FIRST LOOK MEDIA INC
Form 10-K
April 15, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS
PURUSANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended December 31, 2002

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-25308

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

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

8000 Sunset Blvd., Penthouse East, Los Angeles, CA	90046
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (323) 337-1000

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value $.001 per share
(title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes / / No /X/

As of June 28, 2002 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant (based on the closing sale price on such date as reported on the OTC Bulletin Board) was $4,118,372.

The number of shares of common stock outstanding as of April 11, 2003 was 14,539,573.

PART I

ITEM 1. BUSINESS

General

First Look Media, Inc. specializes 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:

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

We have accumulated a library of distribution rights, including sales agency rights, in various media and markets to more than 330 feature films.

We operate in numerous capacities, including as:

- a distributor or a sales agent. We are appointed as a distributor or sales agent with respect to distribution rights to films for specified terms, territories and media from independent producers. In this capacity, we receive distribution or sales agency fees. In exchange for being appointed as distributor or sales agent, we may assist in securing production financing for a film (including arranging or assisting others in arranging pre-sales, co-productions, "soft" money sources such as governmental subsidies or tax motivated investments, bank loans including "gap" financing or third party equity). In addition, we occasionally 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 costs. These minimum guaranteed payments may enable the independent producer to obtain financing for the production or completion of the film. By providing these financing services or minimum guaranteed payments, we are often able to secure more extensive distribution rights on more favorable terms. We also distribute pictures directly in the United States both theatrically through our First Look Pictures division and on video and DVD through our First Look Home Entertainment division.

- 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.

Historically, we have focused 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 46.2%, 53.4% and 66.3% of our total revenues in 2002, 2001 and 2000, respectively.

Recently, we have become more active with distribution activities in the U.S. where we engage directly in domestic theatrical distribution through our First Look Pictures division and domestic video and DVD distribution through our First Look Home Entertainment division. Our theatrical distribution activities include booking motion pictures for exhibition at movie theaters and promoting motion pictures with advertising and publicity campaigns. Our home entertainment distribution activities include the promotion and sale of videocassettes and DVD units to local, regional and national video/DVD retailers.

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In 2001, we launched a television commercial production division which generated $1,158,000 of gross revenue in 2002 and $263,000 in 2001. Although we produced four commercials during 2002 and 2001, we ultimately determined that the general economic environment was too difficult to sustain this division. Accordingly, in the third quarter of 2002, we eliminated substantially all overhead related to this division. In the future, if we produce any television commercials, we will likely use a company partially owned by Christopher J. Cooney, our co-chairman and chief executive officer, and Jeffrey Cooney, our executive vice president and a director, to provide all support services needed in exchange for a fee.

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, and 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 theatrical and video distribution in the United States and television commercial production.

Our principal executive offices are located at 8000 Sunset Boulevard, Penthouse East, Los Angeles, California 90046, and our telephone number is (323) 337-1000.

Recent Developments

Current Business Environment, Film Performance, Overhead Levels

Over the past year, we have felt the significant impact of the worldwide economic downturn. Specifically, reduced advertising spending has impacted broadcasters and has resulted in various bankruptcies (especially in Germany), reduced program spending, consolidation and uncertainty. Additionally, the tragedy of September 11th, along with the war with Iraq, has created an atmosphere of reduced activity. Until recently, much of our product, consisting

of lower budget feature films which typically do not have significant theatrical distribution, has been supported by the worldwide expansion of television broadcasters and their programming needs. Current market conditions have softened demand for our product. The "reality" programming trend further has impacted the market for lower budget feature films as broadcasters have gravitated to this lower cost form of programming. Additionally, certain films we have chosen to produce, invest in or acquire have not performed well. As a result, these films have generated little margin or have incurred losses, some of which have been significant. We also have continued to maintain a level of overhead that anticipated better performance in our sales, licensing and distribution activities. Consequently, this performance level has not generated sufficient margin to cover overhead costs. Offsetting these trends to some extent has been the growth of the DVD market; however, this growth has not been sufficient to offset lost revenue. As a result, we have reported significantly less revenue compared to last year, have incurred losses and have experienced increased bad debts. In light of our situation, we have been analyzing our current business plan, our alternatives and the need for further capital to implement an updated business plan.

Credit Agreement

The recent operating losses and negative cash flow we have experienced, along with the general market conditions for our business, have resulted in ongoing review and discussions with our primary lender, JPMorgan Securities, Inc. ("JPMorgan") and participating banks in our credit facility. In February 2003, JPMorgan requested that we voluntarily reduce the amount that we are permitted to borrow under our credit facility in relation to our library value. The credit agreement initially provided that we could borrow up to 50% (the "advance rate") of the valuation of our library, conducted by an independent third party approved by JPMorgan. JPMorgan requested that this advance rate be reduced by 5% (to 45%) as of April 1, 2003, an additional 5% (to 40%) as of July 1, 2003, and a final 5% (to 35%) as of October 1, 2003. In February 2003, we agreed to these reductions, which are reflected in our amended credit agreement included as an exhibit to this report.

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As of December 31, 2002, our cumulative losses resulted in a breach of the covenant contained in the credit agreement with JPMorgan that sets forth a minimum level of net worth that we are required to maintain. We have requested a waiver of this breach. JPMorgan currently is considering our request and we are in negotiation with respect to further modifications JPMorgan will require to the credit agreement in exchange for such waiver. At this point, JPMorgan has indicated that these modifications will likely include an immediate reduction of the commitment level under the credit agreement from $40 million to approximately $20 million, with further reductions so that by January 1, 2004 the commitment level will be $15 million. The minimum net worth requirement would be waived until December 31, 2003, subject to our maintaining a positive net worth as calculated pursuant to Generally Accepted Accounting Principles ("GAAP"). These modifications require the agreement of 51% of the voting right of the participating banks (the percentage based upon the proportionate commitment of each bank to the total commitment of $40 million). Final resolution of this matter is expected by April 30, 2003. Until then, we are precluded from drawing further funds under the credit facility.

Strategic Objectives

We have sought to become a leading independent worldwide film distribution company. We have aggregated a library of over 330 motion pictures and have developed the capacity to:

- license motion picture rights worldwide;
- arrange production financing through a wide variety of sources, including international "soft" money sources such as German tax funds, UK tax funds and similar funding sources, "gap" financing (bank financing where the bank providing financing lends against estimated value of unsold distribution rights), pre-sales (sales of territorial distribution rights in advance of a film being produced), third party equity, and other sources;
- distribute films theatrically in the U.S.; and
- distribute films on video and DVD in the U.S.

Historically, most of the films we have acquired have had lower budgets (between $1,000,000 and $8,000,000) and have had limited, if any, theatrical distribution. During the 1980s, much of the demand for lower budget films was fueled by the creation and growth of a home video marketplace. During the 1990s, the video marketplace matured and the value of video rights declined. At the same time, there was an expansion of television broadcast channels (including premium and basic cable service channels) worldwide. Internationally, this expansion was the result of "privatization" of broadcasters, whereby government owned and controlled broadcasting was diminished and free enterprise resulted in an expanding market. This expansion supported lower budget films which had little, if any, theatrical distribution. Most recently, television values have softened and, although the DVD market has created some revenue growth, reduced revenues from television broadcasters throughout the world have impacted our performance significantly. These shifts in the marketplace have forced us to review our past operating strategy and develop an updated strategy, which includes:

Drawing upon our reputation, experience and relationships with foreign sources to provide sales services and financing for an altered profile of product. We believe that we enjoy a prominent position in the international independent film marketplace. In the past, we have utilized our expertise and relationships to access various forms of financing for the creation of relatively low budget feature films. We believe we need to capitalize on our reputation, expertise and relationships for films that have significant theatrical distribution, generally through third party distributors rather than through our own distribution division, First Look Pictures. Our preferred situation will be where a major U.S. studio is handling the U.S. distribution of the film. This will require us to refocus our sourcing of product and develop new relationships.

Reducing our risk by limiting our direct investment in acquisition costs and film production. In light of our difficulties, we recently reduced our direct investment in films. We generally believe that an investment between

$50,000 and $200,000 per film will be necessary to continue a pipeline of product for our home entertainment division. Additionally, we believe there may be situations that will require limited investment of up to $250,000 to secure rights to a particular film for our core operation, international sales. Overall, we expect to reduce our level of investment dramatically and to rely instead on providing sales agency services for films produced with third party sources of production funding. Additionally, we plan to assist third parties with securing financing through third party sources for films having domestic theatrical distribution through a U.S. distribution company other than our own and preferably a U.S. major studio.

Expanding our home entertainment division. In 2001, we created a home entertainment division called "First Look Home Entertainment." This division directly distributes films on videocassette and DVD. We released 17 films in the U.S. video/DVD market during 2001 and 28 films in 2002. We plan to release at least 30 films in the U.S. video/DVD market in 2003. This operating division is generating positive gross margin with low risk acquisition and marketing costs. In the past year, this division generated approximately $7.6 million in gross revenues. We believe there is opportunity to further expand this division. Currently, many of the films we release through First Look Home Entertainment have had no theatrical exposure. Additionally, most of our releases are feature films. We believe that we can expand our revenues if we are able to distribute more films that have had some level of theatrical distribution in the U.S. and also distribute other specialized product more suitable for purchase rather than rental, such as children's programming and other niche programming.

Expanding our domestic theatrical distribution activities. During 2002, we released three films, with minimal success. However, we continue to believe that there is significant opportunity in the U.S. theatrical distribution market. Our strategy has been to create a separate funding source (a "P & A Fund") for the marketing and distribution costs associated with the U.S. theatrical release of films. In connection with the June 2002 private placement with Seven Hills Pictures, LLC ("Seven Hills"), we established a joint venture company, with an initial $4 million of equity capital, for purposes of funding marketing and distribution costs of certain pictures to be released theatrically either by us or Seven Hills. We have had discussions with Seven Hills regarding our interest in seeking additional equity and debt capital from other sources to enhance the capacity and ability of this joint venture. Once we expand the P&A Fund, our strategy for theatrically releasing films will be to: (i) acquire films with little or no upfront payment for the U.S. distribution rights and instead offer meaningful (up to $1,000,000) commitments to spend marketing and distribution funds related to the release of the given film and (ii) release eight to ten films per year. Until we conclude additional equity and/or debt arrangements with respect to the P & A Fund, we will continue to release films with resources that we provide.

The Motion Picture Industry

Generally

The motion picture industry consists of two principal activities:

- production, which encompasses the creation, development and financing of motion pictures; and

- 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, 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 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:

- Miramax Films Corporation, now owned by The Walt Disney Company, which produced Chicago, The Hours, Gangs of New York, Scary Movie, the Scream film series, Shakespeare in Love and Chocolat;

- New Line Cinema Corporation/Fine Line Features, now owned by AOL/Time Warner, which produced the Lord of the Rings series, the Austin Powers films, The Mask, Teenage Mutant Ninja Turtles and the Nightmare on Elm Street series;

- USA Films (formerly October Films and now owned by Vivendi/Universal), which produced Traffic, 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;

- Artisan Entertainment Inc., which distributed Boat Trip, National Lampoon's Van Wilder and The Blair Witch Project; and

- Lion's Gate Films, which produced and distributed Narc, Frailty, Monster's Ball and American Psycho.

As a result of consolidation in the domestic motion picture industry, a number of previously independent producers and distributors have been acquired or are otherwise affiliated with major studios. However, there are also a large number of other production and distribution companies that produce and distribute motion pictures that have not been acquired or become affiliated with the major studios. In contrast to the major studios, independent production and distribution companies generally produce and distribute fewer motion pictures and do not own production studios, national or worldwide distribution organizations, associated businesses or extensive film libraries which can generate gross revenues sufficient to offset overhead, service debt or generate significant cash flow.

