YOUTHSTREAM MEDIA NETWORKS INC
Form 10-K
January 13, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2004

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 (State or other jurisdiction of incorporation or organization)	13-4082185 (I.R.S. Employer Identification Number)
244 Madison Avenue, PMB #358, New York, New York (Address of Principal Executive Offices)	**10016** (Zip Code)

(212) 883-0083

(Registrant's telephone number, including Area Code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 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 No

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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act).

Yes No

As of December 31, 2004, there were 39,242,000 shares of the registrant's common stock outstanding.

As of December 31, 2004, the aggregate market value of voting stock held by non-affiliates of the registrant was $14,044,455 (based on the closing price of the registrant's common stock on such date of $0.45 per share).

Documents incorporated by reference: None.

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

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PART I

ITEM 1. BUSINESS

This Annual 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 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, ability to 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 Annual Report on Form 10-K.

OVERVIEW

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"). In August 2002, the Company sold substantially all of the assets and certain liabilities from this segment to Cass Communications, Inc., a subsidiary of Alloy, Inc., for a purchase price of $7 million in cash. The Company discontinued any remaining media operations at such time. The retail segment consisted of on-campus, online and retail store poster sales provided by its Beyond the Wall subsidiary. In February 2004, the Company sold substantially all of the assets, subject to certain liabilities, of this segment and discontinued its operation (see below). As of September 30, 2004, the Company did not have any revenue-generating business operations.

The Company's management intends to continue efforts to settle the Company's outstanding obligations and minimize operating costs. In addition, the Company's management is exploring various strategic alternatives, including the acquisition of new business opportunities, which may be from related or unrelated parties. 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.

In July 2004, the Company entered into a letter of intent to acquire a steel mini-mill located in Ashland, Kentucky (see below). If the Company is able to complete this transaction, the Company expects to utilize all or most of its available cash resources to fund such endeavor.

The Company believes that its current available cash resources will be adequate to fund its current limited level of operations through its fiscal year ended September 30, 2005. However, to the extent the Company's estimates and assumptions are inaccurate and/or the Company is unable to successfully settle outstanding obligations at reduced amounts, the Company may not have sufficient cash resources to fund its ongoing obligations. In such event, the Company may be required to seek other funding and/or consider a formal or informal restructuring or reorganization.

In July 2003, the Company, pursuant to a board resolution dated June 27, 2003, changed its fiscal year end from June 30 to September 30. The presentation of fiscal year 2003 contained in this Annual Report on Form 10-K 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 Annual Report on Form 10-K.

DEBT RESTRUCTURING

In January 2003, the Company reached an agreement with the holders of all of its and its Network Event Theater subsidiary's outstanding notes (NET Notes, YSTM Notes and YSTM 2 Note), in the aggregate principal amount of $18,000,000, to cancel those notes. In exchange for cancellation of all of the principal due on the old notes, including accrued interest of $2,062,000, the note holders received in aggregate $4,500,000 in cash, redeemable preferred stock with a face value of $4,000,000 and 3,985,000 shares of common stock, valued at $255,000, and $4,000,000 aggregate principal amount of promissory notes issued by the Company's retail subsidiary, Beyond the Wall, Inc., formerly 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.

In 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, each of the three new directors paid $2,500 ($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 62,500 shares of such holder's preferred stock, exercisable at $0.36 per share. In July 2004, Mr. Diamond irrevocably waived any and all rights related to this option.

The terms and conditions of the January 2003 debt restructuring agreement qualified as a troubled debt restructuring for accounting purposes in accordance with SFAS No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings". In determining the proper accounting treatment, the Company evaluated the nature of the economic consequences of each of the three separate transactions for purposes of determining the gain, if any, in connection with the extinguishment of the NET Notes, YSTM Notes and YSTM 2 Note in accordance with SFAS No. 15.

The cancellation of the NET Notes qualified as a full debt settlement whereby in exchange for the extinguishment of the $5,000,000 note and cancellation of accrued interest, the holders received $3,000,000 cash. As of the settlement date, the adjusted carrying value of the NET Notes, net of accrued interest, unamortized original issue discount and unamortized closing costs, was $5,448,000. The settlement resulted in a gain of $2,448,000.

