FIRST LOOK MEDIA INC
Form 10-Q/A
February 09, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 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 0-25308

FIRST LOOK MEDIA, INC.
(Exact name of Registrant as specified in its charter)

Delaware	13-3751702
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8800 Sunset Blvd., Third Floor, Los Angeles, CA	90069
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (310) 855-1199

OVERSEAS FILMGROUP, INC.
(Former name, former address and former fiscal year, if changed since last report)

The Registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 as set forth in the pages attached hereto:

Item 1. Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FIRST LOOK MEDIA, INC.

Reason for Revision to Form 10-Q

As set out more fully in footnote 5 to the financial statements, the quarterly report on Form 10-Q for First Look Media, Inc. (f/k/a Overseas Filmgroup, Inc.) has been revised for transactions related to the forgiveness of amounts due from related parties under the terms of the Purchase Agreement in order to account for these transactions in compliance with the provisions of Accounting Principals Board Opinion 26 and SEC Staff Accounting Bulletin Topic 5-T.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FIRST LOOK MEDIA, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2000 (Unaudited) (Restated)

ASSETS:

Cash and cash equivalents	$	1,491,291
Restricted cash		13,412
Accounts receivable, net of allowance for doubtful accounts of $1,100,000		27,045,151
Related party receivable		0
Investment available-for-sale		1,891,595
Film costs, net of accumulated amortization		15,710,095
Fixed assets, net of accumulated depreciation		231,151
Other assets		1,889,096
Total assets	$	48,271,791

LIABILITIES AND SHAREHOLDERS' EQUITY:

Accounts payable and accrued expenses	$	1,618,492
Payable to related parties		0
Accrued interest payable		0
Payable to producers		24,058,865
Note payable to shareholders		0
Notes payable		7,028,825
Deferred income taxes		0
Deferred revenue		593,700
Total liabilities		33,299,882
Shareholders' equity:		
Preferred stock, $.001 par value, 2,000,000 shares authorized; 904,971 and 0 shares outstanding, respectively		905
Common stock, $.001 par value, 25,000,000 shares authorized; 9,848,906 shares issued; 9,803,906 shares outstanding and 6,340,305 shares issued; 6,295,305 shares outstanding, respectively		9,850
Additional paid in capital		30,822,059
Cumulative unrealized gain on investment available-for-sale, net of taxes		460,630
Retained deficit		(16,234,801)
Treasury stock at cost, 45,000 shares		(86,734)
Total shareholders' equity		14,971,909
Total liabilities and shareholders' equity	$	48,271,791

The accompanying notes are an integral part of these financial statements.

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FIRST LOOK MEDIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended June 30,		Six Mont
2000	1999	2000

	(Restated)		(Restated)
Revenues	$ 4,411,005	$ 6,540,726	$ 10,460,
Expenses:			
Film costs	3,352,169	5,412,347	8,008,
Distribution and marketing costs	795,086	0	1,415,
Selling, general and administrative	1,095,272	719,412	1,888,
Total expenses	5,242,527	6,131,759	11,312,
(Loss) income from operations	(831,522)	408,967	(851,9
Other income (expense):			
Interest income	9,660	1,520	9,
Interest expense	(542,764)	(491,382)	(1,061,7
Other	33,226	4,181	87,
Total other income (expense)	(499,878)	(485,681)	(964,3
(Loss) income before income taxes and cumulative effect of accounting changes	(1,331,400)	(76,714)	(1,816,2
Income tax (provision) benefit	(19,246)	29,000	(91,6
(Loss) income before cumulative effect of accounting changes	(1,350,646)	(47,714)	(1,907,9
Cumulative effect of accounting changes	0	0	(14,123,1
Net (loss) income	$ (1,350,646)	$ (47,714)	$ (16,031,0
Basic and diluted earnings (loss) per share:			
(Loss) income before cumulative effect of accounting changes	$ (0.21)	$ (0.01)	$ (0.
Cumulative effect	-	-	(2.
Net (loss) income	$ (0.21)	$ (0.01)	$ (2.
Weighted average number of basic and diluted common shares outstanding	6,565,197	5,732,778	6,430,

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The accompanying notes are an integral part of these financial statements.

