.
(Registrant)

Date: May 20, 2009

By: /s/ Jeffrey Schwartz
Jeffrey Schwartz
Chairman and Chief
Executive Officer
(Authorized Officer and
Principal Executive Officer)

Date: May 20, 2009

By: /s/ Charles Bentz
Charles Bentz
Chief Financial Officer
(Authorized Officer and
Principal Financial Officer)