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FIRST LOOK MEDIA INC
Form POS AM
February 13, 2001

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As filed with the Securities and Exchange Commission on February 13, 2001.
Registration No. 33-83624

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1
TO FORM S-1 ON FORM S-4
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

FIRST LOOK MEDIA, INC.
(f/k/a Overseas Filmgroup, Inc.)
(Exact name of registrant as specified in its charter)

Delaware	7812	13-3751702
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

8800 Sunset Boulevard, Third Floor
Los Angeles, California 90069
(301) 855-1199

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive office)

Willlliam F. Lischak
Chief Operating Officer, Chief Financial Officer and Secretary
First Look Media, Inc.
8800 Sunset Boulevard, Third Floor
Los Angeles, California 90069
(310) 855-1199
(Name, address, including zip code, and telephone number, including
area code, of agent for service)

Copies to:
David Alan Miller, Esq.
Graubard Mollen & Miller
600 Third Avenue
New York, New York 10016
Telephone: (212) 818-8800
Fax: (212) 818-8881

Approximate date of commencement of proposed sale to the public: As
soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering:

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering:

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price
Common Stock, par value \$.001 per share(1)	321,429	\$0.49 (2)	\$157,500 (3)

(1) The shares of common stock being registered hereby are being offered by us in exchange for any and all of the outstanding redeemable common stock purchase warrants that were issued in our initial public offering in February 1995.

(2) Calculated based on the aggregate market value of the warrants to be received by us in exchange for one share of common stock, pursuant to Rule 457(f) (1) under the Securities Act of 1933, using the last sale price of a warrant (\$0.035) reported on the OTC Bulletin Board on January 29, 2001 (the last date on which a trade was reported).

(3) Calculated based on the price calculated in accordance with footnote (2), above, multiplied by the number of shares of common stock being registered.

(4) This fee was previously paid by us in connection with the registration of the shares of our common stock issuable upon exercise of the warrants on Form S-1 (No. 33-83624), declared effective by the SEC in February 1995.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not issue these shares until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these shares and it is not soliciting an offer to buy these shares in any state where the offer or sale is not permitted.

Subject to completion, dated February 13, 2001

Preliminary Prospectus

FIRST LOOK MEDIA, INC.

We hereby offer up to 321,429 shares of our common stock in exchange for the outstanding warrants that were issued in connection with our initial public offering in February 1995. The exchange offer is made pursuant to the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal.

In the exchange offer, we will exchange one share of our common stock for every 14 of our outstanding warrants tendered and accepted by us for exchange. No fractional shares of common stock will be issued in the exchange offer. You will receive cash in lieu of any fractional shares.

Our common stock and warrants are traded on the OTC Bulletin Board under the symbols "FRST" and "FRSTW," respectively. On _____, 2001, the last reported sale price of our common stock was \$_____. On _____, 2001, the last reported sale price of our warrants was \$_____.

We reserve the right not to proceed with the exchange offer, as well as the right to modify the terms of the exchange offer. The exchange offer is conditioned upon certain customary conditions. We, in our sole discretion, subject to applicable law, may waive any of these conditions, in whole or in part, at any time.

The exchange offer will expire at 5:00 p.m. New York City time on _____, 2001 unless extended by us.

See "Risk Factors" beginning on page 6 for a discussion of certain information that should be considered in connection with the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2001.

Table of Contents

Page

Edgar Filing: FIRST LOOK MEDIA INC - Form POS AM

Prospectus Summary.....1
Summary of the Exchange Offer.....2
Risk Factors.....6
Selected Consolidated Financial Information.....14
Management's Discussion and Analysis of Financial Condition
and Results of Operations.....15
Certain Pro Forma Effects of the Exchange Offer.....23
Price Range of Our Common Stock and Warrants.....24
Background of the Exchange Offer.....25
The Exchange Offer.....26
Our Business.....35
Management.....61
Principal Stockholders.....71
Description of Securities.....74
Certain United States Federal Income Tax Considerations.....77
Legal Matters.....78
Experts.....78
Where You Can Find More Information.....79

No person is authorized by us to give any information or to make any representations, other than those contained herein, in connection with the solicitation and the offering made by this prospectus and, if given or made, such information or representations should not be relied upon as having been authorized. This prospectus does not constitute the solicitation of the sale of, or an offer to sell, or a solicitation of the purchase of, or an offer to purchase, any securities in any jurisdiction in which such solicitation or offering may not lawfully be made.

This prospectus incorporates important business and financial information about us that is not included or delivered with this document. This information is available without charge to our securityholders upon written or oral request made to us. Our address is 8800 Sunset Boulevard, Third Floor, Los Angeles, California 90069 and our telephone number is (310) 855-1199. In order to obtain timely delivery of any such information, you must make any request for it no later than 5 business days prior to the expiration date of the exchange offer described herein.

ii

Prospectus Summary

The following summary is qualified in its entirety by reference to the more detailed information and financial statements, including notes thereto, appearing elsewhere in this prospectus. You are urged to read this prospectus in its entirety.

Our Business

We specialize in the acquisition and direct distribution of, and worldwide license and sale of distribution rights to, independently produced feature films in a wide variety of genres, including action, art-house, comedy, drama, foreign language, science fiction and thrillers. We have accumulated a library of distribution rights in various media and markets to approximately 250 feature films.

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We have focused primarily on licensing theatrical, video, pay television, free television, satellite and other distribution rights to foreign sub-distributors in major international territories and regions. These activities accounted for approximately 68% of our total revenues in 1999 and approximately 73% of our total revenues in the first nine months of 2000.

We engage directly in domestic theatrical distribution through our First Look Pictures division and domestic video distribution through our First Look Home Entertainment division. Our theatrical distribution activities include booking motion pictures for exhibition at movie theaters, arranging for the manufacture of release prints from film negatives, and promoting motion pictures with advertising and publicity campaigns. Our video distribution activities include the promotion and sale of videocassettes to local, regional and national video retailers. We have also recently launched a television commercial production division.

Corporate Information

Our company was incorporated in Delaware in December 1993 under the name "Entertainment/Media Acquisition Corporation" in order to acquire an operating business in the entertainment and media industry. We consummated our initial public offering in February 1995, in which we sold shares of our common stock and the warrants that are the subject of the exchange offer.

In October 1996, we merged with Overseas Filmgroup, Inc., a privately-held Delaware corporation ("Overseas Private") that had been operating since February 1980. Our company was the surviving corporation in the merger. Upon consummation of the merger, we changed our name to "Overseas Filmgroup, Inc." We operated under the name "Overseas Filmgroup, Inc." until January 2001. In January 2001, we changed our name to "First Look Media, Inc." in order to reflect the broadening of our operations beyond foreign distribution of independently produced feature films to additional areas such as television commercial production and Internet content development.

Our principal executive offices are located at 8800 Sunset Boulevard, Third Floor, Los Angeles, California 90069, and our telephone number is (310) 855-1199.

Summary of the Exchange Offer

The offer.....	We are offering to exchange one share of our common stock for every 14 of the outstanding warrants, issued in our initial public offering in February 1995, that are tendered and accepted by us for exchange. No fractional shares of common stock will be issued. You will receive cash in lieu of any fractional shares.
Expiration date.....	5:00 p.m., New York City time, on _____, 2001, unless extended as provided in the section of this prospectus entitled "The Exchange Offer - Expiration Date; Extensions; Termination; Amendments."
The warrants.....	As of February 6, 2001, there were 4,500,000 public warrants outstanding. Each warrant

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currently entitles the holder to purchase one share of common stock for \$5.00, subject to adjustment in certain events. Provided that a prospectus with respect to the common stock is in effect, the public warrants may be exercised at any time until February 16, 2002. We have the right to redeem the warrants under certain circumstances. See "Description of Securities - Warrants."

Purpose of the exchange offer.....

To retire any and all of our public warrants through the issuance of common stock. This would allow us to simplify our capital structure, reduce the potential future dilutive impact on our per-share earnings that could be caused by the warrants, and diminish or eliminate overhang on the market price of our common stock caused by the warrants.

Conditions of the exchange offer.....

The exchange offer is subject to certain customary conditions, any or all of which may be waived by us in our sole discretion, subject to applicable law. The exchange offer is not conditioned upon any minimum number of warrants being tendered. See "The Exchange Offer - Conditions of the Exchange Offer."

Effects of the exchange offer on our company....

In the absence of the exchange offer, an additional 4,500,000 shares of common stock would be issued if all of the currently outstanding warrants were exercised, and we would receive the cash proceeds of such exercises. Assuming 100% participation in the exchange offer, 321,429 shares of common

2

stock would be issued and all of the outstanding warrants would be extinguished and we would receive no cash proceeds. The exchange offer will have no effect on total stockholders' equity (other than transaction costs). See "Background of The Exchange Offer," "Selected Consolidated Financial Information" and "Certain Pro Forma Effects of the Exchange Offer."

Effects of the exchange offer on you, if you participate.....

If you participate in the exchange offer, you will:

- o receive one share of common stock for every 14 warrants you tendered and we accept, without having to

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make any exercise payments;

- o receive a cash payment, without interest, for any fractional shares of common stock that you would otherwise be entitled to receive;
- o be able to vote the common stock received in the exchange offer on all matters that may come before the holders of our common stock;
- o be able to receive dividends on such common stock, if any, when declared and paid by us; and
- o participate as a holder of common stock in proceeds from any liquidation of our company after creditors and preferred security holders, if any, are paid.