FIRST LOOK MEDIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		Six Months En
		2000
		(Restated)
Cash flows from operating activities:		
Net (loss) income	$	(16,031,041)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Cumulative effect of accounting changes		14,123,133
Amortization of capitalized film costs		906,740
Additions to film costs		(2,376,549)
Depreciation of fixed assets		67,870
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		3,192,800
Increase in other assets		(1,393,018)
Decrease in accounts payable and accrued expenses		(451,452)
Increase in payable to producers		1,596,686
Decrease in deferred income taxes payable		(1,458,605)
(Decrease) increase in deferred revenue		(324,800)
Net cash (used in) provided by operating activities		(2,148,236)
Cash flows from investing activities:		
Purchase of fixed assets		(16,165)
Net cash used in investing activities		(16,165)
Cash flows from financing activities:		
Sale of securities, net of expenses		16,696,439
Net paydown under credit facility		(12,735,350)
Net payment on note payable to shareholders		(650,192)

Decrease in restricted cash position		74,764
Net cash provided by (used in) financing activities		3,385,661
Net increase (decrease) in cash and cash equivalents		1,221,260
Cash and cash equivalents at beginning of period		270,031
Cash and cash equivalents at end of period	$	1,491,291
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$	1,286,554
Income taxes	$	6,400
Foreign withholding taxes	$	85,220
Non-cash transaction:		
Forgiveness of amounts owed to principal shareholders	$	1,339,037

The accompanying notes are an integral part of these financial statements.

FIRST LOOK MEDIA, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,				Six Months	
	2000		1999		2000	
	(Restated)				(Restated)	
Net (loss) income	$	(1,350,646)	$	(47,714)	$	(16,031,041)	$
Unrealized holding loss on investment available-for-sale		(487,999)		0		(1,016,788)	
Total comprehensive (loss) income	$	(1,838,645)	$	(47,714)	$	(17,047,829)	$

The accompanying notes are an integral part of these financial statements.

FIRST LOOK MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. The accompanying unaudited consolidated financial statements of First Look Media, Inc. (f/k/a Overseas Filmgroup, Inc.) (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been reflected in these consolidated financial statements. Operating results for the six months ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. Certain reclassifications have been made in the 1999 consolidated financial statements to conform to the 2000 presentation. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999 Consolidated Financial Statements").

2. Film costs consist of the following:

	June 30, 2000	December 31, 1999
Films in release	$ 104,370,921	$ 192,798,097
Less: Accumulated amortization	(90,469,781)	(166,365,578)
Subtotal	13,901,140	26,432,519
Films not yet available for release	1,808,955	1,930,900
	$ 15,710,095	28,363,419

3. In June 2000, the Company consummated a sale of securities pursuant to a Securities Purchase Agreement ("Purchase Agreement") with Rosemary Street Productions, LLC ("Rosemary"), whereby the Company sold to Rosemary (i) 5,097,413 shares of common stock, (ii) 904,971 shares of Series A preferred stock, each share of which is convertible into two shares of common stock and votes with the common stock on an as-converted basis, and (iii) five-year warrants to purchase up to 2,313,810 shares of common stock of the Company at an exercise price of $3.40 per share (collectively, the "Securities") for a cash purchase price of $17,000,000 (the "Securities Purchase"). Expenses associated with this issuance of stock and warrants totaled $433,563 through June 30, 2000. As a result of the transaction, Rosemary now owns approximately 59.5% of the Company's voting securities.

In connection with the Purchase Agreement with Rosemary discussed below, the Company entered into a note and debt contribution agreement with Robert B. Little and Ellen Dinerman Little (collectively, the "Littles"). Pursuant to the agreement, the Littles forgave:

- $1,339,037 of aggregate outstanding principal amount and $480,709 of accrued but unpaid interest on a note issued to the Littles as part of the consideration given relating to the merger of the Company and Overseas Filmgroup, Inc. in October 1996;

- $78,101 of accrued and unpaid interest on loans in the aggregate principal amount of $400,000 ("P&A Loans") made by the Littles to the Company in December 1997 and February 1998, which were used to provide a portion of the funds required by the Company for the print and

advertising costs associated with the domestic theatrical release of MRS. DALLOWAY; and

- $125,131 of accrued salaries that the Company owed to them.