The motion picture industry is a world-wide industry. In addition to the production and distribution of motion pictures in the United States, motion picture distributors generate substantial revenues from the exploitation of motion pictures internationally. In recent years, there has been a substantial increase in the amount of filmed entertainment revenue generated by U.S. motion picture distributors from foreign sources. International revenues of motion picture distributors from filmed entertainment grew from approximately $1.1 billion in 1990 to approximately $2.6 billion in 2000. This growth has been due to a number of factors, including the general worldwide acceptance of and demand

for motion pictures produced in the United States, the privatization of many foreign television industries, growth in the number of foreign households with videocassette players and growth in the number of foreign theater screens.

Many countries and territories, such as Australia, Canada, China, France, Germany, Hong Kong, India, Italy, Japan, Russia, Spain and the United Kingdom have substantial indigenous film industries. As in the United States, in a number of these countries the film industry, and in some cases, the entertainment industry, in general, is dominated by a small number of companies that maintain large and diversified production and distribution operations. However, like in the United States, in most of these countries, there are also smaller, independent, motion picture production and distribution companies. Foreign distribution companies not only distribute motion pictures produced in their countries or regions but also films licensed or sub-licensed from United States production companies and distributors. In addition, film companies in many foreign countries produce films not only for local distribution, but also for export to other countries, including the United States. While some foreign language films and foreign English-language films appeal to a wide U.S. audience, most foreign language films distributed in the United States are released on a limited basis because they draw a specialized audience.

Motion Picture Production

Motion picture production begins with the screenplay adaptation of a popular novel or other literary work acquired by the producer or the development of an original screenplay having its genesis in a story line or scenario conceived by a writer and acquired by the producer. In the development phase, the producer typically seeks production financing and tentative commitments from a director, the principal cast members and other creative personnel. A proposed production schedule and budget also are prepared during this phase. Pre-production begins upon completing the screenplay and arranging financing commitments. In this phase, the producer:

- engages creative personnel to the extent not previously committed;
- finalizes the filming schedule and production budget; obtains insurance and secures completion guaranties, if necessary; establishes filming locations and secures any necessary studio facilities and stages; and
- prepares for the start of actual filming.

Principal photography, which is the actual filming of the screenplay, generally extends from eight to sixteen weeks for a film produced by a major studio and for as little as four to eight weeks for low budget films and films produced by independent production companies. The length of filming depends in each case upon factors such as budget, location, weather and complications inherent in the screenplay. Following completion of principal photography, the film enters the post-production phase. During this phase, the motion picture is edited, opticals, dialogue, music and any special effects are added, and voice, effects and music sound tracks and pictures are synchronized. This results in the production of a negative from which release prints of the motion picture are made.

Production costs consist primarily of:

- acquiring or developing the screenplay;

- compensating creative and other production personnel;
- film studio and location rentals;
- equipment rentals;
- film stock and other costs incurred in principal photography; and
- post-production costs, including the creation of special effects and music.

Distribution expenses, which consist primarily of the costs of advertising and preparing release prints, are not included in direct production costs. The major studios generally fund production costs from cash flow generated by motion pictures and related activities or, in some cases, from unrelated businesses or through off-balance sheet methods. Substantial overhead costs, consisting largely of salaries and related costs of the production staff and physical facilities maintained by the major studios, also must be funded. Independent production companies generally avoid incurring overhead costs as substantial as those incurred by the major studios by hiring creative and other production personnel and retaining the other elements required for pre-production, principal photography and post-production activities on a picture-by-picture basis. As a result, these companies do not own sound stages and related production facilities, and, accordingly, do not have the fixed payroll, general administrative and other expenses resulting from ownership and operation of a studio. Independent production companies also may finance their production activities on a picture-by-picture basis. Sources of funds for independent production companies include bank loans, pre-licensing of distribution rights, foreign government subsidies, equity offerings and joint ventures. Independent production companies generally attempt to obtain all or a substantial portion of their financing of a motion picture prior to commencement of principal photography, at which point substantial production costs begin to be incurred and require payment.

As part of obtaining financing for its films, an independent production company often is required by its lenders and distributors who advance production funds to obtain a completion bond or production completion insurance from an acceptable completion guarantor which names the lenders and applicable distributors as beneficiaries. The guarantor assures the completion of the particular motion picture on a certain date. If the motion picture cannot be completed for the agreed upon budgeted cost, the completion guarantor is obligated to pay the additional costs necessary to complete the picture by the agreed upon delivery date. If the completion guarantor fails to timely complete and deliver the motion picture on or before the agreed upon delivery date, the completion guarantor is required to pay the lenders and distributor, if applicable, an amount equal to the aggregate amount the lenders and distributor have loaned or advanced to the independent producer.

In connection with the production and distribution of a motion picture, major studios and independent production companies generally grant contractual rights to actors, directors, screenwriters, owners of rights and other creative and financial contributors to share in net revenues from a particular motion picture. Except for the most sought-after talent, these third-party participations are generally payable after all distribution fees, marketing expenses, direct production costs and financing costs are recovered in full.

Major studios and independent film companies in the United States typically incur obligations to pay residuals to various guilds and unions including the Screen Actors Guild, the Directors Guild of America and the Writers Guild of

America. Residuals are payments required to be made on a picture-by-picture basis by the motion picture producer to the various guilds and unions arising from the exploitation of a motion picture in markets other than the primary intended market. Residuals are calculated as a percentage of the gross revenues derived from the exploitation of the picture in these ancillary markets. The guilds and unions typically obtain a security interest in all of the producer's rights in the motion picture being exploited to ensure satisfaction of the residuals obligation. This security interest usually is subordinate to the security interest of the lenders financing the production cost of the motion picture and the completion bond company guaranteeing completion of the motion picture. Under a producer's agreement with the guilds and unions, the producer may transfer the obligation to pay the residuals to a distributor if the distributor assumes the obligation to make the residual payment. If the distributor does not assume those obligations, the producer is obligated to pay those residuals.

Motion Picture Distribution

General

Motion picture distribution involves domestic and international licensing of the picture for:

- theatrical exhibition;
- videocassettes and digital video discs (DVD);
- presentation on television, including pay-per-view, basic and premium cable, network, syndication or satellite;
- marketing of the other rights in the picture and underlying literary property, which may include books, merchandising and soundtracks;
- non-theatrical exhibition, which includes airlines, hotels and armed forces facilities; and
- exploitation via the Internet, which is still evolving.

Although releases by the major studios typically are licensed and fully exploited in all of the foregoing media, films produced or distributed by independent film companies are often not exploited in all of the media. For example, some films may not receive theatrical exhibition in the United States or various other territories and instead may be released directly on home video or as a pay television premiere or otherwise exploited on a pay television service. In limited circumstances, these films may then be released in theaters.

Production companies with distribution divisions typically distribute their motion pictures themselves. Production companies without distribution divisions may retain the services of sales agents or distributors to exploit the motion pictures produced by them in selected or all media and territories. Distribution companies may directly exploit distribution rights licensed to, or otherwise acquired, by them by booking motion pictures with movie theaters or selling videocassettes to video retailers. Alternatively, they may grant sub-licenses to domestic or foreign sub-distributors to exploit completed motion pictures in particular territories or media.

Acquisition of distribution rights

A sales agent does not generally acquire distribution rights from the producer or other owner of rights in the motion picture. Instead, he acts as an agent for the producer or rights owner, licensing the distribution rights to distributors on behalf of the producer or rights owner in exchange for a sales agency fee. This fee typically is computed as a percentage of gross revenues from licenses obtained by the sales agent. A distributor generally licenses and takes a grant of distribution rights from the producer or other rights owner of the motion picture for a specified term in a particular territory or territories and media, generally in exchange for a distribution fee calculated as a percentage of gross revenues generated by the distribution of exploitation of the motion picture. The distributor may agree to pay the producer of the motion picture an advance or a minimum guarantee upon the delivery of the completed motion picture. This amount is to be recouped by the distributor out of revenues generated from the exploitation of the motion picture in particular media or territories. After receiving its ongoing distribution fee and recouping the advance or minimum guarantee plus its distribution costs, the distributor generally pays the remainder of revenues in excess of an ongoing distribution fee to the producer of the motion picture.

Obtaining license agreements with a distributor or distributors prior to completion of a motion picture which provide for payment of a minimum guarantee is often referred to as the pre-licensing or pre-selling of film rights. This pre-selling may enable the producer to obtain financing for its project by using the contractual commitment of the distributor to pay the advance or minimum guarantee as collateral to borrow production funding. In the past, pre-selling of film rights provided a means for financing film production. However, the ability to pre-sell film rights in various territories and media, the amount of pre-sales that can be obtained in certain territories and media and thus, the percentage of a film's budget that can be covered with pre-sales, fluctuates. In recent years, independent film companies generally have not been able to pre-sell as great a percentage of a film's budget as they have in past years.

The producer also may be able to acquire additional production funds through gap financing. Although gap financing currently is being made available by multiple lenders, certain banks have ceased providing this type of financing, and many banks that provide gap financing are becoming more conservative in their approach to these lending practices. As a result, there can be no assurance that lenders will continue to make funds available on this basis. In some circumstances, the distributor is entitled to recover any unrecouped costs and advances from a film licensed to the distributor from the revenues from another film or films also licensed to the distributor. This is commonly known as cross collateralizing.

In addition to obtaining distribution rights in a motion picture for a limited duration, a distributor also may acquire all or a portion of the copyright in the motion picture or license certain distribution rights in perpetuity. Both major studios and independent film companies often acquire motion pictures for distribution through a customary industry arrangement known as a negative pickup, under which the studio or independent film company agrees to pay a specified minimum guaranteed amount to a production company in exchange for all rights to the film upon completion of production and delivery of the film. The production company normally finances production of the motion picture pursuant to financing arrangements with banks and other lenders in which the lender receives an assignment of the production company's right to payment of the minimum guarantee and is granted a security interest in the film and in the production company's rights under its arrangement with the studio or independent film company. When the major studio or independent film company picks up the completed motion picture, it pays the minimum guarantee or assumes the production financing indebtedness incurred by the production company in connection with the film. In addition, the production company is paid a production fee and generally is granted a participation in net revenues from

distribution of the motion picture.

The distribution cycle

Concurrently with their release in the United States, motion pictures typically are released in Canada and also may be released in one or more other international markets. Generally, a motion picture that is released theatrically is available for distribution in other media during its initial distribution cycle as follows:

Marketplace (Media)	Number of months following initial Domestic theatrical release
International theatrical	Concurrent
Domestic home video and DVD (initial release)	4-6 months
Domestic pay-per-view	6-9 months
International home video and DVD (initial release)	6-12 months
Domestic pay television	12-15 months
International television (pay or free)	18-24 months
Domestic free television (network, barter syndication, syndication and basic cable)	30-33 months

Films often remain in distribution for varying periods of time. For example, major studio motion pictures that are released theatrically can play in theaters for several weeks following their initial release or, at times, including in the case of successful art-house films that are released on a limited basis, for several months. On the other hand, unsuccessful films may play in theaters for only a short period of time. Once released on videocassette, a motion picture may remain available on videocassette for many years. Similarly a motion picture can be licensed to various forms of television for many years after its first release. The release periods set forth above represent standard holdback periods. A holdback period represents a stipulated period of time during which release of the motion picture in other media is prevented to allow the motion picture to maximize its value in the media in which it is currently being released. Holdback periods are often specifically negotiated with various distributors on a media-by-media basis. However, the periods set forth above represent our estimate of typical current holdback periods in the motion picture industry.