However, if you participate in the exchange offer, you will lose the right to purchase a share of common stock for \$5.00 for each warrant held, and may be subject to certain tax consequences as a result of the exchange offer. See "Certain United States Federal Income Tax Considerations."

Effects of the exchange offer on you, if you don't participate.....

If you do not participate in the exchange offer, you will retain the right to purchase, at any time until February 16, 2002, one share of common stock for \$5.00 for each warrant held, subject to our right to redeem the warrants under certain circumstances. However, you should note, that if the exchange offer is consummated,

3

we intend to delist the warrants from trading on the OTC Bulletin Board and to deregister the warrants pursuant to the Exchange Act. In such event, the trading market for, and the liquidity of an investment in, the warrants remaining outstanding would be significantly reduced. You will not have any appraisal or dissenters' rights under Delaware law.

Procedures for tendering warrants.....

If you wish to tender your warrants, you must deliver the following documents prior to 5:00 p.m., New York City time, on the expiration date to the exchange agent at the address set forth on page 33:

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- o certificates representing the warrants being tendered together with a letter of transmittal properly completed and duly executed by you and all other documents required by the letter of transmittal; or
- o if you wish to tender by guaranteed delivery, a properly completed and duly executed guaranteed delivery form. See "The Exchange Offer - Procedure for Tendering" and "- Guaranteed Delivery Procedure."

If you hold warrants in book-entry form, you may participate in the exchange offer by complying with the procedures for book-entry transfer set forth in the section of this prospectus entitled "The Exchange Offer - Procedure for Tendering." If your warrants are registered in the name of brokers, dealers, commercial banks, trust companies or nominees, you are urged to contact such registered holders promptly if you wish to participate in the exchange offer. Warrants should not be sent to us.

Withdrawal of tenders.....

Tenders of warrants may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date or, unless previously accepted for exchange, after 5:00 p.m., New York City time, on _____, 2001. See "The Exchange Offer - Withdrawal Rights."

Acceptance of warrants and delivery of common stock.

We will accept all warrants properly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date, by giving oral or written notice to the exchange agent promptly after the expiration date. We will deliver shares of common stock pursuant to the exchange offer (and any cash payment in lieu of fractional shares) promptly following such acceptance. See "The Exchange Offer - Acceptance of Warrants for Exchange; Delivery of Common Stock."

4

Certain federal income tax considerations.....

You are urged to consult your own tax advisors as to the specific tax consequences of the exchange offer. In general, however, we believe that the exchange of common stock for warrants will likely be treated as a taxable transaction for federal income tax purposes. See "Certain United States Federal

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Income Tax Considerations."

Payment of solicitation
fees.....

We will pay a solicitation fee of \$0.02 per warrant to Shochet Securities, Inc. ("Shochet") for warrants tendered in the exchange. Shochet is an affiliate of GKN Securities Corp. ("GKN"), the managing underwriter of our initial public offering. See "The Exchange Offer - Interests of Certain Persons in the Exchange Offer" and "The Exchange Offer - Payment of Solicitation Fees."

We make no recommendation that you tender or refrain from tendering your warrants, and no one has been authorized to make any such recommendation on behalf of our company. The decision to tender is a matter for you to determine after consultation with your advisors, including tax counsel, on the basis of your own financial position and requirements.

The delivery of this prospectus shall not, under any circumstances, create an implication that there has been no change in the affairs of our company since the date hereof or that the information herein is correct as of any time subsequent to such date.

5

Risk Factors

If you participate in the exchange offer, you will surrender your warrants and receive shares of our common stock, thereby changing the nature of your interest in our company. You should carefully consider the following risk factors, as well as the information set forth elsewhere in this prospectus, in determining whether to participate in the exchange offer.

Risks relating to the exchange offer

The consummation of the exchange offer will likely decrease the liquidity of any warrants that remain outstanding.

If the exchange offer is consummated, we intend to deregister the warrants under the Exchange Act, and delist the warrants from trading on the OTC Bulletin Board. If we do this, the trading market for, and liquidity of an investment in, any warrants remaining outstanding would be significantly reduced. Any reduction in trading liquidity could depress the market value of any remaining outstanding warrants.

At the time the exchange offer is actually consummated, the exchange ratio may not directly relate to the then-current market prices of the common stock being issued to you or the warrants being surrendered by you.

On _____, 2001, the last reported sale price of our common stock as reported on the OTC Bulletin Board was \$_____. On _____2001, the last reported sale price of our warrants was \$_____. For the 30-trading day period ending on _____, 2001, the average last sale prices of our common stock and warrants were \$_____ and \$_____, respectively. For the 60-trading day period ending on _____, 2001, the average last sale prices of our common stock and warrants were \$_____ and \$_____, respectively.

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The exchange ratio of one share of common stock for every 14 warrants was fixed as of the date of this prospectus and represents (as of that date) a premium to the exchange ratio implied by the relationship between the average trading prices of our common stock and warrants for each of the dates and periods described above. However, the market prices of our common stock and warrants are subject to fluctuations, which may be exacerbated by the announcement and consummation of the exchange offer itself. On the date the exchange offer is actually consummated, the exchange ratio may not directly relate to the then-current market prices of the securities involved in the exchange offer and may not result in you receiving the premium that was originally contemplated at the time the exchange ratio was set.

If you participate in the exchange offer, you may give up the investment leverage afforded by the warrants.

You will have to give up 14 warrants to receive one share of common stock in the exchange offer. It may be more beneficial for you to own our warrants as opposed to our common stock. For example, if the market price of a share of our common stock increases to \$6.00, thereby exceeding the \$5.00 exercise price of a warrant by \$1.00, each warrant you owned would give you the ability to realize a profit equal to \$1.00 (without giving effect to the price you actually paid for the warrant and applicable tax liabilities). In this scenario, if you owned 14 warrants, you could realize an aggregate profit of

6

\$14.00 by exercising all of your warrants and selling the underlying common stock. In this same scenario, if you had previously surrendered your 14 warrants in the exchange offer and received one share of common stock, you could sell the share for \$6.00 and could realize a profit equal to the difference between \$6.00 and your cost basis in the share. However, if you do participate in the exchange offer and surrender your warrants, you will have the ability to participate in any post-exchange offer appreciation of our common stock, even at market prices below the \$5.00 exercise price of the warrants. The market price of our common stock may never exceed \$5.00 and may not appreciate from the market price in effect on the date the exchange offer is consummated.

If you participate in the exchange offer, the exchange will be tax free.

We believe that for federal income tax purposes the exchange offer will be treated as a tax free recapitalization transaction to persons tendering their warrants in the exchange offer. For a discussion of certain general tax consequences to exchanging warrant holders, see "Certain United States Federal Income Considerations." The exchange offer will not affect the federal income tax treatment of holders who do not participate in the exchange offer.

The fact that our securities are traded only on the OTC Bulletin Board could depress the market prices for these securities.

We believe that the fact that our securities are traded only on the OTC Bulletin Board could serve to:

- o limit distribution of news relating to our company;
- o limit investor interest in our securities; and
- o restrict our ability to issue additional securities and secure additional financing.

One or more of these factors could serve to depress the liquidity and market

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prices of our securities. We may never apply to, or be accepted by, any trading market or exchange that provides enhanced liquidity and information flow.

The exchange offer could have a negative effect on the market price of our common stock.

The issuance of a significant number of shares of common stock in the exchange offer will cause an initial dilution in per-share earnings and other per-share measurements, which may have a negative effect on the market price for our common stock (and, in turn, any warrants still outstanding after consummation of the exchange offer).

As a holder of common stock, you would be subject to the dilutive effects caused by future issuances of our common stock.

Following consummation of the exchange offer, we will not need to reserve as many shares (if any) of common stock for possible future exercises of the warrants. Accordingly, the number of authorized, but unissued and unreserved, shares of common stock available for other issuances would increase. Our board of directors is empowered, without stockholder approval, to issue any or all of such authorized (but unissued and unreserved) shares of common stock. These issuances (depending on the consideration, if any, received) may dilute the interests of common stock holders and affect the market price of our common

7

stock (and any remaining outstanding warrants). Other potential issuances of securities, such as options under our stock option plan or shares of our preferred stock, may have similar effects. Also, potential sales of substantial blocks of our outstanding securities by holders could have a negative impact on the market price of our common stock (and any remaining outstanding warrants).

We have the right to redeem the warrants.

Any warrants not exchanged in the exchange offer may be redeemed by us, at a price of \$.01 per warrant, subject to not less than 30 days' prior written notice to you, provided that the last sale price of the common stock has been at least \$8.50 per share for the 20 consecutive trading days ending on the third day prior to the day on which notice is given. Notice of the redemption of the warrants could force you to exercise the warrants and pay the exercise price at a time when it may be disadvantageous for you to do so, to sell the warrants at the then-current market price when they might otherwise wish to hold the warrants, or to accept the \$.01 per warrant redemption price. See "Description of Securities - Warrants."

Risks relating to our business

Virtually all of our assets are pledged to secure our obligations under our credit facility with The Chase Manhattan Bank.

In June 2000, we entered into a \$40 million five-year secured revolving credit facility with The Chase Manhattan Bank and other commercial banks and financial institutions. To secure our obligations under the Chase facility, we and our domestic subsidiaries have pledged our assets to Chase. If we default on our obligations under the Chase facility, the banks under the Chase facility will have the right to satisfy our obligations through these assets. If this occurs, we may not be able to continue our business or operations. Further, applicable state law and contractual restrictions, including restrictions in the Chase facility, prohibit payment of dividends or distributions to holders of our securities in various circumstances.