The Littles also contributed $130,000 in cash and 1,588,812 of their shares of the Company's common stock to the Company's capital and the Company repaid the Littles:

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- $135,476 for various reimbursable expenses as provided in their employment agreements with the Company;

- $130,000 of the remaining principal balance on the note issued in connection with the October 1996 merger;

- $400,000 representing the aggregate principal amount owed by the Company to the Littles under the P&A Loans;

- $564,524 of accrued salaries; and

- $200,000 representing the amount owed by the Company to the Littles under the tax reimbursement agreement between the Company and the Littles entered into in connection with the merger in October 1996.

Simultaneous with the consummation of the Securities Purchase, the Company, as borrower, and certain subsidiaries of the Company, as guarantors, entered into a $40 million credit facility (of which $33 million has been committed) with The Chase Manhattan Bank and other commercial banks and financial institutions. The proceeds from the credit facility were used to refinance outstanding loans and accrued interest under the Company's previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G. (formerly known as Berliner Bank A.G. London Branch) and will be used to finance the Company's production, acquisition, distribution and exploitation of feature length motion pictures, television programming, video product and rights; and to fund the Company's working capital and other lawful corporate purposes.

4. In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 establishes new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Additionally, in June 2000, the Financial Accounting Standards Board ("FASB") issued Statement 139 ("SFAS 139") which rescinds FASB 53 on financial reporting by motion picture film producers or distributors. SFAS 139 requires public companies to follow the guidance provided by SOP 00-2. The Company has elected early adoption of SOP 00-2 and, as a result, has recorded a one-time, pre-tax non-cash charge of $15,581,738 ($14,123,133 after taxes). This charge has been reflected in the Company's Consolidated Statements of Operations as a cumulative effect of accounting changes, effective January 1, 2000. Under SOP 00-2 for the three and six months ended June 30, 2000, the Company recognized additional distribution expense of approximately $617,000 and $1,050,000, respectively.

5. The Company has restated filings on Form 10-Q for the quarterly period ended June 30, 2000 for transactions related to the forgiveness of amounts due from related parties under the terms of the Purchase Agreement in order to account for these transactions in compliance with the provisions of

Accounting Principals Board Opinion 26 and SEC Staff Accounting Bulletin Topic 5-T. The $558,810 and $125,131 for accrued interest and salaries, respectively, forgiven by the principal shareholders in June 2000 were originally recognized as other income and as a reduction of selling, general and administrative expense. In these revised financial statements, these amounts are accounted for as a capital contribution.

The table below shows the effect of this revision:

	Three months ended June 30, 2000		
	Revised	Original	Rev
Income (loss) before cumulative effect of accounting changes	(1,350,646)	(666,705)	(1,
Net income (loss)	(1,350,646)	(666,705)	(16,
Basic and diluted income (loss) per share before cumulative effect of accounting changes	(0.21)	(0.10)	
Basic and diluted income (loss) per share	(0.21)	(0.10)	

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

This Quarterly Report on Form 10-Q contains "forward-looking statements," including those within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as "may," " expect," anticipate," "estimate," "intend" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. These risks and uncertainties include, among other things, the highly speculative and inherently risky and competitive nature of the motion picture industry. There can be no assurance of the economic success of any motion picture since the revenues derived from the production and distribution of a motion picture (which do not necessarily bear a direct correlation to the production or distribution costs incurred) depend primarily upon its acceptance by the public, which cannot be predicted. The commercial success of a motion picture also depends upon the quality and acceptance of other competing films released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Therefore, there is a substantial risk that some or all of the motion pictures released, distributed, financed or produced by the Company will not be commercially successful, resulting in costs not being recouped or anticipated profits not being realized. The Company's results of operations for the period ended June 30, 2000 are not necessarily indicative of the results that may be expected in future periods (including for the year ending December 31, 2000). Due to quarterly fluctuations in the number of motion pictures in which the Company controls the distribution rights and which become available for distribution (and thus, for which revenue can first be recognized) and the

number of motion pictures distributed by the Company, as well as the unpredictable nature of audience and sub-distributor response to motion pictures distributed by the Company, the Company's revenues, expenses and earnings fluctuate significantly from quarter to quarter and from year to year. In addition, for several reasons, including (i) the likelihood of continued industry-wide increases in acquisition, production and marketing costs and (ii) the Company's intent, based upon its ongoing strategy, to acquire rights to or produce films which have greater production values (often as a result of larger budgets), the Company's costs and expenses, and thus the capital required by the Company in its operations and the associated risks faced by the Company may increase in the future. Additional risks and uncertainties are discussed elsewhere in appropriate sections of this report and in other filings made by the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1999. The risks highlighted above and elsewhere in this report should not be assumed to be the only things that could affect future performance of the Company. The Company does not have a policy of updating or revising forward-looking statements and thus it should not be assumed that silence by management of the Company over time means that actual events are bearing out as estimated in such forward-looking statements.