In general, if a film is not released theatrically in the United States and is instead first released on domestic home video, television exploitation does not commence until four to eight months after the video release. Thereafter, the same general release patterns indicated in the table above typically apply. If a film premieres on United States pay television, the pay television service is typically licensed for a four to six week exclusive airing period. The license generally will provide for limited airings made up of five to eight exhibition days with multiple airings permitted on each exhibition day. The provisions of the license also usually provide for the pay television service to receive subsequent airing periods following a period in which the film can be released on video or sometimes even theatrically and a period during which the film may be broadcast on free television.

A substantial portion of a film's ultimate revenues are generated in its

initial distribution cycle. The initial distribution cycle usually consists of the first five years after the film's initial domestic release and includes theatrical, video, and pay and free television. Commercially successful motion pictures, however, may continue to generate revenues after the film's initial distribution cycle from the re-licensing of distribution rights in certain media and from the licensing of distribution rights with respect to new media and technologies and in emerging markets. Although there has been a substantial increase over the past fifteen years in the revenues generated from the licensing of rights in ancillary media such as home video, DVD, cable and pay-per-view, the theatrical success of a motion picture remains a significant factor in generating revenues in foreign markets and in other media such as video and television. For example, retail video stores currently purchase fewer copies of videocassettes of motion pictures that have not been theatrically released, and purchase more copies of major studio theatrical hits.

Theatrical

The theatrical distribution of a motion picture, whether in the United States or internationally, involves the licensing and booking of the motion picture to movie theaters, the promotion of the picture through advertising and publicity campaigns and the manufacture of release prints from the film negative. Expenditures on these activities, particularly on promotion and advertising, are often substantial and may have a significant impact on the ultimate success of the film's theatrical release. In addition, expenditures can vary significantly depending upon a number of factors including:

- the markets and regions in which the film is distributed;
- the media used to promote the film such as newspaper, television and radio;
- the number of screens on which the motion picture is to be exhibited; and
- the ability to exhibit motion pictures during peak exhibition seasons.

With a release by a major studio, the vast majority of these costs, which primarily consist of advertising costs, are incurred prior to the first weekend of the film's domestic theatrical release. Accordingly, there is not necessarily a correlation between these costs and the film's ultimate box office performance. In addition, the ability to distribute a picture during peak exhibition seasons, including the summer months and the Christmas holidays, and in the most popular theaters, may affect the theatrical success of a picture. Films distributed theatrically by an independent film company are sometimes released on a more limited basis which allows the distributor to defer marketing costs until it is able to assess the initial public acceptance of the film.

While arrangements for the exhibition of a film vary greatly, there are certain economic relationships generally applicable to theatrical distribution. Theater owners retain a portion of the admissions paid at the box office, typically referred to as gross box office receipts. The share of the gross box office receipts retained by a theater owner generally includes a fixed amount per week, in part to cover overhead, plus a percentage of receipts that usually increases over time. Although these percentages vary widely, a theater owner's share of a particular film's revenues will normally be approximately 50% to 65% of gross box office receipts. The balance of the gross box office receipts, referred to as gross film rentals, is paid to the distributor. The distributor then retains a distribution fee, which is typically 25% to 35%, from the gross

film rentals. This percentage is used to recover the costs incurred in distributing the film, which consist primarily of marketing and advertising costs and the cost of release prints for exhibition. The balance of gross film rentals, after deducting distribution fees and distribution costs recouped by the distributors, is then applied against the recoupment of any advance paid for the distribution rights plus interest and the balance is paid to the producer or other rights owner of the film.

Home video and DVD

A motion picture released theatrically typically will become available for videocassette and digital video disc ("DVD") distribution within four to six months after its initial domestic theatrical release. Certain films are not initially released theatrically but may instead be released directly to home video and DVD. Given the increasing preference of retail video stores for films which have achieved successful theatrical releases, it has become increasingly difficult to generate significant revenues from films first released directly on video/DVD.

Home video distribution consists of the promotion and sale of videocassettes to local, regional and national video retailers that rent or sell videocassettes to consumers primarily for home viewing. Recently, the market for videocassettes has been supplemented by, and in some ways replaced by, the market for DVD's. DVD units are typically available both to rental markets and sell-through markets at the same time and today are priced between $14 to $16 per unit. Impacted by this, per unit pricing on videocassettes has dropped over the past years quite dramatically as consumers convert from videocassette players to DVD players. Additionally, revenue sharing arrangements (arrangements whereby retail stores and chains pay little or nothing for each cassette, but rather shares the revenue generated from renting such cassette, with the licensor), have significantly impacted the business. In such arrangements, revenue related to a particular video release is earned over a period of time (generally up to one year), rather than on the first day of video release. Following the initial marketing period, selected films may be remarketed at a wholesale price of $5.00 to $7.50 or less for sale to consumers. A few major releases with broad appeal may be initially offered by a film distribution company at a price designed for sell-through rather than rental when it is believed that the ownership demand by consumers will result in a sufficient level of sales to justify the reduced margin on each cassette sold. Today, most home video distribution contracts in international territories are arranged similarly to those in domestic territories, although the wholesale prices may differ.

Television

Television rights for films initially released theatrically that have broad appeal generally are licensed:

- first to pay-per-view for an exhibition period within six to nine months following initial domestic theatrical release;
- then to pay television approximately 12 to 15 months after initial domestic theatrical release;
- thereafter to basic cable broadcasters or in certain cases to network television for an exhibition period; and
- then to syndication or "free" television.

Pay-per-view allows subscribers to pay for individual programs. Pay television allows cable television subscribers to view such services as HBO/Cinemax, Showtime/The Movie Channel, Encore Media Services or others offered by their cable system operators for a monthly subscription fee. Pay-per-view and pay television are now delivered not only by cable, but also by satellite transmission, and films are usually licensed in both of these media. Films that are not initially released in the domestic theatrical market may premiere instead on pay television followed in some limited circumstances by theatrical release. Groups of motion pictures often are packaged and licensed as a group for exhibition on television over a period of time and, therefore, revenues from these television licensing packages may be received over a period that extends beyond the initial distribution cycle of a particular film. Motion pictures also are licensed and packaged by producers and distributors for television broadcast in international markets by government or privately owned television studios and networks. Pay television is less developed outside the United States, but is experiencing significant international growth. The prominent foreign pay television services include Canal+, Premiere, STAR TV, British Sky Broadcasting and the international operations of several U.S. cable services, including HBO, the Disney Channel, Turner Broadcasting and DirecTV.

Non-theatrical and other rights

Films may be licensed for use by airlines, schools, public libraries, community groups, the military, correctional facilities, ships at sea and others. Music contained in a film may be licensed for sound recording, public performance and sheet music publication. Rights in motion pictures may be licensed to merchandisers for the manufacture of products such as toys, T-shirts, posters and other merchandise. Rights also may be licensed to create novels from a screenplay and to generate other related book publications, as well as interactive games on platforms such as CD-ROM and CD-I.

Our Motion Picture Distribution

International distribution

Our management has considerable expertise in international distribution. Robert B. Little, our co-chairman of the board and president, and his international distribution team have substantial experience in licensing motion pictures for distribution outside the United States and have been active in international motion picture sales for many years. They have developed relationships with distributors in most territories through foreign sales activities and have established extensive relationships with various international financing sources. In addition, we are a founding member of the American Film Marketing Association, which sponsors the American Film Market. The American Film Market, along with the Cannes Film Festival and MIFED, are the major annual international film markets that are attended by distributors worldwide. We participate annually with a sales office at all three major film markets, as well as three major television and two major video markets. We also attend many film festivals throughout the world including Sundance, the Toronto Film Festival and others. From time to time, we also may engage independent representatives to assist us in acquiring and licensing motion picture rights.

We license distribution rights internationally in various media such as theatrical, video/DVD, pay television, free television, satellite and other rights to foreign sub-distributors on either an individual rights basis or grouped in combinations of rights. We license these rights to sub-distributors in international territories either on a picture-by-picture basis or

occasionally pursuant to output arrangements. Currently, our most important international territories are Australia, the Benelux countries, Canada, France, Germany, Italy, Japan, Scandinavia, Spain and the United Kingdom.

The terms of our license agreements with foreign sub-distributors vary depending upon the territory and media involved and whether the agreement relates to a single or multiple motion pictures. Most of our license agreements provide that we will receive a minimum guarantee from the foreign sub-distributor with all or a majority of the minimum guarantee paid prior to, or upon delivery of, the film to the sub-distributor for release in the particular territory. The remainder of any unpaid minimum guarantee generally is payable at specified intervals after delivery of the film to the sub-distributor. The minimum guarantee is recovered by the sub-distributor out of the revenues generated from exploitation of the picture in the territory. The foreign sub-distributor retains a negotiated distribution fee, generally measured as a percentage of the gross revenues generated from its distribution of the motion picture, recovers its distribution expenses and the minimum guarantee and ultimately pays us the remainder of any receipts in excess of the distributor's ongoing distribution fee. We must rely on the foreign sub-distributor's ability to successfully exploit the film in order to receive any proceeds in excess of the minimum guarantee.

We occasionally do not receive a minimum guarantee from the foreign sub-distributor and instead negotiate terms that usually result in an allocation of gross revenues between the sub-distributor and us. Typically, the terms of these types of arrangements provide for the sub-distributor to retain an ongoing distribution fee, calculated as a percentage of the sub-distributor's gross receipts in the territory, recover its expenses and pay remaining receipts in excess of the ongoing distribution fee to us. Alternatively, often with respect to video rights, the terms may provide for a royalty to be paid to us calculated as a percentage of the sub-distributor's gross receipts from exploitation of the video rights without deduction for the sub-distributor's distribution expenses.

At times, we enter into output arrangements with local foreign distributors whereby the foreign sub-distributor receives the right, typically for a specified period and number of motion pictures, to distribute motion pictures that we have released in a particular territory and designated media. In some circumstances, the foreign sub-distributor pays us a minimum guarantee on a picture-by-picture basis with each minimum guarantee having been either pre-negotiated or computed as a stipulated percentage of the production or acquisition cost of each picture.

Domestic distribution

In addition to obtaining foreign distribution rights, we have been active in acquiring domestic distribution rights. We exploit our domestic distribution rights in a variety of ways. In 1993, we established First Look Pictures, our domestic theatrical releasing operation, and in 1999 we began releasing films directly on video under First Look Home Entertainment. Some of the films we license or distribute receive domestic theatrical release by First Look Pictures or video release by First Look Home Entertainment. We may license films initially to television broadcasters for release initially on television. We also license to third party distributors, such as Fox Searchlight, who may release a picture theatrically and distribute the film in other media as well.

We occasionally license domestic video rights of a film to sub-distributors, including Blockbuster, Inc., USA Films and Columbia TriStar Home Video. In addition, we have created First Look Home Entertainment, which released 28 films on video in 2002, and we expect to release at least 30 films during 2003.

We license distribution rights directly to pay television services

including HBO, Showtime and Encore, as well as smaller services, pay-per-view services and basic cable services, including USA, Lifetime, Bravo and the Independent Film Channel. Although we have not engaged in significant licensing or syndication of domestic free television rights except as part of a license of rights in multiple media, we control these rights to a significant portion of the films in our library and have licensed these rights in certain films to third parties.