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We anticipate that our acquisition, production and marketing costs will continue to be significant.

For 1997, 1998, 1999 and the first nine months of 2000, the average direct negative costs of motion pictures that we have distributed were approximately \$2,100,000, \$2,800,000, \$5,900,000 and \$2,867,000, respectively. Direct negative costs include production costs of acquiring or developing the screenplay, the compensation of creative and other production personnel, film studio and location rentals, equipment rentals, film stock and other costs incurred in principal photography, as well as post-production costs such as the creation of special effects and music. For 1997, 1998, 1999 and the first nine months of 2000, the average print and advertising costs associated with the motion pictures distributed by First Look Pictures were approximately \$561,000, \$0 (no films released), \$510,000 and \$330,000, respectively.

In the future, we may distribute, finance or produce motion pictures with substantial direct negative costs and marketing costs. These costs would continue to be significant and could exceed the average direct negative and marketing costs of the films that we have historically distributed.

8

Our operations would be hurt if we lost the services of certain of our personnel.

Christopher J. Cooney serves as our co-chairman of the board and chief executive officer, Robert B. Little serves as our co-chairman of the board and president, and William F. Lischak serves as our chief operating officer and chief financial officer. Virtually all decisions concerning the conduct of our business, including the motion picture properties and rights that we acquire and the arrangements that we make for our distribution, production and financing of motion pictures, are made or are significantly influenced by these key executives. The loss of any of their services for any reason would have a material adverse effect on our business, operations and future prospects. In addition, our credit facility with Chase generally requires Mr. Little, Mr. Cooney and Mr. Lischak's continued involvement with, and control of, our company.

Our receipt of minimum guarantees does not eliminate the risks we face when we license distribution rights.

We usually receive a minimum guarantee for licensing distribution rights to sub-distributors. However, these minimum guarantees do not assure the profitability of our motion pictures or our operations. Additional revenues may be necessary from distribution of a motion picture in order for us to recover any investment in excess of the aggregate minimum guarantees, pay for distribution costs, continue acquisition and development of other motion pictures, and cover general overhead. Licensing distribution rights to sub-distributors in exchange for minimum guarantees may also result in us receiving lower revenues with respect to highly successful films.

We may not be able to achieve our acquisition and distribution goals.

We currently intend to acquire rights to and distribute approximately eight to twelve films per year. Alone or in conjunction with others, we currently intend to selectively finance all or a portion of the production costs of, or produce, an aggregate of approximately two to six of these films. We may not meet these goals and the number of films that we acquire, distribute or finance may not meet these estimated ranges.

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Our First Look Pictures operations face their own particular risks.

Our domestic theatrical distribution activities, which are conducted through our First Look Pictures division, face numerous challenges and risks, including:

- o The success of a domestic theatrical release can be affected by a number of factors outside of our control, including audience and critical acceptance, the success of competing films in release, awards won by First Look Pictures' releases or that of its competition, inclement weather, and competing televised events, such as sporting and news events.
- o Payment to First Look Pictures by national theater chains in the United States is typically made on the close of the engagement in all the chain's theaters. Since First Look Pictures typically releases its films on a more limited basis than a distributor of nationwide releases and since First Look Pictures' specialized or art-house releases can have extended runs, theater chains often do not pay us for three to six months from initial release, or longer.

9

- o First Look Pictures' releases are exhibited by a substantial number of independent theater owners for which it can be comparatively more difficult to monitor and enforce timely payment than with respect to national theater chains.

Our quarterly results fluctuate significantly.

Our operating revenues, cash flow and net earnings historically have fluctuated significantly from quarter to quarter depending in large part on the number of motion pictures for which we acquire distribution rights and actually distribute and the amount of revenues recognized and production costs incurred and amortized during the period. Therefore, year-to-year comparisons of quarterly results may not be meaningful and quarterly results during the course of any year may not be indicative of results expected for the entire year.

Our company is effectively controlled in all respects by our management.

Our directors and executive officers, as a group, beneficially own approximately 79.8% of our voting securities. Accordingly, these persons, acting together, will be in a position to effectively control our company in all respects, including the election of our directors. See "Management" and "Principal Shareholders."

Our issuance of preferred stock could diminish the value of your common stock.

Our restated certificate of incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors. Subject to the rules of the NASD, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of the common stock (or any remaining outstanding warrants). The preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company, which could have the effect of discouraging bids for our company and, thereby, preventing stockholders from receiving the maximum value for their shares.

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The current Screen Actors Guild/American Federation of Television and Radio Artists strike against commercial advertisers could hamper our ability to grow our television commercial production division.

As of the date of this prospectus, a national strike by members of the Screen Actors Guild and American Federation of Television and Radio Artists unions against commercial advertisers, producers and agencies is in progress. This strike began on May 1, 2000 and potentially involves more than 130,000 union-member actors. Members of the striking unions are demanding increases to the residual payments they receive every time a commercial in which they appear in is broadcast. They are also demanding pay-per-play cable and Internet arrangements. The strike could hamper our ability to produce television commercials. In addition, the terms on which they strike is ultimately settled could increase costs associated with our commercial production operations, thereby hampering our ability to grow these operations.

10

Risks relating to our industries

Because the motion picture industry is highly speculative and inherently risky, some or all of the motion pictures that we release, distribute or produce will not be commercially successful and we will not be able to recover our costs or realize anticipated profits.

The motion picture industry is highly speculative and inherently risky. We cannot assure you that any motion picture we release, distribute or produce will be successful since the revenues derived from the production and distribution of a motion picture depend primarily upon its acceptance by the public, which cannot be predicted. The revenues derived also may not necessarily correlate to the production or distribution costs incurred.

A motion picture's commercial success 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 that we release, distribute or produce will not be commercially successful, resulting in costs not being recovered or anticipated profits not being realized.

We have not been able to fully capitalize on significant changes in the motion picture industry and we may not be able to capitalize on changes in the future.

The entertainment industry in general, and the motion picture industry in particular, are dynamic industries that have undergone significant changes. Some of the most recent changes include:

- o increases in revenues generated from the licensing of rights in media ancillary to domestic theatrical media;
- o studio and theater-chain ownership changes;
- o consolidation in the industry; and
- o rapid technological change.

We have not benefited from some of these changes. To date, we have not realized any significant revenues from the newest revenue sources, such as

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computer and video games and other interactive media. In addition, some changes in the motion picture industry have negatively impacted us. For example, despite the expansion in the market for videocassettes for home use, generally retail video stores increasingly have been purchasing fewer copies of videocassettes of motion pictures that have not been theatrically released. Because we distribute a number of films that are not released theatrically, this trend has impacted us negatively and has led us to establish our own domestic theatrical and video distribution operations. We cannot predict what changes or trends will continue in the motion picture industry, what new changes or trends might occur, and the overall effect these factors will have on our potential revenue from and profitability of feature-length motion pictures and our business.

11

Domestic theatrical distribution is very competitive and dominated by major studio distributors.

We engage in domestic theatrical distribution through our First Look Pictures division. Domestic theatrical distribution is very competitive. A substantial majority of the motion picture screens in the United States typically are committed at any one time to between 10 and 15 films distributed nationally by major studio distributors that can command greater access to available screens. Although some theaters specialize in exhibiting independent motion pictures and art-house films, there is intense competition for screen availability for these films as well. The number of motion pictures released theatrically in the United States also has increased in recent years, which has increased competition for exhibition outlets and audiences.

We face numerous risks in our international distribution activities.

In 1999 and the first nine months of 2000, we derived approximately 68% and 73%, respectively, of our revenues from distributing motion pictures and licensing distribution rights in territories outside the United States. Our financial results and results of operations could be negatively affected by the following:

- o changes in foreign currency exchange rates and currency controls;
- o trade protection measures;
- o motion picture piracy;
- o content regulation;
- o longer accounts receivable collection patterns;
- o changes in regional or worldwide economic or political conditions; or
- o natural disasters.

Because our contracts are typically denominated in U.S. dollars, advances and minimum guarantees of sub-license fees payable to us by foreign sub-distributors, and advances and minimum guarantees that we pay to foreign producers in connection with the acquisition of distribution rights generally are unaffected by exchange rate fluctuations. However, to the extent our agreements with foreign sub-distributors require them to pay us a percentage of revenues in excess of any advance or minimum guarantee, fluctuations in the currencies in which these revenues are received by the sub-distributor may affect the amount of U.S. dollars that we receive in excess of any minimum

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guarantee. Exchange rate fluctuations also could affect the ability of sub-distributors to pay agreed minimum guarantees or to bid for and acquire rights to motion pictures that we distribute. Although exchange rate fluctuations generally have not had a material effect on our results of operations in the past, we cannot assure you that these fluctuations will not have a material impact on our future results of operations.

This prospectus contains forward-looking statements, which may prove inaccurate

Some of the statements in this prospectus are forward-looking statements that involve risks and uncertainties. These forward-looking

12

statements include statements about our plans, objectives, expectations, intentions and assumptions that are not statements of historical fact. You can identify these statements by words such as "may," "will," "should," "plans," "expects," "believes," "intends" and similar expressions. We cannot guarantee our future results, performance or achievements. Our actual results and the timing of corporate events may differ significantly from the expectations discussed in the forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements.

13

Selected Consolidated Financial Information (in thousands of dollars, except per-share data)

The following selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 1999 are derived from our consolidated financial statements, which statements have been audited by PricewaterhouseCoopers LLP, independent accountants.