The cancellation of the YSTM Notes was accounted for as a combination of a partial debt settlement and a continuation of debt with modified terms. In exchange for the extinguishment of the YSTM Notes, the holder received $1,500,000 cash, 3,486,875 shares of common stock with a fair value of $223,000, 1,000,000 shares of 4% redeemable preferred stock with a face value of $4,000,000, including cumulative dividends, totaling $5,269,000, due December 31, 2010, and a $3,000,000 promissory note bearing interest at 4% per annum with principal and cumulative interest due December 31, 2010. As of the settlement date, the adjusted carrying value of the YSTM Notes, net of accrued interest, unamortized original issue discount and unamortized closing costs, was $11,251,000. After adjusting for the fair value of the cash and common stock exchanged, the carrying value of the YSTM Notes was $9,528,000. For purposes of determining the gain on the extinguishment of the YSTM Notes, the redeemable preferred stock was accounted for as a debt instrument given the mandatory redemption features of the security. The issuance of the $3,000,000 promissory note and the 1,000,000 shares of redeemable preferred stock constituted a continuation of debt with modified terms. Given that the undiscounted future value of the promissory note and the redeemable preferred stock, including accrued interest and cumulative dividends, was less than the adjusted carrying value of the YSTM Notes extinguished, the Company recognized a gain totaling $306,000 and recorded the value of the promissory note and the redeemable preferred stock at the undiscounted future value of $3,953,000 and $5,269,000, respectively, with no interest expense or accretion in value to be recognized over the remaining life of the promissory note and preferred stock.

The cancellation of the YSTM 2 Note was accounted for as a combination of a partial debt settlement and a continuation of debt with modified terms. In exchange for the extinguishment of the YSTM 2 Note, the holder received 498,125 shares of the Company's common stock with a fair value of $32,000 and a $1,000,000 promissory note bearing interest at 4% per annum, with principal and accrued interest due December 31, 2010. As of the settlement date, the adjusted carrying value of the YSTM 2 Note, net of accrued interest, unamortized original issue discount and unamortized closing costs, was $991,000. After adjusting for the fair value of the common shares exchanged, the carrying value of the YSTM 2 Note was $960,000. The issuance of the $1,000,000 promissory note constituted a continuation of debt with modified terms. Given that the undiscounted future value of the promissory note, including principal and interest, was greater than the adjusted carrying value of the YSTM 2 Note extinguished, the Company recognized no gain. The promissory note was revalued at the adjusted carrying value of the YSTM 2 Note surrendered, resulting in an imputed discount of $41,000.

In total, the Company recognized a gain from the troubled debt restructuring of approximately $2,800,000. The gain was classified as part of continuing operations in accordance with SFAS No. 145, "Rescission of SFAS Nos. 4, 44 and 64, Amendment of SFAS No. 13, and Technical Corrections as of April 2000". The gain from the transaction resulted in a reduction in basic and diluted loss per common share of $0.07 for the year ended September 30, 2003.

During June 2003, the Company amended the original provisions of the $4,000,000 of promissory notes issued in conjunction with the January 24, 2003 restructuring to provide for the following:

a. 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.

b. 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.
c. 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.
d. 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.

RECENT EVENTS

The Company underwent significant changes during the fiscal year ended September 30, 2004 as described below:

Sale of Retail Segment

Effective February 25, 2004, the Company's wholly-owned subsidiary, Beyond the Wall, Inc. ("BTW"), sold substantially all of its assets and operations to a group unaffiliated with the Company (which included certain former management of BTW), for $1,920,000, consisting of a cash payment of $820,000 and a subordinated secured promissory note (the "Note") for $1,100,000, with interest at 10% per annum, due October 31, 2006. The buyer had the right to make certain optional principal pre-payments on the Note by June 30, 2004, which would result in the principal balance of the Note being adjusted downward, in excess of such principal pre-payments, based on an agreed-upon sliding scale as set forth in the Note.

On April 30, 2004, the buyer made an optional principal pre-payment on the Note of $400,000. Accordingly, under the provisions of the sale agreement, the buyer received a credit of $107,000 against the Note (in excess of the $400,000 payment), as well as an additional $150,000 back-end credit on the Note.