In some cases, we will license the right to distribute a film domestically in multiple media to a major studio, a division of a major studio or an independent distributor. Although the terms of these licenses vary, we typically will be paid a minimum guarantee. The sub-distributor then retains a distribution fee, measured as a percentage of the gross receipts received by the sub-distributor from exploitation of the film, recovers its distribution costs and the advance paid to us, and ultimately pays us the remainder of any receipts in excess of an ongoing distribution fee.

We do not always receive a minimum guarantee from the licensing of distribution rights to foreign and domestic sub-distributors. This has caused us to rely more heavily on the actual financial performance of the film being distributed. In some circumstances, whether we receive a minimum guarantee depends upon the media. For example, in the case of motion pictures that have not been theatrically released, we may enter into video/DVD distribution arrangements with sub-distributors where no minimum guarantee is paid to us or where the minimum guarantee paid to us is significantly less than those paid to us for similar films in the past. In addition, even if we do obtain minimum guarantees from our sub-distributors, the 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 to enable us to recover any investment in the motion picture in excess of the aggregate minimum guarantees obtained from sub-distributors, pay for distribution costs, pay for ongoing acquisition and development of other motion pictures by us and cover general overhead. While the pre-licensing of distribution rights to sub-distributors in exchange for minimum guarantees may reduce some of our risk from unsuccessful films, it also may result in us receiving lower revenues with respect to highly successful films.

First Look Pictures

First Look Pictures directly distributes some of the motion pictures for which we control domestic rights to theaters throughout the United States. During 2002, First Look Pictures released three films (A Song for Martin, Elling and Skins). Although some of First Look Pictures' future releases may appeal to a wide audience, many of our releases to date have been foreign language or art-house films intended to appeal primarily to sophisticated audiences.

We believe that we can benefit in several ways by theatrically distributing films in the United States directly through First Look Pictures. The domestic theatrical success of a motion picture can be a significant factor in generating revenues from its distribution in ancillary media and foreign markets. For example, retail video stores purchase few copies of videocassettes of motion pictures that have not been theatrically released. In addition, we believe we are generally able to obtain more favorable distribution terms in our agreements with foreign and domestic sub-distributors in other media with respect to motion pictures that have been theatrically released in the United States. We also believe that, in some cases, First Look Pictures' operations enable us to achieve domestic theatrical release for films that might not otherwise be released in U.S. theaters. In addition, we believe that our ability to release a

film theatrically in the U.S. enables us to attract more recognizable talent, higher profile producers and more promising motion picture projects for both domestic and foreign distribution and that by theatrically releasing films ourselves in the United States, we can retain a significantly greater share of the revenue from domestic media in the event of a highly successful theatrical release.

Films distributed theatrically in the United States by First Look Pictures typically have been released on a limited basis to initially less than 100 screens and in selected cities, expanding to new cities or regions based upon the performance of the film. Some films that are released in new cities as prints become available from cities where the engagement has closed, reducing the number of prints needed and the aggregate cost of the prints. We may release appropriate films with more mass market appeal on a wide release basis either through First Look Pictures or, more likely, by licensing the film to a domestic distributor with more significant financial and distribution resources.

The cost to First Look Pictures to distribute a specialized motion picture or art-house film on a limited-release basis has typically ranged from approximately $100,000 to $2,000,000. Expenditures for prints, marketing and advertising represent a substantial portion of the costs of releasing a film. In connection with the acquisition of domestic theatrical rights to a film, we occasionally commit to spend no less than a specified minimum amount for prints and advertising costs. These costs are in addition to the direct production or acquisition costs and other distribution expenses of the films.

Generally, in addition to receiving a distribution fee, we are entitled to recover our print and advertising expenditures. Although First Look Pictures may at times utilize standard broadcast television advertising, First Look Pictures typically supports its limited releases with local newspaper and, in certain instances, some cable television advertising. First Look Pictures also relies on local and national publicity, such as reviews or articles in local and national publications and appearances of a film's principal artists on radio and television talk shows. In contrast, distributors of national, wide release films rely primarily on national advertising campaigns, including substantial television advertising, to attract theatergoers.

The success of a domestic theatrical release by First Look Pictures can be affected by a number of factors outside our control. These factors include:

- audience and critical acceptance;
- the availability of motion picture screens;
- 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.

As a result of the foregoing, and depending upon audience acceptance of the films distributed through First Look Pictures, we expect that in some cases we may not recover all of our distribution expenses or derive any profit solely from domestic theatrical distribution revenue of First Look Pictures' releases.

In addition, we cannot assure you that total revenues from any First Look Pictures' release, including revenues derived from the film in ancillary media and international markets, will be sufficient to allow us to recover all of our costs or to realize a profit.

During 2002, First Look Pictures released the following three motion pictures:

Title	Major Creative Elements	Storyline
Elling	Producer: Dag Alveberg Director: Petter Naess Cast: Per Christian Ellefsen, Sven Nordin and Marit Pia Jacobsen	Based on the best selling Norwegian novel by Ulla Isaksson, Elling, directed by Petter Naess, is a slyly funny and emotionally affecting odd couple comedy about two misfits trying to find their places in society.
Song for Martin	Producer: Bille August, Lars Kolvig, Michael Lundberg and Michael Obel Director: Bille August Cast: Sven Wollter, Viveka Seldahl and Reine Brynolfsson	A beautiful and heart wrenching portrait of a woman's love for her husband in the face of a terrible and incurable disease.
Skins	Producer: Jon Kilik Director: Chris Erye Cast: Eric Schweig, Graham Greene	An inspirational tale about the relationship between two Sioux Indian brothers living on the Pine Ridge Indian reservation.

We expect to release the following titles during 2003:

Lawless Heart	Producer: Martin Pope Director: Tom Hunsinger and Neil Hunter Cast: Douglas Henshall, Tom Hollander and Bill Nighy	Lust, deception, adultery, jealousy, sex and desire all play feature roles as they infiltrate the protagonists' lives in unexpected ways.
Don't Tempt Me	Producer: Edmundo Gil Director: Agustin Diaz Yanes Cast: Penelope Cruz, Victoria Abril	Two angels, one from heaven and one from hell, come to earth to save the soul of a boxer.
Dr. Sleep aka Hypnotic	Producer: Director: Nick Willing	A twisted psychological thriller about a hypnotherapist who

	Cast: Goran Visnjic, Miranda Otto and Shirley Henderson	has the gift of reading people's minds.
Fellini: I'm a Born Liar	Producer: Damian Pettigrew Director: Damian Pettigrew Cast: Roberto Benigni, Federico Fellini, Terrence Stamp and Donald Sutherland	An outstanding portrait of Federico Fellini, a member of the pantheon of the cinema's greatest directors. Interviews with the maestro and those who worked with him. Provides illuminating insight into the world of Fellini.
The Navigators	Producer: Rebecca O'Brien Director: Ken Loach Cast: Joe Duttine, Stee Huison, Tom Craig, Dean Andrews	The story chronicles the issues confronting railway workers following the privatization of the British Railroad
Angela	Producer: Lierka & Rita Rusic Director: Roberta Torre Cast: Donatella Finocchiaro, Andrea Di Stefano, Mario Puplella	The true story of an attractive Sicilian who participates in her drug dealing husband's mafia linked business.
Autumn Spring	Producer: Jaroslav Kucera, Jiri Bartoska and Jaroslav Boucek Director: Vladimir Michalek Cast: Vlastimil Brodsky, Stella Zazvorkova, Stanislav Zindulka	Winner of four Czech Lion Awards, this charming motion picture is a spirited ode to people of all ages. A film of universal appeal it is a celebration of living life to the fullest.

We cannot assure that the motion pictures scheduled for release by First Look Pictures in 2003 or any motion pictures thereafter will actually be released or released in accordance with its anticipated schedule. The motion picture business is subject to numerous uncertainties, including financing requirements, personnel availability and the release schedule of competing films.

Our Acquisition of Rights, Production and Financing

We acquire sales and distribution rights from a wide variety of independent production companies and producers. We generally acquire rights to single films, as compared to acquiring films pursuant to multi-picture acquisition agreements with independent film companies or producers. We commit to acquire rights to motion pictures at various stages in the completion of a film, from films completed and ready for release to developed or undeveloped film projects for which we may arrange financing or production services to complete. In acquiring rights, we generally seek to obtain rights to commercially appealing motion pictures with substantially lower direct negative costs than motion pictures released by the major studios.

In order to fund the acquisition costs of the films for which we acquire rights, we have primarily relied on:

- our credit facility;
- other lenders willing to finance our contractual minimum guarantee obligations to the films' producers or rights owners;

- working capital;
- pre-sales;
- gap financing;
- insurance backed financing structures; and
- other third party equity sources such as private investors and international partnerships receiving tax incentives through film investment activities.

The films that we sell, license and distribute generally have direct negative costs ranging from $1,000,000 to $7,000,000. We may acquire rights to finance or produce motion pictures with direct negative costs and marketing costs below or substantially in excess of the average direct negative costs and marketing costs of the films that we have distributed. As part of our overall business strategy, we intend to emphasize films with more recognizable cast, directors and producers and greater production values and which may accordingly have broader appeal in the competitive theatrical market. We also will attempt to limit our exposure with respect to production and acquisition costs through accessing third party equity sources such as private investors.

We sometimes acquire limited distribution or sales rights and at other times acquire worldwide rights, occasionally including the copyright, to films. The rights we acquire may depend upon whether we agree to pay the producer or other rights owner a minimum guarantee. Additionally, as part of our acquisition of theatrical, video and television distribution rights, we may obtain the right to exploit ancillary rights, such as music or sound track rights, merchandising rights, or rights to produce CD-ROMs or other interactive media products. Although we may license these rights to sub-distributors, we historically have not derived any significant revenues from these ancillary rights.

In distribution arrangements where we do not pay a minimum guarantee, the amounts payable by us to the rights owner will depend upon our success in licensing the film and the financial performance of the film itself. In acquiring distribution rights to a completed or incomplete film, however, we may agree to pay the rights owner a minimum guarantee that is independent of the financial performance of the film. Historically, the minimum guarantees paid by us have ranged from approximately $25,000 to $5,000,000, although in some circumstances they may exceed these amounts. Depending upon the particular arrangement, a minimum guarantee may be payable in full at the time of delivery of the completed film or in installments following complete delivery of the film. The rights owner also may receive additional payments as a result of our exploitation of the distribution rights to the film. After receiving a distribution fee and recovering our distribution expenses and minimum guarantee, we pay the remainder of revenues in excess of an ongoing distribution fee to the rights owner.

We typically receive a larger share of gross receipts from the license and distribution of motion pictures for which we have provided a minimum guarantee. At times, the minimum guarantee paid by us may represent all or a substantial portion of the film's production costs. In those circumstances, we may receive worldwide distribution rights in all media and may also obtain ownership of the copyright to the film with the producer. In 2002, we provided minimum guarantees for 25 films ranging from $10,000 to $1,865,000, including three which represented a significant portion of the final production costs of the

respective film. Additionally, with respect to three films, we provided guarantees that sales, net of our fees and expenses, would achieve specified levels within a period of three years following commencement of principal photography of the related film.