The selected consolidated balance sheet data at September 30, 2000, and the selected statement of operations data for the nine-month periods ended September 30, 1999 and September 30, 2000, have been derived from our unaudited consolidated financial statements which, in our opinion include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results of unaudited periods. The results for the nine-month period ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000.

The selected consolidated financial data set forth below should be read in conjunction with our consolidated financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," each included elsewhere in this prospectus. "Statement of Operations Data" presented below includes reclassifications of certain revenue and expense items which are not directly associated with operations. Such reclassifications include interest income, interest expenses, foreign exchange effects and other non-operating items.

Year Ended December				
31,				

1995	1996	1997	1998	1999
----	----	----	----	----

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Statement of Operations Data:

Revenues	\$21,672,510	\$28,677,571	\$22,494,256	\$25,585,476	\$33,783,836
Film costs	16,320,694	23,058,000	19,152,847	21,014,728	30,887,786
Distribution and marketing costs	---	---	---	---	---
Selling, general and administrative	2,721,745	3,595,660	3,509,122	2,960,383	2,983,224
Income (loss) from operations	2,630,071	2,023,910	(167,713)	1,610,365	(87,174)
Income (loss) before tax and cumulative effect of accounting changes	2,894,066	1,665,269	(837,277)	112,472	(1,988,568)
Income tax provision (benefit) (1)	432,905	3,131,367	(293,357)	53,000	(736,000)
Income (Loss) before cumulative effect of accounting changes	2,461,161	(1,466,098)	(543,920)	59,472	(1,252,568)
Cumulative effect of accounting changes	---	---	---	---	---
Net Income (Loss)	2,461,161	(1,466,098)	(543,920)	59,472	(1,252,568)
Basic and diluted net income (loss) per share: before cumulative effect	0.77	(0.41)	(0.09)	0.01	(0.21)
Cumulative effect	---	---	---	---	---
Net Income (Loss) per share after cumulative effect	0.77	(0.41)	(0.09)	(0.01)	(0.21)
Basic and diluted weighted average number of shares outstanding	3,177,778	3,611,111	5,747,778	5,732,778	5,990,153

14

Year Ended December
31,

Balance Sheet Data:

	1995	1996	1997	1998	1999
	----	----	----	----	----
Film costs, net of accumulated amortization	\$17,349,071	\$28,358,324	\$29,740,567	\$29,003,201	\$28,363,419
Total assets	28,954,796	40,803,685	46,560,320	50,208,688	62,646,894
Total long-term liabilities	7,421,893	16,607,137	23,142,184	22,013,281	19,764,175
Total liabilities	17,506,422	28,611,919	34,999,208	38,588,104	49,346,572
Total shareholders' equity	11,448,374	12,191,766	11,561,112	11,620,584	13,300,322

(1) From January 1, 1989 to October 31, 1996, Overseas Private operated as an S corporation under subchapter S of the Internal Revenue Code. During the year ended December 31, 1996, we recorded a one-time, non-recurring deferred federal income tax charge of \$2,600,000 relating to the termination of Overseas Private's S corporation status which occurred on October 31, 1996, the date of our merger with Overseas Private.

(2) During the nine months ended September 30, 2000, we recorded a one-time, pre-tax non-cash charge of \$15,581,738 (\$14,123,133 after taxes).

The Company has restated filings on Form 10-Q for the quarterly period ended September 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

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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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The operations of Overseas Private were established in February 1980. We were formed in December 1993 under the name "Entertainment/Media Acquisition Corporation" for the purpose of acquiring an operating business in the entertainment and media industry. We acquired Overseas Private through a merger in October 1996 and we were the surviving corporation in the merger. Immediately following the merger, we changed our name to "Overseas Filmgroup, Inc." and succeeded to the operations of Overseas Private. In January 2001, we changed our name to "First Look Media, Inc." in order to reflect the broadening of our operations beyond foreign distribution of independently produced feature films to additional areas such as television commercial production and Internet content development.

Today, we are 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 us in the domestic theatrical market under the name "First Look Pictures" and in the domestic video market under the name "First Look Home Entertainment."

15

Relevant accounting provisions

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. We have elected early adoption of SOP 00-2. During the nine months ended September 30, 2000, we 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 the SOP 00-2 for the nine months ended September 30, 2000, the Company recognized additional distribution expense of approximately \$1,432,000.

The Company has restated filings on Form 10-Q for the quarterly period ended September 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

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contribution.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which will be effective in the fourth quarter of 2000. SAB 101 clarifies certain existing accounting principles for the recognition and classification of revenues in financial statements. While our existing revenue recognition policies are consistent with the provisions of SAB 101, the new rules are expected to result in some changes as to how the filmed entertainment industry classifies its revenues, particularly relating to distribution arrangements for third-party and co-financed joint venture product. As a result, we are in the process of evaluating the overall impact of SAB 101 on our consolidated financial statements. However, other aspects of SAB 101 are not expected to have a significant effect on our consolidated financial statements.

Results of operations

Nine Months Ended September 30, 2000 Compared to Nine Months Ended September 30, 1999

Revenues decreased by \$4,729,770 (23.7%) to \$15,227,764 for the nine months ended September 30, 2000, compared to \$19,957,534 for the nine months ended September 30, 1999. The decrease in revenues was primarily due to decreased revenues generated by films during the nine months ended September 30,

16

2000 as compared to the nine months ended September 30, 1999. We generated revenues of approximately \$8,435,000 from six films during the nine months ended September 30, 2000, compared to revenues of approximately \$13,246,000 generated from six films during the nine months ended September 30, 1999.

In accordance with SOP 00-2, distribution and marketing costs have been expensed in the nine months ended September 30, 2000. For the nine months ended September 30, 1999, distribution and marketing costs were capitalized and amortized as film costs. Film costs as a percentage of revenues decreased to 76.1% for the nine months ended September 30, 2000, compared to 84.9% for the nine months ended September 30, 1999. The decrease, however, is offset by an immediate expense of P&A costs now treated as "Distribution and Marketing Costs".

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by \$797,804 (35.6%) to \$3,038,735 for the nine months ended September 30, 2000, as compared to \$2,240,931 for the nine months ended September 30, 1999. This increase was primarily due to decreased capitalized overhead of approximately \$276,484 and increases in:

- o accounting fees of \$27,735;
- o advertising costs of \$10,086;
- o bad debt expense of \$88,283;
- o insurance costs of \$51,711;
- o compensation costs of \$427,153;
- o research expenses of \$13,331;
- o taxes of \$22,179;
- o travel expenses of \$17,715;
- o office expenses of \$12,841;
- o telephone and fax charges of \$14,657;
- o depreciation of computer equipment of \$13,086.

These increases were partially offset by decreases in consulting fees and

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contract labor (\$155,692) and legal fees (\$21,348).

Net other expense was \$519,954 for the nine months ended September 30, 2000, compared to net other expense of \$1,395,618 for the nine months ended September 30, 1999. The increase in net other expense was primarily due to:

- o the gain reported on our sale of shares of common stock of Yahoo!, Inc. (\$624,868); and
- o decreased interest expense (\$195,131).

As a result of the above, we had a loss before income taxes and cumulative effect of accounting changes of \$1,967,796 for the nine months ended September 30, 2000, compared to a loss before income taxes and cumulative effect of accounting changes of \$622,203 for the nine months ended September 30, 1999.

We had a loss before cumulative effect of accounting changes of \$2,072,447 for the nine months ended September 30, 2000, compared to a loss before cumulative effect of accounting changes of \$391,203 for the nine months ended September 30, 1999.

17

We reported the cumulative effect of accounting changes of \$14,123,133, net of income tax benefit of \$1,458,605 for the nine months ended September 30, 2000

We had a net loss of \$16,195,580 for the nine months ended September 30, 2000 (reflecting foreign withholding taxes of \$104,651), compared to a net loss of \$391,203 for the nine months ended September 30, 1999 (reflecting an effective income tax benefit of 37.1%).

Year ended December 31, 1999 compared to year ended December 31, 1998

Revenues increased by \$8,198,360 (32%) to \$33,783,836 for the year ended December 31, 1999, compared to \$25,585,476 for the year ended December 31, 1998. The increase in revenues was due in part to more films generating in excess of \$1,000,000 each in revenue in 1999 as compared to 1998. We licensed rights to eight motion pictures that each generated over \$1,000,000 in revenue during 1999 and which in the aggregate generated approximately \$22,947,000 in revenue, compared to only six films that each generated over \$1,000,000 in revenue during 1998 and which in the aggregate generated approximately \$16,472,000 in revenue.

Film costs as a percentage of revenues increased to 91.4% for the year ended December 31, 1999, compared to 82.1% for the year ended December 31, 1998. The increase was primarily due to lower gross margins on the titles released in the year ended December 31, 1999 as compared to the year ended December 31, 1998, and a write-off of development costs of approximately \$1,100,000 relating to three films which, although we continue to actively attempt to arrange for their production, have not been set for production within the three-year guideline provided in SFAS 53.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by \$22,841 (0.8%) to \$2,983,224 for the year ended December 31, 1999, compared to \$2,960,383 for the year ended December 31, 1998. We capitalize some of our overhead costs incurred in connection with our acquisition of rights to a motion picture by adding the costs to the capitalized film costs of the motion picture. The increase in selling, general and administrative expenses, net of amounts capitalized to film costs, was partially the result of fewer expenses being capitalized. We capitalized

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expenses of \$1,229,222 for the year ended December 31, 1998, compared to \$1,088,811 for the year ended December 31, 1999. Other increases included:

- o accounting expenses of \$22,110;
- o bad debt expenses of \$129,178;
- o consulting fees of \$62,678;
- o contract labor of \$27,685; and
- o legal fees of \$28,621.