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The Company initially recognized a loss of $565,000 with respect to this sale before taking into consideration the effect of the $400,000 principal pre-payment made on April 30, 2004. Inclusive of such payment, the effect of the accelerated payment credit and the back-end credit resulted in an additional loss of $257,000, which decreased the carrying value of the note receivable from $1,100,000 to $843,000 and increased the loss on the BTW sale from $565,000 to $822,000. The loss on the BTW sale was reported as a loss on the disposal of discontinued operations for the year ended September 30, 2004. As a result of the sale, the retail segment operations were discontinued during the year ended September 30, 2004.

Investment in KES Holdings

In September 2003, the Company announced that it made an investment 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 non-operating steel mini-mill located in Ashland, Kentucky. 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 steel-mini-mill 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 a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on February 5, 2003. The steel mini-mill had been in operation for approximately 50 years, and was refurbished by KES Acquisition subsequent to its acquisition. The refurbished steel mini-mill has been generating revenues since early 2004.

In addition to the Company, investors in KES Holdings include, among others, affiliates of Libra Securities, LLC, a Delaware limited liability company, which is a broker-dealer registered with the Securities and Exchange Commission and an NASD member ("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. Hal G. Byer, a director of the Company, is a Senior Vice President of Libra, and by virtue of his employment with Libra, Mr. Byer has an economic interest in the investment in KES Holdings made by Libra's parent entity. The contributions of the members of KES Holdings were used in part to fund the purchase price of the steel mini-mill, with the balance used for start-up costs, working capital purposes and payment of deferred maintenance of the steel mini-mill.

Effective July 18, 2004, the Company entered into a preliminary letter of intent with KES Holdings to acquire KES Acquisition. In conjunction with the proposed acquisition, the Company will form a new subsidiary in which it will own 80.01% of the total outstanding common stock and 100% of the voting common stock, and will capitalize that subsidiary with $500,000. In connection with the acquisition, the new subsidiary is expected to issue to the owners of KES Acquisition in exchange for 100% of their equity interest in KES Acquisition (i) $25,000,000 of its non-convertible non-voting redeemable preferred stock with a redemption price equal to $25,000,000 and a 13% annual cumulative dividend and (ii) senior subordinated promissory notes in the aggregate principal amount of $40,000,000 with an annual interest rate of 8%. As part of this transaction, the remaining 19.99% common stock interest in the new subsidiary will be owned by the former owners of KES Acquisition.

The letter of intent is subject to, among other conditions, negotiation, preparation and execution of definitive transaction documents, preparation of consolidated financial statements, compliance with state and federal securities laws and regulations, and receipt of requisite corporate approvals. The transaction is expected to close in the first calendar quarter of 2005. However, as a result of the foregoing uncertainties, there can be no assurances that the transaction will be completed. Furthermore, even if the transaction is completed, there can be no assurances that the future operations of the steel mini-mill will be successful.

Through September 30, 2004, the Company incurred $175,000 in professional fees with respect to this transaction, which the Company has presented as deferred costs in the consolidated balance sheet

at September 30, 2004. These costs will be accounted for as part of the purchase consideration if and when this transaction is completed. If the Company does not complete this transaction, these costs will be charged to operations in the period that the Company's efforts to complete this transaction are terminated.

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 exercisable through August 31, 2008, 400,000 of which are exercisable at $0.11 per share and 100,000 of which are exercisable at $0.16 per share.

In May 2003, the Company's three directors who were appointed at the closing of the January 2003 debt restructuring each paid $2,500 ($0.04 per share) to acquire an option from the Ravich Trust to purchase 62,500 shares at $0.36 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. In July 2004, Mr. Diamond irrevocably waived any and all rights related to his option.

MEDIA BUSINESS

As a result of the sale of its media segment effective August 5, 2002, the Company did not operate this segment during the fiscal year ended September 30, 2004.