Our commitment to pay a minimum guarantee with respect to films that have not begun production often enables the production company or producer to obtain financing for its project, if needed. In some cases, our contractual commitment to pay a minimum guarantee upon delivery of a film serves as sufficient collateral for a bank or other financing party to lend production funds. The bank typically will insure delivery of the film to us by requiring the producer to purchase a completion guaranty. To enable the production company or producer to borrow production funding, or to borrow at preferential bank fees and interest rates, we also may have to secure our purchase or acquisition commitment, which we generally have done by obtaining a letter of credit from our lenders. In some situations, the production company or producer of a film initially may obtain funds:

- from other distribution companies that obtain distribution rights in specified media or territories, for example, the domestic distribution rights or distribution rights in Germany or the United Kingdom;

- by accessing foreign governmental film industry incentive programs such as programs offered in the past by the Isle of Man, the United Kingdom, Canada, Germany, Australia and New Zealand; or

- by using its own resources or other resources available to it, and subsequently approaching us to supply the remaining funds necessary to complete or co-finance the film in exchange for our obtaining the remaining distribution rights to the motion picture.

We also have been actively involved in co-financing arrangements. When we participate in co-financing arrangements, we will commit to fund a portion of a particular film's production costs in combination with others.

In June 2000, we entered into a "first look" agreement with The Little Film Company, Inc. and Ellen Dinerman Little, our former co-chairman, co-chief executive officer and president. The agreement provides for a three-year term ending in June 2003. Under this agreement, we have an exclusive "first look" on any project that The Little Film Company owns or controls or which it has the right to submit to us or any project that it has the right to acquire or may wish to acquire for development or production. The agreement also provides for us to pay The Little Film Company annual overhead for office space and related expenses, an annual fee and a discretionary revolving development fund. We also compensate The Little Film Company on a project-by-project basis.

In connection with the purchase of certain of our securities by Rosemary Street Productions, LLC ("Rosemary Street") in June 2000, Rosemary Street assigned to us a first look agreement with Grandview Pictures LLC and Jon Kilik. The agreement provided for a three-year term which ended in May 2002. Under the agreement, we had an exclusive "first look" on any project that Grandview Pictures wanted to produce and which it owned or controlled or which it had the right to submit to us under the agreement or which it had the right to acquire or wished to acquire for development and/or production, or had been authorized by third parties to submit to us for development and/or production, as a feature length theatrical motion picture or television production. The agreement also provided for us to pay to Grandview Pictures annual overhead for its New York

office, including an annual salary for Jon Kilik and fees for Kilik's production services based on the cash budget of the applicable pictures. We also compensated Grandview Pictures for each theatrical or television motion picture produced by Kilik. Skins was the only film to be produced under our "first look" agreement with Grandview Pictures.

During 2002, we were involved in arranging and/or providing a significant portion of the production financing for three motion pictures (The Boys From County Clare, Bone Snatcher, and American Rap Stars), one of which was completed by the end of 2002 and the other two will be completed in the first half of 2003. We attempt to minimize the risks associated with any development and production activities that we conduct in a variety of ways. We do not maintain a substantial staff of creative or technical personnel. We also do not own or operate sound stage and related production facilities and, accordingly, do not have the fixed payroll, general and administrative and other expenses resulting from such ownership. In addition, in those circumstances where we produce a film, we generally attempt to acquire fully developed projects ready for pre-production with, when feasible, completed scripts, directors and cast members who are committed to or are interested in the project. Many projects also have a producer involved or committed. However, if at the time of our acquisition of rights in a project, a producer is not formally or informally committed to a project, we may also engage a production services company or a producer to supervise and arrange all pre-production, production and post-production activities in exchange for a production fee and a participation in net revenues from the film.

The following chart provides information regarding completed motion pictures first made available to us for distribution during 2002, other than those films described under "Our Motion Picture Distribution -First Look Pictures."

Motion Picture Title	Genre	Territories Acquired	Selected Cast
24 Hours in London	Thriller	The U.S. (Video and DVD rights only)	Gary Olsen, John
American Rap Stars	Documentary	The universe	Snoop Dogg, Jay Z
Attic Expeditions	Thriller	The U.S. (Video and DVD rights only)	Seth Green, Jeffr
Avalanche	Disaster	The U.S. (Video and DVD rights only)	Thomas Ian Griffi
Ball in the House	Dark Comedy	Universe excluding the U.S. and Canada	Johathan Tucker,
Between Strangers	Drama	Universe excluding the Baltic states, Bulgaria, Canada, Czech, CIS, Italy, Hungary and Poland	Sophia Loren, Mal
Castle Rock	Adventure	Universe excluding the U.S. and Canada	Ernest Borgnine,

Motion Picture Title	Genre	Territories Acquired	Selected
Dahmer	Horror	The U.S. (Video and DVD rights only)	Jeremy Re
Dark Summer	Thriller	The universe	Robert Cu
Dead Awake	Horror	The U.S. (Video and DVD rights only)	Stephen B
Dumb Luck	Romantic Comedy	The universe excluding the U.S. and Canada	Scott Bai
Elling	Comedy	The U.S. and Canada	Per Chris
Epicenter	Disaster	The U.S. (Video and DVD rights only)	Traci Eli
Evelyn	Drama	The universe excluding the U.S. and Canada	Pierce Br
Faithless	Drama	The U.S. (Video and DVD rights only)	Lena Endr
Gabriela	Romance	The U.S. (Video and DVD rights only)	Jaime Pl
Gaudi Afternoon	Comedy	The U.S. (Video and DVD rights only)	Judy Davi
Gentlemen's Game	Drama	The universe	Gary Sini
Hired Hand	Drama	The universe excluding U.K.	Peter Fon
I'll Take You There	Romantic Comedy	The U.S. (Video and DVD rights only)	Ally Shee
Jimmy show	Drama	Universe excluding the U.S. and Canada	Frank Wha
Julie Walking Home	Drama	The universe excluding Germany, Poland, Hungary, Czech, Slovenia, Romania, India and Canada	Miranda O
Last Run	Thriller	The U.S. (Video and DVD rights only)	Armande A
Lawless Heart	Romance	The universe (excluding pay TV in U.K.	Douglas H
Little Red	Urban Drama	The U.S. (Video and DVD rights only)	Brandon P
Local Boys	Drama	The universe	Mark Harm
Lone Hero	Action	The U.S. (Video and DVD rights only) Flanery	Lou Diamo
Lost Voyage	Sci-Fi Thriller	The U.S. (Video and DVD rights only)	Judd Nels

Motion Picture Title	Genre	Territories Acquired	Selected
Lovers Lane	Horror	The U.S. (Video and DVD rights only)	Anna Fari
Malicious Intent	Thriller	The U.S. (Video and DVD rights only)	Tom Arnol
No Place Like Home	Family	Universe excluding the U.S. and Canada	Judge Rei
Nora	Drama	The U.S. (Video and DVD rights only)	Ewan McGr
The Operator	Thriller	The U.S. (Video and DVD rights only)	Michael L
Pinata	Horror	The universe	Jaime Pre
Pressure	Thriller	The U.S. (Video and DVD rights only)	Kerr Smit
Retrievers	Family	Universe excluding the U.S. and Canada	Robert Ha
The Scoundrel's Wife	Drama	Universe excluding the U.S. and Canada	Tatum O'N
Skins	Drama	The universe	Graham Gr
Snapshots	Romance	The universe excluding Belgium, Netherlands and Luxemburg	Burt Reyn
Song for Martin	Drama	The U.S. and Canada	Sven Woll
The Surge	Sci-fi Horror	The U.S. (Video and DVD rights only)	Mat Scoll
Triggerman	Comedy	The universe	Neil Morr

Our Film Library of Distribution Rights

Our film library consists of rights to a broad range of films, most of which were produced since 1980. At December 31, 2002, we had various distribution rights to more than 330 motion pictures, including more than 73 motion pictures in which we own an interest in the copyright. With respect to these films where we do not own the copyright, the term of our distribution rights generally range from 12 to 25 years or more from the date of acquisition, and typically extend to many, if not all, media for exhibition worldwide or in specified territories.

In addition to exploitation of distribution rights to motion pictures in our library in the major media, we are able to exploit various ancillary rights

in the films under certain situations. We have arranged for the music in several motion pictures that we have distributed to be released as soundtrack recordings, including Waking Ned Devine, A Merry War, Mrs. Dalloway, The Secret of Roan Inish, Party Girl, The Big Squeeze and Infinity. Although exploitation of these soundtracks and other ancillary rights have not generated significant revenues for us to date, our ownership or control of ancillary rights to motion pictures in our library, including interactive rights, remake rights and merchandising rights, may provide future sources of additional revenues.

Additionally, we have granted to Yahoo! Inc. the right to exploit on the Internet approximately fifty titles from our film library on a revenue sharing basis. As of December 31, 2002, we have received no revenues from this arrangement.

Major Customers

In 2000, USA Network accounted for $3,014,000 or 13.3% of our total revenues. During the years ended December 31, 2001 and 2002, no single customer accounted for 10% or more of our revenues.

Employees

As of April 11, 2003, we employed 46 full-time employees and 1 part-time employee. Some of our subsidiaries are or may become subject to the terms in effect from time to time of various industry-wide collective bargaining agreements, including the Writers Guild of America, the Directors Guild of America, the Screen Actors Guild and the International Alliance of Theatrical Stage Employees. We may assume a production company's obligation to pay residuals to these various entertainment guilds and unions. A strike, job action or labor disturbance by the members of any of these entertainment guilds and unions could have a material adverse effect on the production of a motion picture within the United States, and, consequently, on our business, operations and results of operations. These organizations all have engaged in strikes and similar activities. We believe that our current relationship with our employees is satisfactory.

Competition

Motion picture distribution, finance and production are highly competitive businesses. The competition comes both from companies within the same business and from companies in other entertainment media that create alternative forms of leisure entertainment. We compete with major film studios including:

- The Walt Disney Company, including Miramax;
- Paramount Pictures Corporation;
- Universal Pictures;
- Sony Pictures Entertainment;
- Twentieth Century Fox; and
- Warner Brothers Inc., including New Line Cinema.

We also compete with numerous independent and foreign motion picture production and distribution companies. Many of the organizations with which we compete have significantly greater financial and other resources than us. Our

ability to compete successfully depends upon the continued availability of independently produced, domestic and foreign motion pictures and our ability to identify and acquire distribution rights to, and successfully license and distribute, motion pictures with commercial potential. A number of formerly independent motion picture companies have been acquired in recent years by major entertainment companies. These transactions have significantly increased competition for the acquisition of distribution rights to independently produced motion pictures.

Films that we distribute or finance also compete for audience acceptance and exhibition outlets with motion pictures that other companies distribute and produce. As a result, the success of any of the films that we distribute or finance is dependent not only on the quality and acceptance of that particular film, but also on the quality and acceptance of other competing films released into the marketplace at or near the same time. With respect to our domestic theatrical releasing operations, a substantial majority of the motion picture screens in the United States typically are committed at any one time to films distributed nationally by the major film studios, which generally buy large amounts of advertising on television and radio and in newspapers and can command greater access to available screens. Although some movie theaters specialize in the exhibition of independent, specialized motion pictures and art-house films, there is intense competition for screen availability for these films as well. Given the substantial number of motion pictures released theatrically in the United States each year, competition for exhibition outlets and audiences is intense. In addition, there also have been rapid technological changes over the past fifteen years. Although technological developments have resulted in the creation of additional revenue sources from the licensing of rights with respect to new media, these developments also have resulted in increased popularity and availability of alternative and competing forms of leisure time entertainment including pay/cable television programming and home entertainment equipment such as videocassettes, interactive games and computer/Internet use.