These increases were partially offset by decreases in selling, general and administrative expenses from the prior year, including decreases in:

- o equipment leases of \$15,390;
- o directors and officers insurance premiums of \$19,326;
- o the officer life insurance premiums of \$26,814;
- o employee benefits of \$76,517;

18

- o expenses related to our being a publicly traded company of \$20,360;
- o publicity expenses of \$46,919;
- o reader and research expenses of \$25,050;
- o compensation costs of \$102,326; and
- o telephone and fax costs of \$41,603.

Other expense increased by \$403,502 (26.9%) to \$1,901,395 for the year ended December 31, 1999, compared to \$1,497,893 for the year ended December 31, 1998. This increase was primarily due to decreased capitalized interest costs of \$136,204 for the year ended December 31, 1999, compared to \$649,005 for the year ended December 31, 1998. Interest costs and fees, before capitalization, decreased by \$138,626 to \$2,154,532 for the year ended December 31, 1999, compared to \$2,293,158 for the year ended December 31, 1998, primarily as the result of lower outstanding balances on various notes and loans payable to banks and to two of our principal stockholders, Robert B. Little and Ellen Dinerman Little (together, the "Littles").

As a result of the above, we had a loss before income tax of \$1,988,568 for the year ended December 31, 1999, compared to an income before income taxes of \$112,472 for the year ended December 31, 1998.

We recorded income tax benefits of \$736,000 for the year ended December 31, 1999, reflecting a 37.0% effective tax rate, compared to a tax provision of \$53,000 for the year ended December 31, 1998.

As a result of the above, we had a net loss of \$1,252,569 for the year ended December 31, 1999, compared to net income of \$59,472 for the year ended December 31, 1998.

Year ended December 31, 1998 compared to year ended December 31, 1997

Revenues increased by \$3,091,220 (13.7%) to \$25,585,476 for the year ended December 31, 1998, compared to \$22,494,256 for the year ended December 31, 1997. The increase in revenues was due in part to the license of North and Latin American rights to Waking Ned Devine for \$5,000,000 and to increased U.S. theatrical revenues of \$1,005,131 for the year ended December 31, 1998, compared to \$358,081 for the year ended December 31, 1997, primarily resulting from our release of Mrs. Dalloway through First Look Pictures in February 1998.

Film costs as a percentage of revenues decreased to 82.1% for the year

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ended December 31, 1998, compared to 85.1% for the year ended December 31, 1997. The decrease was primarily due to fewer write-downs to net realizable value of film costs in the year ended December 31, 1998 as compared to the year ended December 31, 1997. We had write-downs of approximately \$1,205,123 for the year ended December 31, 1998, compared to approximately \$1,926,506 for the year ended December 31, 1997. Selling, general and administrative expenses, net of amounts capitalized to film costs, decreased by \$548,739 (15.6%) to \$2,960,383 for the year ended December 31, 1998, compared to \$3,509,122 for the year ended December 31, 1997. We capitalize some of our overhead costs incurred in connection with our acquiring rights to a motion picture by adding these costs to the capitalized film costs of the motion picture. Decreases in selling, general and administrative expenses over those in the prior year included decreases in:

19

- o payroll related expenses of \$514,566;
- o accounting expenses of \$108,045;
- o legal expenses of \$67,411;
- o business entertainment expenses of \$52,548; and
- o costs associated with a sales consultant based in Italy of \$40,066.

These decreases were partially offset by increases in selling, general and administrative expenses over those in the prior year, including increases in:

- o contract labor of \$108,337;
- o rent of \$36,707;
- o communication expenses of \$36,456; and
- o bad debt expense of \$28,017.

Other expenses increased by \$828,329 (123.7%) to \$1,497,893 for the year ended December 31, 1998, compared to \$669,564 for the year ended December 31, 1997. This increase was primarily the result of increased interest expense of \$1,644,153 for the year ended December 31, 1998, compared to \$853,666 for the year ended December 31, 1997. Interest expense for the year ended December 31, 1998 increased over the prior year primarily as the result of less interest being capitalized to film costs.

As a result of the above, we had net income before income taxes of \$112,472 for the year ended December 31, 1998, compared to a loss, before tax benefit of \$837,277, for the year ended December 31, 1997.

We recorded a tax provision of \$53,000 for the year ended December 31, 1998, reflecting a 47.1% effective tax rate, compared to a tax benefit of \$293,357 for the year ended December 31, 1997, resulting from the expected future tax benefit of recognizing the reported loss for such year for tax purposes. The tax benefit for the year ended December 31, 1997 was calculated reflecting an effective tax rate of 35.0%.

As a result of the above, we had net income of \$59,472 for the year ended December 31, 1998, compared to a net loss of \$543,920, for the year ended December 31, 1997.

Liquidity and Capital Resources

We require 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 our operations has been cash flow from operations, bank borrowings and equity financings.

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June 2000 Private Placement

In June 2000, we consummated a private placement with Rosemary Street Productions, LLC ("Rosemary Street"), in which we sold to Rosemary Street for an aggregate cash purchase price of \$17,000,000:

- o 5,097,413 shares of our common stock;

20

- o 904,971 shares of our 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
- o five-year warrants to purchase up to 2,313,810 shares of our common stock at an exercise price of \$3.40 per share.

As a result of the June 2000 private placement, Rosemary Street now owns approximately 59.5% of our voting securities.

Chase Facility

Concurrently with the consummation of the June 2000 private placement, we, as borrower, and certain of our subsidiaries, as guarantors, entered into a \$40 million credit facility (of which \$33 million has been committed) with Chase and other commercial banks and financial institutions. A portion of the proceeds from this new credit facility were used to refinance outstanding loans and accrued interest under our previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G. (formerly known as Berliner Bank A.G. London Branch). The remaining proceeds will be used to finance our production, acquisition, distribution and exploitation of feature length motion pictures, television programming, video product and rights and for working capital and general corporate purposes.

Under the Chase facility, we borrow 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 Chase facility also provides for letters of credit to be issued from time to time upon our request.

The Chase facility bears interest, as we 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 us. We also are required to pay certain up-front fees based on the total amount of commitments made by each lender under the agreement. The Chase facility also restricts the creation or incurrence of indebtedness and the issuance of additional securities.

Note and Debt Contributions

Concurrently with the June 2000 private placement, we entered into a note and debt contribution agreement with the Littles. Pursuant to the agreement, the Littles forgave:

- o \$1,339,037 principal amount and \$480,709 of accrued but unpaid

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interest on a note issued by us to the Littles as part of the consideration for our merger with Overseas Private;

- o \$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 us in December 1997 and February 1998, which

21

were used to provide a portion of the funds required by us for the print and advertising costs associated with the domestic theatrical release of Mrs. Dalloway; and

- o \$125,131 of accrued salaries that we owed to them.

The Littles also contributed \$130,000 in cash and 1,588,812 of their shares of our common stock to our capital and we paid the Littles:

- o \$135,476 for various reimbursable expenses as provided in their employment agreements with us;
- o \$130,000 of the remaining principal balance on the note issued in connection with our merger with Overseas Private;
- o \$400,000 representing the aggregate principal amount owed by us to the Littles under the P&A Loans;
- o \$564,524 of accrued salaries; and
- o \$200,000 representing the amount owed by us to the Littles under a tax reimbursement agreement between us and the Littles entered into in connection with our merger with Overseas Private.

Yahoo! Stock Sale

As of September 30, 2000, we had sold all 17,454 shares of Yahoo! common stock that we received as part of a share-for-share exchange with broadcast.com, which was subsequently acquired by Yahoo!. Under the terms of the share-for-share agreement, our Yahoo! 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 our common stock issued to broadcast.com, which is now held by Yahoo! are unregistered shares and were restricted for a similar one year period. On July 19, 2000, we sold 8,727 shares of the Yahoo! common stock for approximately \$1,164,000 and on September 26, 2000, we sold the remaining 8,727 shares of the Yahoo! common stock for approximately \$891,800.

Resources

At September 30, 2000, we had cash and cash equivalents of \$893,685, compared to cash and cash equivalents of \$270,031 as of December 31, 1999. Additionally, at September 30, 2000, we had restricted cash of \$21,667 held by our primary lender, to be applied against the Chase facility. The restricted cash balance as of December 31, 1999 was \$88,176. As of September 30, 2000, we also had deferred revenue relating to distribution commitments and guarantees from sub-distributors of approximately \$795,000.

We believe that our existing capital, funds from the Chase facility, funds from our operations and other available sources of capital will be sufficient to fund our operations for at least the next twelve months.

Certain Pro Forma Effects of the Exchange Offer

The following table presents (i) our historical basic and diluted per-share earnings for the year ended December 31, 1999, and the nine months ended September 30, 2000, (ii) the historical per-share book value as of December 31, 1999 and September 30, 2000, and (iii) the pro forma effect thereon of the issuance of shares of common stock pursuant to the exchange offer, assuming 100% of the outstanding warrants are exchanged. All historical per-share information has been calculated on the basis of 5,990,153 shares and 7,563,508 shares of common stock and all pro forma per-share information has been calculated on the basis of 6,311,582 shares and 7,884,937 shares of common stock outstanding at each of, and during the periods ended, December 31, 1999 and September 30, 2000, respectively.