General

The operations of First Look Media, Inc. (f/k/a Overseas Filmgroup, Inc.) (the "Company") were established on February 11, 1980. The Company is principally involved in the acquisition and worldwide license or sale of distribution rights to independently produced motion pictures. Certain motion pictures are directly distributed by the Company in the domestic theatrical and video markets under the name First Look Pictures.

In June 2000, the Company consummated a sale of securities pursuant to a Purchase Agreement with Rosemary, whereby the Company sold to Rosemary (i) 5,097,413 shares of common stock, (ii) 904,971 shares of Series A preferred stock, each share of which is convertible into two shares of common stock and votes with the common stock on an as-converted basis, and (iii) five-year warrants to purchase up to 2,313,810 shares of common stock of the Company at an exercise price of $3.40 per share for a cash purchase price of $17,000,000. As a result of the transaction, Rosemary now owns approximately 59.5% of the Company's voting securities.

Simultaneous with the consummation of the Securities Purchase, the Company, as borrower, and certain subsidiaries of the Company, as guarantors, entered into a $40 million credit facility (of which $33 million has been committed) with The Chase Manhattan Bank and other commercial banks and financial institutions. The proceeds from the credit facility were used to refinance outstanding loans and accrued interest under the Company's previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G. (formerly known as Berliner Bank A.G. London Branch) and will be used to finance the Company's production, acquisition, distribution and exploitation of feature length motion pictures, television programming, video product and rights; and to fund the Company's working capital and other lawful corporate purposes.

In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2

establishes new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Additionally, in June 2000, the Financial Accounting Standards Board ("FASB") issued Statement 139 ("SFAS 139") which rescinds FASB 53 on financial reporting by motion picture film producers or distributors. SFAS 139 requires public companies to follow the guidance provided by SOP 00-2. The Company has elected early adoption of SOP 00-2 and, as a result, has recorded a one-time, pre-tax non-cash charge of $15,581,738 ($14,123,133 after taxes). This charge has been reflected in the Company's Consolidated Statements of Operations as a cumulative effect of accounting changes, effective January 1, 2000. Under SOP 00-2 for the three and six months ended June 30, 2000, the Company recognized additional distribution expense of approximately $617,000 and $1,050,000, respectively.

Results of Operations

Three Months Ended June 30, 2000 Compared to Three Months Ended June 30, 1999

Revenues decreased by $2,129,721 (32.6%) to $4,411,005 for the three months ended June 30, 2000 from $6,540,726 for the three months ended June 30, 1999. The decrease in revenues was primarily due to decreased revenue from films first available for release in the three months ended June 30, 2000 (approximately $541,000 from four films) compared to the three months ended June 30, 1999 (approximately $3,336,000 from one film).

As a result of the adoption of SOP 00-2, marketing and distribution costs are treated as period costs and expensed as incurred, rather than capitalized and amortized as a part of film costs. For the three months ended June 30, 2000, film costs include amortization of capitalized production and acquisition costs as well as current period participation cost accruals. Distribution and marketing costs incurred in the current period are separately stated. For the three months ended June 30, 1999, film costs include amortization of distribution and marketing costs capitalized to film costs. For the three months ended June 30, 2000, film costs as a percentage of revenues were 76.0% and distribution and marketing costs as a percentage of revenues were 18.0%. For the three months ended June 30, 1999, film costs were 82.7%. The increase in