Regulation

In 1994, the United States was unable to reach an agreement with its major international trading partners to include audio-visual works, such as television programs and motion pictures, under the terms of the General Agreement on Trade and Tariffs Treaty. The failure to include audio-visual works under the treaty allows many countries to continue enforcing quotas that restrict the amount of United States-produced television programming which may be aired on television in those countries. The Council of Europe has adopted a directive requiring all member states of the European Union to enact laws specifying that broadcasters must reserve a majority of their transmission time, exclusive of news, sports, game shows and advertising, for European works. The directive does not itself constitute law, but must be implemented by appropriate legislation in each member country. In addition, France requires that original French programming constitute a required portion of all programming aired on French television. These quotas generally apply only to television programming and not to theatrical exhibition of motion pictures, but quotas on the theatrical exhibition of motion pictures could also be enacted in the future. We cannot assure you that additional or more restrictive theatrical or television quotas will not be enacted or that countries with existing quotas will not more strictly enforce such quotas. Additional or more restrictive quotas or more stringent enforcement of existing quotas could materially and adversely affect our business by limiting our ability to fully exploit our rights in motion pictures internationally and, consequently, to assist or participate in the financing of these motion pictures.

Distribution rights to motion pictures are granted legal protection under

the copyright laws of the United States and most foreign countries. These laws provide substantial civil and criminal sanctions for unauthorized duplication and exhibition of motion pictures. Motion pictures, musical works, sound recordings, art work, still photography and motion picture properties are separate works subject to copyright under most copyright laws, including the United States Copyright Act of 1976, as amended. We are aware of reports of extensive unauthorized misappropriation of videocassette rights to motion pictures which may include motion pictures distributed by us. Motion picture piracy is an industry-wide problem. The Motion Picture Association of America, an industry trade association, operates a piracy hotline and investigates all reports of such piracy. Depending upon the results of investigations, appropriate legal action may be brought by the owner of the rights. Depending upon the extent of the piracy, the Federal Bureau of Investigation may assist in these investigations and related criminal prosecutions.

Motion picture piracy is also an international problem. Motion picture piracy is extensive in many parts of the world, including South America, Asia including Korea, China and Taiwan, the countries of the former Soviet Union and other former Eastern bloc countries. In addition to the Motion Picture Association, the Motion Picture Export Association, the American Film Marketing Association and the American Film Export Association monitor the progress and efforts made by various countries to limit or prevent piracy. In the past, these various trade associations have enacted voluntary embargoes of motion picture exports to certain countries in order to pressure the governments of those countries to become more aggressive in preventing motion picture piracy. In addition, the United States government has publicly considered trade sanctions against specific countries that do not prevent copyright infringement of United States produced motion pictures. We cannot assure you that voluntary industry embargoes or United States government trade sanctions will be enacted. If enacted, these actions could impact the amount of revenue that we realize from the international exploitation of motion pictures depending upon the countries subject to and the duration of such action. If not enacted or if other measures are not taken, the motion picture industry as a whole, and our business in particular, may continue to lose an indeterminate amount of revenues as a result of motion picture piracy.

The Code and Ratings Administration of the Motion Picture Association assigns ratings indicating age-group suitability for theatrical distribution of motion pictures. We sometimes, although not always, submit our motion pictures for these ratings. In certain circumstances, motion pictures that we did not submit for rating might have received restrictive ratings, including, in some circumstances, the most restrictive rating which prohibits theatrical attendance by persons below the age of seventeen. Unrated motion pictures, or motion pictures receiving the most restrictive rating, may not be exhibited in certain movie theaters or in certain locales, thereby potentially reducing the total revenues generated by these films. United States television stations and networks, as well as foreign governments, impose additional restrictions on the content of motion pictures which may restrict in whole or in part theatrical or television exhibition in particular territories. In 1997, the major broadcast networks and the major television production companies implemented a system to rate television programs. This television rating system has not had a material adverse effect on the motion pictures distributed by us. However, the possibility exists that the sale of theatrical motion pictures for broadcast on domestic free television may become more difficult because of potential advertiser unwillingness to purchase advertising time on television programs that are rated for limited audiences. We cannot assure you that current and future restrictions on the content of motion pictures may not limit or adversely affect our ability to exploit certain motion pictures in particular territories and media.

ITEM 2. PROPERTIES

Our principal executive offices are located at 8000 Sunset Boulevard, Penthouse East, Los Angeles, California 90046 and consist of 15,491 square feet of office space. Our payments under the lease are approximately $41,000 per month. The lease expires on May 31, 2007.

From February 2001 to January 2002, we occupied approximately 1,500 square feet of office space located at 222 East 44th Street, New York, New York 10017, a building owned by EUE/Screen Gems (a company owned in part by Christopher Cooney, our co-chairman and chief executive officer, and Jeffrey Cooney, our executive vice president and a director). EUE/Screen Gems permitted us to use the space without paying any rent. In February 2002, we relocated our New York operations to 603 Greenwich Street, New York, New York 10014. This space is approximately 4,000 square feet and is in a building owned, in part, by Christopher Cooney. We have not paid any rent since occupying the space in February 2002 and no formal arrangements have been made regarding any future rent to be paid with respect to these premises.

In May 2001, we entered into a sublease for 4,000 square feet of office space located at 2932 Nebraska Avenue, Santa Monica, California for our television commercial production operations. We have since relocated the operations to our offices in New York and have further sublet the premises through the end of the lease term, which expired on March 31, 2003.

ITEM 3. LEGAL PROCEEDINGS

We are engaged in legal proceedings incidental to our normal business activities. In the opinion of management, none of these proceedings are material in relation to our financial position.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has been quoted on the OTC Bulletin Board under the symbol "FRST" since January 11, 2002, and our warrants were quoted on the OTC Bulletin Board under the symbol "FRSTW" from January 11, 2002 until February 16, 2002, the date the warrants expired. Prior to January 11, 2002, 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		
2001	High($)	Low($)	High($)
First quarter.................................	1-3/16	3/4	4/64

Second quarter................................	26/32	1/2	3/64
Third quarter.................................	23/32	17/32	3/32
Fourth quarter................................	1.01	13/32	3/32
2002			
First quarter.................................	5/8	3/8	N/A
Second quarter	15/16	1/8	N/A
Third quarter	9/16	7/16	N/A
Fourth quarter	1/2	5/16	N/A

As of April 11, 2003, there were approximately 34 holders of record of our common stock and there were 14,539,573 shares of common stock issued and outstanding. We believe that there are more than 250 beneficial owners of our common stock.

On April 11, 2003, the last reported sale price of our common stock as reported on the OTC Bulletin Board was $0.26.

Dividends

We have not paid cash dividends on our common stock and we presently intend to retain future earnings to finance the expansion and development of our business and not pay dividends on our common stock. Any determination to pay cash dividends in the future would be at the discretion of the board of directors and would be dependent upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant at that time by the board of directors. In addition, certain covenants in our JPMorgan facility with JPMorgan substantially restrict payment of cash dividends.

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2002 are derived from our consolidated financial statements. 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 report.

	Year Ended December		
	(in thousands, except per s		
	2002	2001	2000
Statement of Operations Data:			
Revenues..	$26,299	$35,144	$22,625
Film cost amortization..............................	19,779	24,258	16,850
Distribution and marketing costs....................	7,541	7,101	4,774
Selling, general and administrative.................	7,928	6,947	6,473

Income (loss) from operations	(8,549)	(3,162)	(5,472)
Income (loss) before tax and cumulative effect of accounting change	(9,287)	(3,792)	(6,230)
Income tax provision (benefit)	91	62	137
Income (loss) before cumulative effect of accounting change	(9,378)	(3,854)	(6,367)
Cumulative effect of accounting change(1)	-	-	(14,123)
Net income (loss)	(9,378)	(3,854)	(20,490)
Basic and diluted net income (loss) per share before cumulative effect	(.71)	(0.38)	(0.78)
Cumulative effect	-	-	(1.74)
Net income (loss) per share after cumulative effect	(.71)	(0.38)	(2.52)
Basic and diluted weighted average number of shares outstanding	13,270	10,191	8,131

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(1) During the year ended December 31, 2000, we recorded a one-time, pre-tax non-cash charge of $15,582,000 ($14,123,000 after taxes) relating to our adoption of new film accounting standards in June 2000 pursuant to SOP 00-2, which is discussed in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Relevant Accounting Provisions."

	Year Ended December		
	(in thousands, except per		
	2002	2001	2000
Balance Sheet Data:			
Film costs, net of accumulated amortization	$23,198	$18,304	$13,393
Total assets	41,922	45,471	42,280
Total long-term liabilities	20,254	14,500	6,500
Total liabilities	39,263	39,420	32,375
Total shareholders' equity	2,659	6,051	9,905

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

When used in this Form 10-K and in future filings by our company with the Securities and Exchange Commission, the words or phrases "will likely result," "management expects" or "we expect," "will continue," "is anticipated," "estimated" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. These risks are included in "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in

"Exhibit 99: Risk Factors" included in this Form 10-K. We have no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

General

The operations of the company were established as a private company in February 1980 under the name Overseas Filmgroup, Inc. 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 the operations of Overseas Filmgroup, Inc. 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 the private company. 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 U.S. theatrical and video/DVD distribution, Internet content development and television commercial production. Although we initially intended to expand into Internet content development, we no longer have immediate plans to do so. Additionally, although we expanded into television commercial production, during 2002 we substantially withdrew from these activities due to market conditions.

Today, we are principally involved in the acquisition and worldwide license or sale of distribution rights to independently produced motion pictures. We directly distribute motion pictures in the domestic theatrical market under the name "First Look Pictures" and in the domestic video market under the name "First Look Home Entertainment." Recently, the market for lower budget independent motion pictures which have not had a significant theatrical release in the U.S. has experienced significant difficulty, mainly as a result of the general economic downturn, the tragedy of September 11th, the war with Iraq and more specifically, the financial difficulties of television broadcasters worldwide. These difficulties, together with low margins and losses related to the poor performance of films that we chose to produce, invest in or acquire and a level of overhead disproportionate to margins generated, impacted our performance during 2002, resulting in decreased revenues, increased write-offs of film costs and increased bad debt expenses. In light of our performance and market conditions, we have been reviewing our current business plan and considering our alternatives.

Additionally, in February 2003, at the request of our primary lender, JPMorgan, we agreed to modify our credit agreement to reduce the amount we can borrow under the agreement as described below. Further, as of December 31, 2002, the losses we have incurred have resulted in our breach of the net worth covenant under our credit agreement. We currently are engaged in discussions with JPMorgan and other participating banks with respect to further modifications to the credit agreement, which likely will result in further reductions in our ability to borrow funds under our credit facility.

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 elected early adoption of SOP 00-2 and, as a result, a cumulative charge for the change in accounting

principle of $15,582,000 ($14,123,000 net of income taxes) has been reflected in our Consolidated Statement of Operations for the year ended December 31, 2000.

Critical accounting policies and estimates

The SEC recently issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggesting companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to our financial condition and results of operations, and requires significant judgment and estimates on the part of management in its application. For a summary of our significant accounting policies, including the critical accounting policies discussed below, see the accompanying notes to the consolidated financial statements.

Additionally, in 2002, the SEC issued Financial Reporting Release No. 61, "Commission Statement About Management's Discussion and Analysis of Financial Condition and Results of Operations: ("FRR 61"). FRR 61 suggests that companies provide additional information concerning liquidity and capital resources including; off-balance sheet arrangements; certain trading activities that include non-exchange traded contracts accounted for at fair value; and effects of transactions with related and certain other parties. Accordingly, we have described in detail the off-balance sheet arrangements as they relate to us, both below under Liquidity and Capital Resources, and in the accompanying footnotes to the consolidated financial statements.