Earnings Per Share

	Year Ended December 31, 1999 -----	Nine Months Ended September 30, 2000 -----
Historical	\$ (.21)	\$ (2.14)
Pro forma	\$ (.20)	\$ (2.05)

Book Value Per Share

	Year Ended December 31, 1999 -----	Nine Months Ended September 30, 2000 -----
Historical	\$2.22	\$1.89
Pro forma	\$2.11	\$1.81

Price Range of Our Common Stock and Warrants

Our common stock and warrants have been quoted on the OTC Bulletin Board under the symbols "FRST" and "FRSTW," respectively. Prior to that date, our common stock and warrants were quoted on the OTC Bulletin Board under the symbols "OSFG" and "OSFGW," respectively. The following table sets forth the high and low closing bid quotations for the periods indicated. The quotations represent prices between dealers and do not include retail markups or markdowns or commissions. They may not necessarily represent actual transactions.

Common Stock -----		Warrants -----	
High(\$)	Low(\$)	High(\$)	Low(\$)

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1998	-----	---	-----	---
First quarter	2-1/2	1-13/16	5/16	1/8
Second quarter	2-1/8	1-21/32	3/16	3/16
Third quarter	2-13/16	2	15/32	1/8
Fourth quarter	2-3/8	1-1/2	7/16	1/6
1999				
First quarter	3-1/8	2-1/16	1/2	1/4
Second quarter	2-15/16	2-11/16	1/4	3/16
Third quarter	3-3/8	2-1/4	9/16	1/8
Fourth quarter	2-3/4	2-1/4	5/16	1/8
2000				
First quarter	2-7/8	2-1/4	1/4	1/8
Second quarter	2-1/2	2	1/8	1/16
Third quarter	2-1/8	1-3/4	1/8	1/16
Fourth quarter	1-7/8	1-1/2	1/8	1/8
2001				
First quarter (through February 6, 2001)	1-3/16	3/4	3/64	1/32

As of February 6, 2001, there were approximately 17 holders of record of our common stock, and there were 9,803,906 shares of our common stock issued and outstanding. As of February 6, 2001, there were approximately 9 holders of record of our warrants and there were 4,500,000 warrants issued and outstanding. We believe that there are in excess of 200 beneficial holders of each of our publicly-traded securities.

On _____, 2001, the last reported sale price of our common stock as reported on the OTC Bulletin Board was \$_____. On _____, 2001, the last reported sale price of our warrants was \$_____.

Background of the Exchange Offer

Purpose of the exchange offer

The exchange offer is intended to retire any and all of our public warrants through the issuance of common stock. This would allow us to:

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- o simplify our capital structure;
- o reduce the potential future dilutive impact on our earnings per share that could be caused by the warrants; and
- o diminish or eliminate any overhang on the common stock price from the existence of the warrants.

We reserve the right not to proceed with the exchange offer. See "The Exchange Offer - Conditions of the Exchange Offer."

In the absence of the exchange offer, 4,500,000 shares of common stock would be issued in exchange for the warrants if all of the currently outstanding warrants were exercised, resulting in an aggregate of 14,303,906 shares of common stock outstanding, and we would receive the proceeds of such exercises. Assuming 100% participation in the exchange offer, 321,429 shares of common stock would be issued, resulting in an aggregate of 10,125,335 shares of common stock outstanding, and all of the warrants would be extinguished. The exchange offer will have no effect on total stockholders' equity (other than transaction costs).

Interests of certain persons in the exchange offer

We have retained Shochet as our solicitation agent to assist us with the solicitation and administration of the exchange offer. Shochet is an affiliate of GKN, the managing underwriter of our initial public offering. In exchange for its services, we will pay to Shochet a fee of \$.02 for each warrant that is exchanged and reimburse it for all reasonable out-of-pocket expenses incurred in connection with the exchange offer. We will also indemnify Shochet against all loss, claim, damage, expense or liability incurred in connection with the registration statement, subject to several limitations. See "The Exchange Offer - Payment of Solicitation Fees."

Effects of exchange offer on you, if you participate

If you participate in the exchange offer, you will:

- o receive whole shares of common stock for your warrants in accordance with the 1 for 14 exchange exchange ratio, without having to make any exercise payments;
- o receive a cash payment, without interest, for any fractional shares of common stock that you would otherwise be entitled to receive;

25

- o be able to vote the common stock received in the exchange offer on all matters that may come before the holders of our common stock;
- o be able to receive dividends on such common stock, if any, when declared and paid by us; and
- o participate as a holder of common stock in proceeds from any liquidation of our company after creditors and preferred security holders, if any, are paid.

However, if you participate in the exchange offer, you will lose the right to purchase, at any time until February 16, 2002, a share of common stock for \$5.00, for each warrant held, and may be subject to certain tax consequences

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as a result of the exchange offer. See "Background of the Exchange Offer" and "Certain United States Federal Income Tax Considerations."

Effects of the exchange offer on you, if you don't participate

If you do not participate in the exchange offer, you will retain the right to purchase, at any time until February 16, 2002, one share of common stock for \$5.00 for each warrant held, subject to our right to redeem the warrants under certain circumstances. However, you should note, that if the exchange offer is consummated, we intend to delist the warrants from trading on the OTC Bulletin Board and to deregister the warrants pursuant to the Exchange Act. In such event, the trading market for, and the liquidity of an investment in, the warrants remaining outstanding would be significantly reduced. You will not have any appraisal or dissenters' rights under Delaware law.

The Exchange Offer

Terms of the exchange offer

We are offering to exchange one share of our common stock for every 14 outstanding warrants tendered and accepted by us for exchange. No fractional shares of common stock will be issued as a result of the exchange offer. You will receive cash in lieu of any fractional shares. You will not have appraisal or dissenters' rights under Delaware Law in connection with the exchange offer.

The exchange offer is made pursuant to the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal. This prospectus and the letter of transmittal are being sent to all persons and entities that, as of _____, 2001, were registered holders of our outstanding warrants. Although there is no fixed record date for determining registered holders of warrants entitled to participate in the exchange offer, only a holder of warrants who is the registered holder thereof (or such person's legal representative or attorney-in-fact) at the time of their tender in the exchange offer or who is a person holding sale and transfer documents with respect to such warrants from the registered holder thereof at the time of such tender (which documents are satisfactory to us and our transfer agent), may participate in the exchange offer.

Although we have has no current plan or intention to do so, we reserve the right in our sole discretion to purchase or make offers for any warrants that remain outstanding after the expiration of the exchange offer, subject to the requirements of Rule 13e-4(f) (6) of the Exchange Act. The terms of any such purchases or offers could differ from the terms of the exchange offer.

26

You will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of warrants pursuant to the exchange offer. If, however, shares of common stock issued pursuant to the exchange offer or substitute certificates evidencing warrants not exchanged are to be delivered to, or are to be issued in the name of, any person other than the registered warrant holder, or if tendered warrants are recorded in the name of any person other than the person signing the letter of transmittal, then the amount of any transfer taxes (whether imposed on the registered warrant holder or any other person) will be payable by the tendering warrant holder. See "- Payment of Expenses" below.

Expiration date; extension; termination; amendments

The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2001, subject to extension by us, in which event the expiration

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date shall be the time and date to which the exchange offer has been extended. We will notify Continental Stock Transfer & Trust Company, the exchange agent for the exchange offer, of any extension by oral or written notice, and will make a public announcement thereof by press release, in each case prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right to:

- o delay accepting any warrants for exchange or to extend or terminate the exchange offer and not accept for exchange any warrants if any of the events set forth below under the caption "Conditions of the Exchange Offer" shall have occurred and shall not have been waived by us, by giving oral or written notice of such delay or termination to the exchange agent; or
- o amend the terms of the exchange offer in any manner, including altering the exchange ratio or otherwise changing the consideration offered in exchange for the warrants in the exchange offer (provided that any such changed consideration must be paid with regard to all warrants accepted in the exchange offer).

If the exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of warrants of the amendment and we, depending upon the significance of the amendment and the manner of disclosure to the holders of the warrants, will extend if necessary the exchange offer for a period of time in accordance with Rules 13e-4(d)(2) and 13e-4(e)(2) under the Exchange Act. These rules have been interpreted by the SEC as requiring that the minimum period during which the exchange offer must remain open following an announcement of a material change in the terms of the exchange offer or information concerning the exchange offer (other than a change in price, a change in the amount of securities sought, or a change in certain fees) will depend on the facts and circumstances, including the relative materiality of such change or information.

If a material change in the exchange offer relates to a change in the exchange ratio or the solicitation fee to be paid to Shochet in connection with the exchange offer, Rule 13e-4(f)(1) requires the exchange offer to remain open for a period of not less than ten business days following the announcement of any such change if the exchange offer would otherwise expire within such ten business-day period. For purposes of the exchange offer, "business day" means

27

any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. The rights reserved by us in this paragraph are in addition to our rights set forth below under the caption "- Conditions of the Exchange Offer."

Procedure for tendering

Your acceptance of the exchange offer pursuant to the procedure set forth below will constitute an agreement between you and us in accordance with the terms and subject to the conditions set forth herein and in the letter of transmittal.

To be tendered validly, the warrants, together with the properly

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completed letter of transmittal (or facsimile thereof), executed by the registered holder thereof, and any other documents required by the letter of transmittal, must be received by the exchange agent at the address set forth below prior to 5:00 p.m., New York City time, on the expiration date. In addition, prior to such time either:

- o the certificates for such warrants must be delivered to the exchange agent along with the letter of transmittal; or
- o such warrants must be tendered pursuant to the procedure for book-entry tender set forth below and a confirmation of receipt of such warrants received by the exchange agent.