combined film costs and distribution and marketing costs as a percentage of revenues for the three months ended June 30, 2000 compared to film costs for the three months ended June 30, 1999 was primarily due to expensing of marketing and distribution costs as incurred as well as generally lower margins for the three months ended June 30, 2000 compared to the three months ended June 30, 1999. The gross margin for a given period will vary depending upon the gross margins earned on films generating revenue in the period. Gross margins vary from film to film based upon many factors, including the fees negotiated by the Company with respect to its sales, licensing and distribution services and the amount (if any) of the Company's investment in a particular film. In some cases, the Company is entitled to only a fee based upon a percentage of the film's gross revenues in a particular territory or territories and media. In other circumstances, the Company may have a substantial investment in the film as a result of having produced the related film or minimum guarantee commitments or rights acquisition costs and is dependent upon the film's actual performance in order to generate a positive gross margin. Other factors that impact gross margins include market acceptance of a film, the budget of the film and management's analysis of the motion picture's prospects which, under the individual film forecast method, impacts the rate of amortization.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by $375,860 (52.3%) to $1,095,272 for the quarter ended June 30, 2000 from $719,412 for the quarter ended June 30, 1999. This increase

was primarily due to increased bad debt expense (approximately $144,478), increased franchise tax expense (approximately $36,542) and decreased capitalized overhead (approximately $153,708). The Company capitalizes certain overhead costs incurred in connection with the production of films.

Other expense (net of other income) for the three months ended June 30, 2000 increased by $14,197 to $499,878 for the three months ended June 30, 2000 compared to other expense (net of other income) of $485,681 for the three months ended June 30, 1999.

As a result of the above, the Company had a loss before income taxes of $1,331,400 for the three months ended June 30, 2000, compared to a loss before income taxes of $76,714 for the three months ended June 30, 1999.

The Company had a loss of $1,350,646 for the three months ended June 30, 2000 (reflecting a tax expense of $19,246 related to foreign withholding taxes) compared to a net loss of $47,714 for the three months ended June 30, 1999 (reflecting an effective tax rate of 37.8%).

Six Months Ended June 30, 2000 Compared to Six Months Ended June 30, 1999

Revenues decreased by $2,770,789 (20.9%) to $10,460,301 for the six months ended June 30, 2000 from $13,231,090 for the six months ended June 30, 1999. The decrease in revenues was primarily due to decreased revenue from films first available for release in the six months ended June 30, 2000 (approximately $546,000 from five films) compared to the six months ended June 30, 1999 (approximately $3,481,000 from two films).

As a result of the adoption of SOP 00-2, marketing and distribution costs are treated as period costs and expensed as incurred, rather than capitalized and amortized as a part of film costs. For the six months ended June 30, 2000, film costs includes amortization of capitalized production and acquisition costs as well as current period participation cost accruals. Distribution and marketing costs incurred in the current period are separately stated. For the six months ended June 30, 1999 film costs include amortization of distribution and marketing costs capitalized to film costs. For the six months ended June 30, 2000, film costs as a percentage of revenues were 76.6% and distribution and marketing costs as a percentage of revenues were 13.5%. For the six months ended June 30, 1999, film costs were 81.3%. The increase in combined film costs and distribution and marketing costs as a percentage of revenues for the six months ended June 30, 2000 compared to film costs for the six months ended June 30, 1999 was primarily due to expensing of marketing and distribution costs as incurred as well as generally lower margins for the six months ended June 30, 2000 compared to the six months ended June 30, 1999. The gross margin for a given period will vary depending upon the gross margins earned on films generating revenue in the period. Gross margins vary from film to film based upon many factors, including the fees negotiated by the Company with respect to its sales, licensing and distribution services and the amount (if any) of the Company's investment in a particular film. In some cases, the Company is entitled to only a fee based upon a percentage of the film's gross revenues in a particular territory or territories and media. In other circumstances, the Company may have a substantial investment in the film as a result of having produced the related film or minimum guarantee commitments or rights acquisition costs and is dependent upon the film's actual performance in order to generate a positive gross margin. Other factors that impact gross margins include market acceptance of a film, the budget of the film and management's analysis of the motion picture's prospects which, under the individual film forecast method, impacts the rate of amortization.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by $423,773 (28.9%) to $1,888,759 for the six months ended June 30, 2000 from $1,464,986 for the six months ended June 30, 1999. This increase was primarily due to increased bad debt expense (approximately $76,057), increased compensation and compensation related expenses (approximately $168,174) and decreased capitalization of overhead (approximately $179,102).

Other expense increased to $964,353 for the six months ended June 30, 2000 compared to $932,389 for the six months ended June 30, 1999, primarily as a result of an increase in interest expense ($97,879) which was partially offset by an increase in other revenue ($65,915).