The preparation of our financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, we evaluate these estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions. The following accounting policies require significant management judgments and estimates:

Accounting for the production and distribution of motion pictures is in accordance with SOP 00-2, which requires management's judgment as it relates to total revenues to be received and costs to be incurred throughout the life of each film. These judgments are used to determine the amortization of capitalized film costs associated with revenues earned and any net realizable value adjustments.

Management is required to make judgments, based on historical experience and future expectations, as to the collectibility of accounts receivable. The allowances for doubtful accounts and sales returns represent allowances for customer trade accounts receivable that are estimated to be partially or entirely uncollectible. These allowances are used to reduce gross trade receivables to their net realizable value. We record these allowances based on estimates related to the following factors: (i) customer specific allowances and (ii) an estimated amount, based on our historical experience, for issues not yet identified.

Certain balance sheet liabilities require significant judgments and estimates by management. We continually evaluate these estimates based on

changes in the relevant facts and circumstances and events that may impact estimates. While management believes that the current reserves are adequate, there can be no assurance that these factors will not change in future periods.

We base these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from these estimates.

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Results of operations

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues decreased by $8,445,000 (24.0%) to $26,699,000 for the year ended December 31, 2002, compared to $35,144,000 for the year ended December 31, 2001. The decrease in revenues was primarily due to decreases in revenues related to the licensing of distribution rights to third party distributors, primarily in the international markets ($16,597,000 for the year ended December 31, 2002 compared to $27,366,000 for the year ended December 31, 2001). Additionally, revenues related to the theatrical release of films decreased by approximately $1,633,000 ($356,000 for the year ended December 31, 2002 compared to $1,989,000 for the year ended December 31, 2001). Partially offsetting these decreases, revenues from the direct distribution of video and DVD in the U.S. increased by $3,580,000 ($7,598,000 for the year ended December 31, 2002 compared to $4,018,000 for the year ended December 31, 2001).

Film costs as a percentage of revenues increased to 74.1% for the year ended December 31, 2002, compared to 69.0% for the year ended December 31, 2001. Film costs as a percentage of revenues fluctuate from year to year based upon the specific components of revenue and their related costs in the specific year. In accordance with new accounting standards established pursuant to SOP 00-2, distribution and marketing costs were expensed as incurred during the years ended December 31, 2002 and 2001. Distribution and marketing costs increased to $7,541,000 for the year ended December 31, 2002 compared to $7,101,000 for the year ended December 31, 2001. The increase reflects increased video/DVD marketing and distribution expenses ($2,392,000 for the year ended December 31, 2002 compared to $2,313,000 for the year ended December 31, 2001) related to the increased number of video/DVD releases during the year ended December 31, 2002 compared to the year ended December 31, 2001 as well as increased distribution and marketing costs associated with the licensing of film rights internationally ($3,718,000 for the year ended December 31, 2002 compared to $2,944,000 for the year ended December 31, 2001).These increase were partially offset by a decrease in print and advertising expenses for theatrical releases ($1,431,000 for the year ended December 31, 2002 compared to $1,844,000 for the year ended December 31, 2001). As a percentage of revenues distribution and marketing costs increased to 28.2% for the year ended December 31, 2002, compared to 20.2% for the year ended December 31, 2001.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by $981,000 (14.1%) to $7,928,000 for the year ended December 31, 2002, compared to $6,947,000 for the year ended December 31, 2001. The largest increase was in the area of bad debt expense ($2,176,000 for the year ended December 31, 2002 compared to $1,268,000 for the year ended December 31, 2001). Other increases included:

o Accounting fees of $90,000;

- o Insurance of $43,000;
- o Rent of $143,000;
- o Repairs and maintenance of $10,000;
- o Storage of $18,000;
- o Franchise taxes of $26,000;
- o Travel of $14,000; and
- o Decreased capitalized overhead of $23,000.

These increases were partially offset by decreases as follows:

- o Advertising expenses of $10,000;
- o Depreciation expense of $30,000;
- o Legal fees of $33,000;
- o Publicity of $35,000;
- o Compensation expense of $162,000;
- o Shipping and messenger costs of $14,000; and
- o Telephone expenses of $15,000.

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Net other expense increased by $108,000 to $738,000 for the year ended December 31, 2002, compared to $630,000 for the year ended December 31, 2001. The increase in net other expense was primarily due to a decrease in miscellaneous income of $195,000, partially offset by a decrease in interest expense of $19,000 and an increase in interest income of $68,000.

As a result of the above, we had a net loss of $9,378,000 (after income tax and foreign withholding tax expense of $91,000) for the year ended December 31, 2002 compared to a net loss of $3,854,000 (after income tax and foreign withholding tax expense of $62,000) for the year ended December 31, 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Revenues increased by $12,519,000 (55.3%) to $35,144,000 for the year ended December 31, 2001, compared to $22,625,000 for the year ended December 31, 2000. The increase in revenues was primarily due to the growth of revenue from our motion pictures segment with respect to direct distribution in the U.S. ($6,007,000 for the year ended December 31, 2001 compared to $1,736,000 for the year ended December 31, 2000) and increases in ancillary revenue, including airline revenue and executive producing and other fees ($3,150,000 for the year ended December 31, 2001 compared to $196,000 for the year ended December 31, 2000). Additionally, the licensing of film rights generated $25,366,000 for the year ended December 31, 2001 compared to $20,306,000 for the year ended December 31, 2000.

The commercial production segment generated $263,000 for the year ended December 31, 2001 compared to no income for the year ended December 31, 2000.

In accordance with new accounting standards established pursuant to SOP 00-2, distribution and marketing costs were expensed as incurred during the years ended December 31, 2001 and 2000. Film costs as a percentage of revenues decreased to 69.0% for the year ended December 31, 2001, compared to 74.5% for the year ended December 31, 2000. The decrease was due to generally higher distribution fee rates (our gross margin) on films generating the greatest amount of revenue during the year ended December 31, 2001, compared to the year ended December 31, 2000. Distribution and marketing costs increased to $7,101,000 for the year ended December 31, 2001 compared to $4,774,000 for the year ended December 31, 2000. The increase is reflective of increased U.S. theatrical and video/DVD distribution activities in the year ended December 31, 2001 compared to the year ended December 31, 2000. As a percentage of revenues distribution and marketing costs decreased to 20.2% for the year ended December

31, 2001, compared to 21.1% for the year ended December 31, 2000.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by $474,000 (7.3%) to $6,947,000 for the year ended December 31, 2001, compared to $6,473,000 for the year ended December 31, 2000. The largest increase was in the area of compensation expense ($1,361,000) related to our expansion of existing and new operational areas, including U.S. theatrical releasing (First Look Pictures), U.S. video and DVD operations (First Look Home Entertainment) and the television commercial production operation (First Look Artists). Other increases included:

- Bank charges of $10,000;
- Dues and subscriptions of $15,000;
- Equipment lease payments of $13,000;
- Insurance of $15,000;
- Employee benefits of $36,000;
- Office overhead relating to commercial directors of $52,000;
- Office and computer supplies of $79,000;
- Parking expenses of $13,000;
- Rent of $33,000;
- Repairs and maintenance of $15,000;
- Screenings and research of $18,000; and
- Shipping and messenger costs of $28,000.

These increases were partially offset by decreases as follows:

- Bad debt expense of $608,000;
- Increased capitalized expenses of $310,000;
- Consulting fees of $17,000;
- Legal fees of $195,000;
- Officer's fringe benefits of $25,000;
- Publicity of $12,000; and
- Franchise taxes of $41,000.

Net other expense decreased by $128,000 (16.9%) to $630,000 for the year ended December 31, 2001, compared to $758,000 for the year ended December 31, 2000. The decrease in net other expense was primarily due to an increase in interest income of $49,000, a decrease in interest and financing expenses of $434,000, increased revenue from the sale of software of $242,000 and increase miscellaneous income of $22,000 partially offset by the decreased revenue from the sale of securities of $625,000.

As a result of the above, we had a loss before income taxes and cumulative effect of accounting change of $3,792,000 for the year ended December 31, 2001, compared to a loss before income tax benefit and cumulative effect of accounting change of $6,230,000 for the year ended December 31, 2000.

We recorded a one-time charge for the cumulative effect of accounting change of $14,123,000, net of income tax benefit of $1,459,000 for the year ended December 31, 2000.

As a result of the above, we had a net loss of $3,854,000 for the year ended December 31, 2001 (reflecting foreign withholding taxes of $53,000, and state taxes of $9,000), compared to net loss of $20,490,000 for the year ended December 31, 2000 (reflecting foreign withholding taxes of $131,000 and states taxes of $6,000).

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.

June 2002 Private Placement

In June 2002, we consummated a private placement with Seven Hills, in which we sold to Seven Hills, for an aggregate cash purchase price of $6,050,000, 2,630,434 shares of our common stock and five-year warrants to purchase up to 1,172,422 shares of our common stock at an exercise price of $3.40 per share. Warrants to purchase 881,137 shares of common stock are immediately exercisable and will expire on June 25, 2007. Warrants to purchase 291,285 shares of common stock ("Note Warrants") only will become exercisable upon conversion of the convertible promissory note described below, in proportion to the amount of the note converted if the note is not converted in whole, and will expire on June 25, 2007. If no portion of the note is converted into common stock, then the Note Warrants will not become exercisable. As of December 31, 2002, Seven Hills owned approximately 18.1% of our outstanding voting securities.

Additionally, in May 2002, we and Seven Hills formed a joint venture company that will provide marketing and distribution funds for the theatrical release of motion pictures that we or Seven Hills select on an alternating basis. In June 2002, Seven Hills funded our $2,000,000 capital contribution to the joint venture company pursuant to a convertible promissory note issued by us and the joint venture company. The investment in the joint venture company is reported as an asset on the balance sheet under "Investment". The related liability, discounted by $245,666 for the fair market value of the Note Warrant, has been reported as a liability on the balance sheet combined with other notes payable under "Notes payable". The discounted amount will be amortized using the effective interest rate method over the term of the note through the maturity date. The note bears interest at a rate of 4% per annum, payable quarterly in arrears. Principal and unpaid accrued interest on the note are payable on June 25, 2008. The note is recourse against us as to interest only (accrued prior to the maturity date) and against the joint venture company as to both principal and interest. Seven Hills also funded its own $2,000,000 capital contribution to the joint venture company in June 2002.

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June 2000 Private Placement

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

- 5,097,413 shares of our common stock;
- 904,971 shares of our Series A preferred stock, each share of which automatically converted into two shares of common stock on October 15, 2001; and
- 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 of December 31, 2002, Rosemary Street owned approximately 42.8% of our voting securities.

JPMorgan Facility

Concurrently with the consummation of the June 2000 private placement with Rosemary Street, we entered into a $40 million credit facility with JPMorgan (formerly Chase Securities, Inc. and The Chase Manhattan Bank) and other commercial banks and financial institutions. A portion of the proceeds from this credit facility was used to repay outstanding loans and accrued interest under our previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G. The remaining proceeds have been 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. During the years ended December 31, 2002 and 2001, we borrowed $4,000,000 and $8,000,000, respectively, under the JPMorgan facility.

Under the JPMorgan 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 JPMorgan facility also provides for letters of credit to be issued from time to time upon our request. Amounts available for drawing (referred to as the "borrowing base") under the JPMorgan facility are calculated each month and cannot exceed the $40 million commitment. The main components of the borrowing base include a library credit (a percentage, or "advance rate," of the value of our film library, based upon a third party valuation of future cash flows, which, under the terms of the credit agreement, is required to be updated every twelve months) and an accounts receivable credit (85% of net accounts receivable which are acceptable to JPMorgan). At December 31, 2002, the advance rate was 50%. In connection with the amendment to the credit facility described below, the advance rate was reduced to 45% on April 1, 2003 and will be further reduced to 40% on July 1, 2003 and 35% on October 1, 2003. At December 31, 2002, we had borrowed an aggregate of $18,500,000 under the JPMorgan facility and an additional $2,045,000 was available to borrow based upon borrowing base calculations provided to JPMorgan as of December 31, 2002.