RETAIL BUSINESS

As described above, in February 2004, the Company sold the assets and operations of its Beyond the Wall subsidiary. The Beyond the Wall subsidiary was in the business of selling decorative wall posters, frames and related items to teenagers and young adults at on-campus sales events, through its chain of retail stores, and via the Internet. Beyond the Wall purchased merchandise from major vendors located primarily in the United Kingdom and the United States and served as a distributor of posters and did not retain any licensing rights to the poster titles. In fiscal 2004, the Company's retail segment generated 100% of its operating revenues, which were classified as discontinued operations in the consolidated statement of operations.

PERSONNEL

As of September 30, 2004, the Company had three persons, including its Chief Executive Officer and its Chief Financial Officer, performing services dedicated primarily to general corporate matters, including management of the Company, maintenance of the corporate entity, review of strategic options, acquisition negotiations, and settlement of debts and obligations.

ITEM 2. PROPERTIES

At September 30, 2003, the Company's real estate properties resided within its Beyond the Wall subsidiary. Beyond the Wall owned a warehouse containing office space in Stroudsburg, Pennsylvania, where the Company's retail operations were 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.

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, and was seeking to negotiate settlements of these liabilities where possible.

As the result of the sale of the retail business to Clive Corporation, Inc. and 1903 West Main Street Realty Management, LLC in February 2004, all of the real estate properties and retail store leases were transferred to the buyer.

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At September 30, 2004, the Company no longer owned any real estate or had any leases.

At September 30, 2004, approximately $432,000 in lease obligations were classified as current liabilities. These leases relate to obligations for which the Company is still liable, although the premises are no longer occupied or assets to which they apply were previously written off. Of the total, approximately $141,000 applies to continuing operations, and approximately $291,000 relates to discontinued operations.

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 to settle the dispute for nominal consideration.

The Company and/or its former subsidiary, Beyond the Wall, are also defendants in various other lawsuits and claims from various trade creditors and former landlords seeking damages aggregating approximately $300,000. Certain of these claims are the responsibility of the buyer of the Beyond the Wall business. 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, 2004.

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

The Company held its annual meeting of stockholders on September 27, 2004, at which the stockholders of the Company approved the re-election of Jonathan V. Diamond and Robert Scott Fritz to the Board of Directors and ratified the appointment of Weinberg & Company, P.A. as the Company's independent auditors. The tabulation of the votes cast at such meeting was as follows:

1. Election of Directors	Votes For	Votes Withheld
Election of Robert Scott Fritz	34,932,813	65,076
Election of Jonathan V. Diamond	34,918,213	79,676

2. Ratification of Appointment of Auditors	Votes For	Votes Against	Votes Abstain	Broker unvoted

	34,953,941	22,192	21,755	1

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on the OTC Bulletin Board under the symbol "YSTM". The following table sets forth the high and low closing bid prices for the common stock as provided by America Online. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

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	High	Low
Fiscal 2004		
First Quarter 12/31/03	0.32	0.12
Second Quarter 3/31/04	0.27	0.16
Third Quarter 6/30/04	0.17	0.11
Fourth Quarter 9/30/04	0.27	0.14
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

As of December 31, 2004, there were approximately 226 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	1,205,404	$0.16	3,794,596
Equity compensation plans not approved by security holders	—	—	—
Total	1,205,404	$0.16	3,794,596

As of December 31, 2004, 5,000,000 options were authorized under the 2000 Plan, and options to purchase 1,205,404 shares were outstanding and 3,794,596 options were available for future grants.

RECENT SALES OF UNREGISTERED SECURITIES

During October 2003, the Company issued an option to purchase 50,000 shares of common stock to Jonathan V. Diamond, the Company's Chief Executive Officer, exercisable through October 2010 at $0.26 per share, which was the fair market value on the date of issuance.

On June 3, 2004, the Board of Directors appointed Patrick J. Panzarella as a director of the Company and granted him an option to purchase 200,000 shares of common stock exercisable at the closing common stock price on the date of grant of $0.14 per share for a period of seven years.

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 OPERATIONS" and the Company's consolidated financial statements and notes thereto included elsewhere in this document. The Company has restated its selected financial data to reflect its business operations sold during the periods presented as discontinued operations.

(amounts in thousands, except per share amounts)

	Years Ended September 30,		Three Months Ended September 30,	Years Ended June 30,		
	2004	2003	2002	2002	2001	2000
Net loss						
Loss from continuing operations	$ (994)	$				