As a result of the above, the Company had a loss before the cumulative effect of an accounting change and income taxes of $1,816,288 for the six months ended June 30, 2000, compared to income before income taxes of $82,632 for the six months ended June 30, 1999.

The Company adopted SOP 00-2 in June 2000. Accordingly, the Company reported the cumulative effect of accounting changes of $15,581,738 ($14,123,133 after taxes).

The Company had a net loss of $16,031,041 for the six months ended June 30, 2000 (reflecting an a tax provision of $91,620, primarily related to foreign withholding taxes) compared to net income of $52,632 for the six months ended June 30, 1999 (reflecting an effective tax rate of 36.3%).

Liquidity and Capital Resources

The Company requires substantial capital for the acquisition of film rights, the funding of distribution costs and expenses, the payment of ongoing overhead costs and the repayment of debt. The principal sources of funds for the Company's operations has been cash flow from operations, bank borrowings and equity.

In June 2000, the Company, as borrower, and certain of the Company's subsidiaries, as guarantors, entered into a $40 million credit facility (of which $33 million has been committed) with The Chase Manhattan Bank and other commercial banks and financial institutions. The Company only is permitted to use the proceeds from the credit facility to:

- refinance outstanding loans and accrued interest under its previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G.;
- finance its production, acquisition, distribution and exploitation of feature length motion pictures, television programming, video product and rights; and
- fund its working capital and other lawful corporate purposes.

Under the terms of the credit agreement, the Company borrows funds through loans evidenced by promissory notes. The loans are made available through a revolving line of credit which may be reduced, partially or in whole, at any time and is to be fully paid on June 20, 2005. The credit facility also provides for letters of credit to be issued from time to time upon the Company's request.

The facility bears interest, as the Company may select, at rates based on either the LIBOR or a rate per annum equal to the greater of (a) the Prime Rate, (b) the Base CD Rate plus 1% and (c) the Federal Funds Effective Rate plus 1/2% (as these terms are defined in the credit agreement). In addition to an annual management fee, there is a commitment fee of 1/2 of 1% per year on the average daily amount by which the lender's commitment, as such commitment may be reduced

in accordance with the credit agreement, exceeds the sum of the principal balance of such lender's outstanding loans plus a pro rata share of the total face amount of letters of credit issued to the Company. The Company also is required to pay certain up-front fees based on the total amount of commitments made by each lender under the agreement.

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Under the credit agreement, which is secured by substantially all of the assets of the Company and its domestic subsidiaries, the Company is required to:

- provide quarterly and yearly financial reports to the banks;
- maintain insurance through financially sound and reputable insurers on all of the pledged assets of the Company and its domestic subsidiaries that are insurable;
- obtain written approval from the banks prior to making or incurring any obligation to make capital expenditures during any fiscal year in excess of $500,000;
- obtain written approval from the banks prior to beginning production or entering into any agreement to co-finance or acquire any right to a motion picture, film or video tape produced for theatrical, non-theatrical or television release in excess of $3,000,000;
- obtain written approval from the banks prior to entering into any major distribution agreements; and
- maintain certain consolidated net worth and liquidity ratios.

The credit agreement also restricts the creation or incurrence of indebtedness and the issuance of additional securities. Events of default under the credit agreement include, among other things:

- a change of control;
- the failure, in some situations, of Christopher Cooney, Robert B. Little or William Lischak to serve as a director or be employed in the capacity set out in his respective employment agreement;
- the failure to make a payment of any principal or interest when due, and the failure is not cured within three days; and
- any final judgment for the payment of money in excess of $250,000 that is entered against the Company or its domestic subsidiaries and that remains outstanding for a period of 30 consecutive days without being discharged, stayed or bonded in full.

In connection with the Purchase Agreement with Rosemary discussed below, the Company entered into a note and debt contribution agreement with Robert B. Little and Ellen Dinerman Little (collectively, the "Littles"). Pursuant to the agreement, the Littles forgave:

- $1,339,037 of aggregate outstanding principal amount and $480,709 of accrued but unpaid interest on a note issued to the Littles as part of the consideration given relating to the merger of the Company and Overseas Filmgroup, Inc. in October 1996;
- $78,101 of accrued and unpaid interest on loans in the aggregate

principal amount of $400,000 ("P&A Loans") made by the Littles to the Company in December 1997 and February 1998, which were used to provide a portion of the funds required by the Company for the print and advertising costs associated with the domestic theatrical release of MRS. DALLOWAY; and

- $125,131 of accrued salaries that the Company owed to them.