Alternatively, if time does not permit a holder of warrants to provide the exchange agent with a letter of transmittal or other required documents prior to 5:00 p.m., New York City time, on the expiration date, or if certificate(s) representing such holder's warrants are not available for delivery, prior to such time, to the exchange agent, a warrant holder desiring to tender his or her warrants must comply with the guaranteed delivery procedure set forth below under "Guaranteed Delivery Procedure."

The exchange agent will establish accounts with respect to the warrants at -----
(collectively referred to as the "Book-Entry Transfer Facilities" or individually as a "Book-Entry Transfer Facility") for purposes of the exchange offer within two days after the commencement date of the exchange offer.

Any Eligible Institution (as defined below) that is a participant in the Book-Entry Transfer Facilities system may make book-entry delivery of the warrants by causing any of the Book-Entry Transfer Facilities to transfer such warrants into the exchange agent's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedure for such transfer. However, although delivery of the warrants may be effected through timely confirmation of a book-entry transfer of such warrants into the exchange agent's account at a Book-Entry Transfer Facility, the letter of transmittal (or facsimile thereof) together with any required signature guarantee, and any other required documents must, in any case, be transmitted to and received by the exchange agent at its address set forth on the back cover page of this prospectus on or prior to the expiration date, or the guaranteed delivery procedure set forth below must be complied with. Letters of transmittal and warrants should not be sent to us.

28

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the warrants tendered pursuant thereto are tendered (i) by a registered holder of warrants who has not completed the box entitled "Special Issuance and Delivery Instructions" on the letter of transmittal or (ii) for the account of an Eligible Institution (as defined below). In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a firm that is a member of a registered national securities exchange or a member of the NASD, a commercial bank or trust company having an office or correspondent in the United States or that is otherwise an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (collectively "Eligible Institution").

The method of delivery of warrants and other documents to the exchange agent is at the election and risk of the holder, but if such delivery is by mail, it is suggested that the mailing be made sufficiently in advance of the expiration date to permit delivery to the exchange agent before the expiration

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date.

If the letter of transmittal is signed by a person other than a registered holder of any certificates representing warrants listed thereon, such warrants must be endorsed or accompanied by appropriate stock powers or other instruments of transfer satisfactory to us and our transfer agent, in each case signed exactly as the name or names of the registered holder or holders appear on such warrants.

If the letter of transmittal or the guaranteed delivery form or any certificates representing warrants or any stock powers or other transfer instruments are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by us, proper evidence satisfactory to us of their authority to so act must be so submitted.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered warrants will be resolved by us, whose determination will be final and binding. We reserve the absolute right to reject any or all tenders that are not in proper form or the acceptance of which would, in the opinion of our counsel, be unlawful or violate the regulations of any national securities exchange or the NASD. We also reserve the right to waive any irregularities of tender as to particular warrants. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding. Unless waived, any irregularities in connection with tenders must be cured prior to the expiration date. Neither us, the exchange agent, or any other person shall be under any duty to give notification of any defects or irregularities in such tenders or incur any liability for failure to give such notification. Tenders of warrants will not be deemed to have been made until such irregularities have been cured or waived. Any warrants received by the exchange agent that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

If your warrants are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender warrants in the exchange offer, you should contact such registered warrant holder promptly and instruct such registered warrant holder to tender on your behalf. If you wish to tender directly, you must, prior to completing and executing the

29

letter of transmittal and tendering warrants, make appropriate arrangements to register ownership of the warrants in your own name. You should be aware that the transfer of registered ownership may take considerable time.

Guaranteed delivery procedure

If you desire to tender your warrants and certificate(s) representing such warrants are not immediately available, or time will not permit your certificate(s) or any other required documents to reach the exchange agent before 5:00 p.m., New York City time, on the expiration date, a tender may be effected if:

- (a) The tender is made by or through an Eligible Institution;
- (b) Prior to 5:00 p.m., New York City time, on the expiration

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date, the exchange agent receives from such Eligible Institution a properly completed and duly executed guaranteed delivery form (by facsimile transmission, mail or hand delivery), setting forth your name and address and the number of warrants tendered, stating that the tender is being made thereby and guaranteeing that, within five business days after the expiration date, the certificate(s) representing such warrants, accompanied by a properly completed and duly executed letter of transmittal and all other documents required by the letter of transmittal, will be deposited by the Eligible Institution with the exchange agent; and

(c) The certificate(s) for all tendered warrants (or a confirmation of a book-entry transfer of such warrants into the exchange agent's account at a Book Entry Transfer Facility as described above), as well as a properly completed and duly executed letter of transmittal and all other documents required by the letter of transmittal, are received by the exchange agent within five business days after the expiration date.

Conditions of the exchange offer

We will not be required to accept for exchange, or issue common stock in exchange for, any warrants tendered. We may terminate or amend the exchange offer as provided herein, or may postpone (subject to the requirements of the Exchange Act for prompt exchange or return of the warrants) the acceptance for exchange of, and exchange of, the warrants tendered, if, at any time on or after the date of this prospectus and before acceptance for exchange or exchange of any such warrants, any of the following conditions exist:

- o any action or proceeding is instituted or threatened in any court or by or before any governmental agency or regulatory authority which challenges the making of the exchange offer or which might materially impair our ability to proceed with or consummate the exchange offer or have a material adverse effect on the contemplated benefits of the exchange offer to our company; or
- o there shall have been proposed, adopted or enacted any law, statute, rule or regulation which might materially impair our ability to proceed with or consummate the exchange offer or have a material adverse effect on the contemplated benefits of the exchange offer to our company; or
- o there shall have occurred:

30

- o any general suspension of, shortening of hours for, or limitation on prices for, trading in securities on the OTC Bulletin Board (whether or not mandatory);
- o a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States (whether or not mandatory);
- o a commencement of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States;
- o any limitation (whether or not mandatory) by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States;

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- o in the case of any of the foregoing existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof; or
- o any tender or exchange offer with respect to some or all of the common stock or the warrants (other than the exchange offer), or a merger, acquisition or other business combination proposal involving our company, shall have been proposed, announced or made by any person or entity.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to such conditions or may be waived by us in whole or in part at any time and from time to time. However, if any of the foregoing conditions shall have occurred, we may:

- o terminate the exchange offer and return tendered warrants to the holders who tendered them;
- o extend the exchange offer and retain all tendered warrants, subject to Rule 13e-4(f) (2) of the Exchange Act (withdrawal rights), until the expiration of the extended exchange offer; or
- o amend the exchange offer in any respect, including by waiving such unsatisfied condition and accepting all validly tendered warrants that have not been withdrawn.

Acceptance of warrants for exchange; Delivery of common stock

Upon the satisfaction or waiver of all of the conditions of the exchange offer, we will accept all warrants properly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date. We will deliver or cause the exchange agent to deliver shares of common stock issued pursuant to the exchange offer promptly after the expiration date.

31

For purposes of the exchange offer, we shall be deemed to have accepted validly tendered and not withdrawn warrants when, as and if we have given oral or written notice thereof to the exchange agent. The exchange agent will act as agent for the tendering holders of warrants for the purposes of receiving the common stock pursuant to the exchange offer from us. Under no circumstances will interest be paid by us by reason of any delay in delivering such common stock.

If any tendered warrants are not accepted for exchange because of an invalid tender, or due to the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted warrants will be returned, without expense, to the tendering holder thereof (or, in the case of warrants tendered by book-entry transfer within a Book-Entry Transfer Facility, credited to an account maintained within such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the exchange offer.

Withdrawal rights

If you have tendered warrants, you may withdraw the tender thereof, in whole or in part, at any time prior to 5:00 p.m., New York City time, on the expiration date or, unless such tender has been previously accepted for exchange, at any time after 5:00 p.m., New York City time, on _____, 2001, by delivery of a written notice of withdrawal to the exchange agent.

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To be effective, a written notice of withdrawal (sent by hand, telegraph or facsimile transmission) must:

- o be timely received by the exchange agent at the address set forth herein;
- o specify the name of the person having tendered the warrants to be withdrawn;
- o indicate the certificate number or numbers of the warrants to which the withdrawal relates;
- o specify the number of warrants so withdrawn; and
- o be (x) signed by the holder in the same manner as the original signature on the letter of transmittal (including a guarantee of signature, if required) or (y) accompanied by evidence satisfactory to us that the holder withdrawing such tender has succeeded to registered ownership of such warrants.

Withdrawals of tenders of warrants may not be rescinded, and any warrants withdrawn will thereafter be deemed not validly tendered for purposes of the exchange offer; provided, however, that withdrawn warrants may be re-tendered by again following one of the tender procedures described herein at any time prior to 5:00 p.m, New York City time, on the expiration date.

All questions as to the validity (including time of receipt) of notices of withdrawal will be determined by us and our determination will be final and binding. Neither us, the exchange agent, nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

33

Fractional shares

No fractional shares of common stock will be issued as a result of the exchange offer. All fractional interests in a share of common stock that you would be entitled to receive as a result of the exchange offer will be aggregated and, if after such aggregation a fractional interest in a share of common stock would result, you will receive, in lieu thereof, an amount in cash determined by multiplying (i) the fractional interest in the share of common stock to which you would otherwise be entitled and (ii) the average of the last sales price for a share of common stock, as reported by the OTC Bulletin Board, for each of the five trading days (whether or not sales have occurred on such days) immediately preceding the expiration date.

As soon as practicable after the determination of the amount of cash, if any, to be paid to you with respect to any fractional share interest, and promptly after the expiration date, the exchange agent shall distribute in cash the amount payable to you. Under no circumstances will interest be paid by us by reason of any delay in making such cash payment.