The Littles also contributed $130,000 in cash and 1,588,812 of their shares of the Company's common stock to the Company's capital and the Company repaid the Littles:

- $135,476 for various reimbursable expenses as provided in their employment agreements with the Company;

- $130,000 of the remaining principal balance on the note issued in connection with the October 1996 merger;

- $400,000 representing the aggregate principal amount owed by the Company to the Littles under the P&A Loans;

- $564,524 of accrued salaries; and

- $200,000 representing the amount owed by the Company to the Littles under the tax reimbursement agreement between the Company and the Littles entered into in connection with the merger in October 1996.

At June 30, 2000, the Company had cash and cash equivalents of $1,491,291 compared to cash and cash equivalents of $270,031 as of December 31, 1999. Additionally, at June 30, 2000, the Company had restricted cash of $13,412 held by its primary lender, to be applied against various film facilities. The restricted cash balance as of December 31, 1999 was $88,176.

Additionally, as of June 30, 2000, the Company owned 17,454 shares of Yahoo!, Inc. common stock that it received as part of a share-for-share exchange with broadcast.com, which was subsequently acquired by Yahoo!, Inc. Under the terms of the share-for-share agreement, the Company's Yahoo!, Inc. shares could not be sold, transferred, assigned, pledged, hypothecated, or otherwise disposed of on or before July 18, 2000. Similarly, the 562,527 shares of the Company's common stock issued to broadcast.com, which is now held by Yahoo!, Inc., are unregistered shares and were restricted for a similar one year period. On July 19, 2000, the Company sold 8,727 shares of the Yahoo!, Inc. common stock for approximately $1,164,000.

As of June 30, 2000, the Company also had deferred revenue relating to distribution commitments and guarantees from sub-distributors of approximately $593,700.

In 1999, the Company acquired rights to thirteen films and First Look Pictures released two films. During the six months ended June 30, 2000, the Company acquired rights to nine films and First Look Pictures broadened the release of one picture initially released in December 1999. During the next twelve months, the Company currently intends to acquire rights to and distribute or act as sales agent with respect to approximately ten to fifteen films, including two to six First Look Pictures releases. This total is exclusive of films where the Company acquires primarily re-issue rights. The credit agreement with Chase requires the consent of the banks prior to the Company entering into any new rights acquisitions in excess of $3,000,000 or commitments to spend

amounts for capital expenditures during any fiscal year in excess of $500,000. Therefore, the Company's ability to achieve these goals will depend on its ability to find opportunities that fit within these parameters or the banks' willingness to permit the Company to enter these types of acquisitions and commitments. There can be no assurance that pre-sales, co-production funds, gap financing and third party equity will be available in the future. As a result of the foregoing, and because the motion picture business and the Company's operations are subject to numerous additional uncertainties, there can be no assurance that the Company's acquisition, financing and distribution goals will be achieved.

The Company has actively sought to obtain additional equity capital. In June 2000, the Company sold to Rosemary:

- 5,097,413 shares of common stock;
- 904,971 shares of Series A preferred stock, each share of which is convertible into two shares of common stock; and
- warrants to purchase up to 2,313,810 shares of common stock at an exercise price of $3.40 per share, exercisable until June 19, 2005

for a cash purchase price of $17,000,000. The preferred stock votes with the common stock on an as-converted basis. Rosemary also has an option, exercisable until September 17, 2000, to purchase up to an additional 1,625,260 shares of common stock for an aggregate purchase price of $4,000,000. The Company also issued warrants to purchase an aggregate of 675,000 shares of common stock to various people and entities in consideration for their services rendered in connection with the transactions contemplated by the Securities Purchase. These warrants are identical to the warrants issued to Rosemary.

The Company believes that its existing capital, funds from operations and other available sources of capital will be sufficient to enable the Company to fund its presently planned acquisition, distribution and overhead expenditures for the next twelve months.

SIGNATURE

Pursuant to 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.

FIRST LOOK MEDIA, INC.

Date: February 5, 2001

By: /s/ William F. Lischak

William F. Lischak
Chief Financial Officer,

Chief Operating Officer
and Secretary