Transferability of shares of common stock received upon exchange

The issuance of shares of common stock upon exchange of the warrants pursuant to the exchange offer are being registered under the Securities Act pursuant to a registration statement of which this prospectus forms a part. As registered, the shares of common stock issued upon exchange of the warrants will be freely tradeable under federal law, provided that the person receiving the

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shares of common stock issued upon exchange of the warrants is not our affiliate. If the recipient of the shares of common stock is an affiliate of our company, the shares of common stock may only be sold pursuant to an effective registration statement under the Securities Act with respect to such shares of common stock or an exemption from registration thereunder.

Accounting for the exchange offer

The exchange offer will be accounted for as a purchase of the warrants into treasury followed by a cancellation of the warrants. As a result, there will be no impact on total stockholders' equity other than the associated costs of the exchange offer, which will result in a decrease of additional paid-in capital. See "Payment of Expenses."

Exchange agent

Our transfer and warrant agent has been appointed as exchange agent for the exchange offer. All correspondence in connection with tendering and withdrawal procedures relating to the exchange offer and the letter of transmittal should be addressed to the exchange agent, as follows:

Continental Stock Transfer & Trust Company
2 Broadway, New York, NY 10004
Attention: Reorganization Department
Telephone: (212)-509-4000 (extension 535)
Facsimile: (212)-509-5150

33

Payment of solicitation fees

We will pay a solicitation fee of \$0.02 per warrant to Shochet for any warrants tendered and accepted for exchange pursuant to the exchange offer.

Other than the fee to be paid to Shochet, we will not make any payments to brokers, dealers or others soliciting acceptances of the Exchange Offer. We, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. We will also pay brokers, dealers and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Prospectus and related documents to the beneficial owners of the Warrants, and in handling or forwarding tenders to their customers.

In general, the rules of the SEC prohibit any broker-dealer that is participating in the distribution of securities for or on behalf of us from making a market in the common stock or warrants during a "restricted period" commencing up to five days prior to the date that this prospectus is distributed to warrant holders and extending until completion of the exchange offer.

Payment of expenses

Other than solicitation fees to be paid to Shochet, we will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. We will also pay broker, dealers and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus and related documents to the beneficial owners of the warrants, and in handling or forwarding tenders for their customers.

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The cash expenses to be incurred by us in connection with the exchange offer are estimated in the aggregate to be approximately \$200,000, and include

34

fees and expenses of the exchange agent and information agent, solicitation fees to the soliciting dealers, printing and miscellaneous expenses and accounting and legal fees.

We will pay all transfer taxes, if any, applicable to the transfer of warrants to it or its order pursuant to the exchange offer. If, however, shares of common stock issued pursuant to the exchange offer or substitute certificates evidencing warrants not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the warrants tendered, or if tendered certificates representing warrants are registered in the name of any person other than the person signing the letter of transmittal, or if a transfer tax is imposed for any reason other than the transfer and sale of warrants to us or our order pursuant to the exchange offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

Use of proceeds

We will not receive any cash proceeds from the issuance of the common stock offered hereby.

Our Business

General

We specialize in the acquisition and direct distribution of, and worldwide license and sale of distribution rights to, independently produced feature films in a wide variety of genres. These genres include:

- o action;
- o art-house;
- o comedy;
- o drama;
- o foreign language;
- o science fiction; and
- o thrillers.

We have accumulated a library of distribution rights, including sales agency rights, in various media and markets to approximately 250 films.

We operate in numerous capacities, including as:

- o a foreign sales agent. We license foreign distribution rights to independently produced films that were fully financed and are owned by others. In this capacity, we receive sales agency fees.
- o a distributor. We acquire the distribution rights to films for specified terms, territories and media from independent producers. In this capacity, we receive distribution fees. In exchange for these distribution rights, we may commit to pay

the independent producer a minimum guaranteed payment ranging from approximately \$100,000 to \$5,000,000 at or after delivery of the completed film. These minimum guaranteed payments represent varying portions of the films' production costs, including, on occasion, substantially all of such cost. These minimum guaranteed payments may enable the independent producer to obtain financing for the production and/or completion of the film. By providing these minimum guaranteed payments, we are often able to secure more extensive distribution rights on more favorable terms.

- o a producer. We selectively produce motion pictures that we distribute, generally acquiring fully developed projects ready for pre-production and contracting out pre-production and production activities.

Strategic objectives

We seek to become a more significant player in our industry, while at the same time managing our risk and cash flow so as to be able to effectively respond to continuing changes in our industry. Our strategy to achieve our objectives includes:

Creating a television commercial production division. We have established a television commercial production division called "First Look Artists." This division seeks to exploit the current trend in the industry of utilizing talent not typically associated with advertising, such as high-profile feature film directors. In this regard, we are assembling a roster of accomplished feature filmmakers who we believe can successfully cross over to the medium of television commercials. We also believe that we can attract proven television commercial directors to our division's projects by offering them access to potential film projects.

Creating a home entertainment division. We have launched a home entertainment division called "First Look Home Entertainment." This division directly distributes films on videocassette and DVD. Our premier release was Quiet Days in Hollywood, starring Academy Award-winner, Hilary Swank. We intend to release 18 to 24 films into the home entertainment market during the next 12 months.

Creating an Internet entertainment division. We have established an Internet entertainment division named "First Look Internet." We will utilize our existing rights to content, relationships and expertise to create and offer desirable entertainment through the Internet.

Utilizing our recently obtained financial resources to expand our domestic theatrical distribution activities. We believe there is great opportunity in the U.S. theatrical distribution market. Though we have had domestic success with films such as John Sayles' The Secret of Roan Inish and the Academy Award-winning Antonia's Line, limited financial resources kept us from becoming a more active player in this area. We intend to utilize our expanded financial resources, including our Chase facility, to become increasingly more active in this market. We are currently identifying product and intend to hire the appropriate staff to supplement our domestic theatrical distribution operations.

Exploiting our reputation and relationships with foreign sources. We

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believe that we enjoy a prominent position in the international independent film marketplace. We intend to capitalize on our reputation and relationships to

36

exploit opportunities in the areas of production and acquisition financing, especially through private equity and European sources. These efforts enable us to access increasingly higher profile films with commercial potential.

Reducing our risk by limiting our direct investment in acquisition costs and film production. As part of this strategy, we:

- o act as sales agent or license distribution rights for films that are produced with funds provided by other parties and not by us; and
- o act on behalf of producers to locate and arrange equity sources, co-production and co-financing sources, pre-sales, gap financing, insurance backed financing arrangements and other resources for the production of motion pictures in exchange for sales and distribution rights to the films and negotiated fees.

Acquiring films that we believe are likely to merit theatrical release or are suitable for initial release on pay and basic television. As part of this strategy, we:

- o acquire films that have recognizable casts, directors and producers and which embody greater production values, which we believe enhances their audience appeal in the competitive theatrical market. We attempt to accomplish this by offering incentives such as greater creative opportunity to talent than offered by major studios;
- o acquire films that are oriented to basic and pay television programming needs, such as films with lower budgets or which target specific genres, such as action films; and
- o develop relationships with major studios and seek to expand our executive producing role in connection with motion pictures that other companies produce and distribute.

The Motion Picture Industry

Generally

The motion picture industry consists of two principal activities:

- o production, which encompasses the creation, development and financing of motion pictures; and
- o distribution, which involves the promotion and exploitation of feature-length motion pictures in a variety of media, including theatrical exhibition, home video, television and other ancillary markets, both domestically and internationally.

The United States motion picture industry is dominated by the major studios, including The Walt Disney Company, Paramount Pictures Corporation,

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Warner Brothers Inc., Universal Pictures, Twentieth Century Fox, Sony Pictures Entertainment, and MGM/UA. The major studios, which historically have produced and distributed the vast majority of high-grossing theatrical motion pictures released annually in the United States, are typically large, diversified

37

corporations that have strong relationships with creative talent, television broadcasters and channels, Internet service providers, movie theater owners and others involved in the entertainment industry. The major studios also typically have extensive national or worldwide distribution organizations and own extensive motion picture libraries.

Motion picture libraries, consisting of motion picture copyrights and distribution rights owned or controlled by a film company, can be valuable assets capable of generating revenues from worldwide commercial exploitation in existing media and markets, and potentially in future media and markets resulting from new technologies and applications. The major studios also may own or be affiliated with companies that own other entertainment related assets such as music and merchandising operations and theme parks. The major studios' motion picture libraries and other entertainment assets may provide a stable source of earnings which can offset the variations in the financial performance of their new motion picture releases and other aspects of their motion picture operations.

During the past 15 years, independent production and distribution companies, many with financial and other ties to the major studios, have played an important role in the production and distribution of motion pictures for the worldwide feature film market. These companies include:

- o Miramax Films Corporation, now affiliated with The Walt Disney Company, which produced Scary Movie, the Scream film series and Shakespeare in Love;
- o New Line Cinema Corporation/Fine Line Features, now affiliated with Time Warner Entertainment Company, L.P., which produced the Austin Powers films, The Mask, Teenage Mutant Ninja Turtles and the Nightmare on Elm Street series;
- o October Films, which produced Secrets & Lies and Breaking the Waves, together with Gramercy Pictures, which produced Dead Man Walking and Fargo, is part of USA Films and USA Network;
- o Orion Pictures, now affiliated with MGM/UA, which produced The Silence of the Lambs;
- o Artisan Entertainment Inc., which distributed The Blair Witch Project; and
- o Lio