The amounts borrowed under the JPMorgan facility bear interest, as we may select, at rates based on either LIBOR plus 2% or a rate per annum equal to the greater of (a) the Prime Rate plus 1%, (b) the Base CD Rate plus 2% and (c) the Federal Funds Effective Rate plus 1.5% (as these terms are defined in the credit agreement). In addition to an annual management fee of $125,000, we pay a commitment fee on the daily average unused portion of the JPMorgan facility at an annual rate of 0.5%. Upon entering the JPMorgan facility, we paid a one-time fee of approximately $848,000 as a cost of acquiring the JPMorgan facility. The JPMorgan facility restricts the creation or incurrence of indebtedness or the issuance of additional securities. The JPMorgan facility is collateralized by all of our tangible and intangible assets and future revenues.

In February 2003, upon the request of JPMorgan, we entered into an amendment to the JPMorgan facility, pursuant to which we agreed to reduce the amounts we are able to borrow in relation to our library value as follows:

- From February 18, 2003 to March 31, 2003 - the lesser of $11,000,000 or 50% of the library value;
- From April 1, 2003 to June 30, 2003 - the lesser of $10,000,000 or 45% of the library value;
- From July 1, 2003 to September 30, 2003 - the lesser of $9,000,000 or 40% of the library value;
- From October 1, 2003 to the expiration of the term of the JPMorgan facility (June 20, 2005, unless modified as described below) - the lesser of $8,000,000 or 35% of the library value.

As of December 31, 2002, our cumulative losses resulted in a breach of the covenant contained in the credit agreement with JPMorgan that sets forth a minimum level of net worth that we are required to maintain. We have requested a waiver of this breach. JPMorgan currently is considering our request and we are in negotiation with respect to further modifications JPMorgan will require to the credit agreement in exchange for such waiver. At this point, JPMorgan has indicated that these modifications will likely include an immediate reduction of the commitment level under the credit agreement from $40 million to approximately $20 million, with further reductions so that by January 1, 2004 the commitment level will be $15 million. The minimum net worth requirement would be waived until December 31, 2003, subject to our maintaining a positive net worth as calculated pursuant to GAAP. These modifications require the agreement of 51% of the voting right of the participating banks (the percentage based upon the proportionate commitment of each bank to the total commitment of $40 million). Final resolution of this matter is expected by April 30, 2003. Until then, we are precluded from drawing further funds under the credit facility.

Off Balance Sheet Commitments

In addition to direct bank borrowings, we occasionally enter into contractual arrangements whereby we commit to pay certain amounts for the acquisition of distribution rights of a film at a date in the future. These contractual commitments are sometimes used by producers or other rights owners to access production financing with respect to the given film. These commitments generally are subject to the rights owner meeting certain conditions, including delivery by the rights owner to us of certain physical materials and legal documents relating to the film that will enable us to properly exploit the rights we are acquiring. Once these conditions are met, we become obligated under our contract to pay the amounts called for in the given contract. We treat these types of commitments as liabilities, includable in our balance sheet only upon satisfaction of the conditions to our obligation and disclose these obligations as commitments. As of December 31, 2002, the total of these outstanding commitments was $5,386,000, of which $2,453,000 was reflected as a liability on our balance sheet (Payable to Producers) and $2,933,000 was not reflected as a liability on our balance sheet, but will be once the various conditions to our commitment, including delivery of the related film, are satisfied.

Additionally, we have entered into arrangements with German film financing partnerships whereby we have guaranteed that within three years from the commencement of principal photography of the related film, the licensing and distribution proceeds, net of our fees and expenses, will be no less than sixty to eighty percent (depending upon the specific arrangement) of the amount funded toward the production cost of the related film. These guarantees generally are not recorded as liabilities unless and until we expect that proceeds from the licensing and distribution of the related film, net of our fees and expenses, will be insufficient to cover the guarantee within the agreed upon period for the particular film. As of December 31, 2002, we had three such commitments outstanding, whereby the total amount committed was $10,238,000. These guarantees are summarized below.

| Term of Guarantee | | | Minimum Potential | |
From	To	Guarantee	Amount of Future Payments	Current Carrying Amount of Liability

Film 1	10/04/01	10/04/04	$ 5,240,000	$ 2,598,000	$ -	$
Film 2	12/03/00	12/03/03	3,998,000	3,559,000	2,046,000	
Film 3	01/31/02	01/31/05	1,000,000	717,000	371,000	
			$ 10,238,000	$ 6,874,000	$ 2,417,000	

In the event any of the guarantees are drawn upon, we have the right to retain proceeds from the collection of accounts receivable in addition to proceeds from the future contracts of distribution rights in the respective film where the guarantee had been called (both, net of our fees and expenses) until we have recovered any guarantee paid. The table above reflects the amount of cash and accounts receivable held ("Assets Held") along with our estimate of the value of future licenses of distribution rights ("Projected Future Contracts") to the respective film as of December 31, 2002. We expect that the possibility of having to honor our contingent obligations under these agreements is remote and in the event any of the guarantees are drawn upon, we believe that proceeds from the liquidation of accounts receivable and further distribution rights will be sufficient to cover the maximum amount of future payments under each guarantee.

Resources

At December 31, 2002, we had cash and cash equivalents of $713,000, compared to cash and cash equivalents of $1,673,000 as of December 31, 2001. At December 31, 2002, $2,045,000 was available for us to draw down under the JPMorgan facility. As of April 11, 2003, we have reduced the amount outstanding under the JPMorgan facility by $2,000,000 to $16,500,000 and we have an unrestricted cash balance of approximately $1,900,000.

For the years ended December 31, 2002 and December 31, 2001, we had operating losses of $8,549,000 and $3,162,000, respectively. These losses included certain non-cash items, including bad debt expense and film cost write-downs. Bad debt expense was $2,176,000 for the year ended December 31, 2002, compared to $1,268,000 for the year ended December 31, 2001. Film cost write-downs were $3,189,000 for the year ended December 31, 2002 compared to $1,815,000 for the year ended December 31, 2001.

Operating activities used cash of $10,498,000 and $6,723,000, respectively, for the years ended December 31, 2002 and December 31, 2001. The increased use of cash reflects our increased investment in film costs of $17,105,000 for the year ended December 31, 2002 compared to $9,922,000 for the year ended December 31, 2001.

Our commitments as of December 31, 2002 require the expenditure of approximately $5,386,000 during 2003. Additionally, under our current plans we anticipate requiring approximately $2,140,000 in additional funds for the acquisition of product.

Our significant net losses and negative cash flow along with the most recent modification and pending modifications under our credit agreement with JPMorgan raise questions about our ability to continue as a going concern. We have been reviewing our past business plan, alternative plans and other options. We have made reductions in overhead, including staff reductions, certain consulting contracts have not been renewed, and we have not renewed our first look arrangement with Grandview Pictures. We also are considering further reductions in overhead. Budgeted film investment has been significantly reduced from 2002. Additionally, we are actively in discussion with various parties regarding potential strategic relationships, equity investment and revised business plans. If we are not successful in generating sufficient future cash

flow from operations in accordance with our current or an altered business plan, raising additional capital through public or private financings, strategic relationships or other arrangements will be necessary. This additional funding, if needed, might not be available on acceptable terms, or at all. Failure to raise sufficient capital, if and when needed, could have a material adverse effect on our business, results of operations and financial condition including our ability to continue to operate as a going concern.

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ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates. We do not use derivative financial instruments. Because only a small portion of our revenues are denominated in foreign currency, we do not believe there is a significant risk imposed on us due to the fluctuations in foreign currency exchange rates. The table below provides information about our debt obligations as of December 31, 2002, including principal cash flows and related weighted average interest rates by expected maturity dates:

			Expected Maturity Da	
			(in thousands)	
	2003	2004	2005	2006
Borrowings under credit facility	-	-	$18,500	-
Average interest rate	3.7%	3.7%	3.7%	-
Subordinated note payable	-	-	-	-
Average interest rate	4%	4%	4%	4%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of independent accountants, consolidated financial statements and notes to our consolidated financial statements appear in a separate section of this report (beginning on page F-1) following Part IV.

The following table sets forth selected unaudited quarterly financial data for each of the quarters in the two years ended December 31, 2002 (amounts in thousands except for per share data):

			2002
			Quarter Ended
	March 31	June 30	September 3
Revenues	$ 6,781	$ 5,092	$ 5,759
Income (loss) from operations	(271)	(2,437)	(3,185
Net income (loss)	(526)	(2,616)	(3,415
Basic and diluted loss per share	(.04)	(0.22)	(0.23

	2001		
	Quarter Ended		
	March 31	June 30	September 3
Revenues	$ 10,243	$ 9,759	$ 8,171
Income (loss) from operations	333	(458)	(635)
Net income (loss)	129	(673)	(835)
Basic and diluted income (loss) per share	0.01	(0.07)	(0.09)

The increase in loss from operations during the fourth quarter of 2001 compared to the previous three quarters was due to the expansion of our operations and increases in:

- o write-offs of film costs relating to certain projects under development;
- o marketing and distribution expenses in connection with preparation for the upcoming film festivals;
- o bad debt write-offs; and
- o legal and consulting fees relating to valuation of our film library and capital investment opportunities other than Rosemary Street.

The lower net loss for the quarter ended September 30, 2001 reflected the capital gain that we recognized on our sale of 17,454 shares of common stock of Yahoo!, Inc. during the quarter.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our current directors and executive officers are set forth below. Biographical information concerning each of the directors and executive officers is presented on the following pages. Information is presented as of the date of this report.

Name	Age	Position
Christopher J. Cooney	42	Co-Chairman of the Board and Chief Executive Officer

Robert B. Little	58	Co-Chairman of the Board and President
William F. Lischak	45	Chief Operating Officer, Chief Financial Officer and Secretary
Jeffrey Cooney	45	Executive Vice President - Creative Affairs and Director
Stephen K. Bannon	49	Director
Scot K. Vorse	42	Director
Barry R. Minsky	60	Director
Joseph Linehan	41	Director
Patrick Costello	46	Director
Reverge Anselmo	41	Director

Current Officers and Directors

Christopher J. Cooney has served as co-chairman of our board and our chief executive officer since June 2000. Since August 1999, Mr. Cooney has served as president of Rosemary Street, a New York-based entertainment holding company. Since 1986, Mr. Cooney has served in various positions at EUE/Screen Gems, Ltd. ("EUE/Screen Gems"), a New York-based television commercial facility and production house, including as head of production from 1986 to 1988, as vice president in charge of all facilities from 1988 to 1992, and as vice president of physical production from 1992 to 1996. In 1996, Mr. Cooney led EUE/Screen Gems in the acquisition of DeLaurentis Studios. Since 1996, Mr. Cooney has been responsible for overseeing all commercial and daytime television production for the North Carolina operations of EUE/Screen Gems. Mr. Cooney also holds an ownership interest in EUE/Screen Gems. In 1984, Mr. Cooney formed Total Picture Company to produce concert films, commercials and videos for record labels and musical instrument manufacturers. Prior to that, Mr. Cooney was employed by Independent Artists as an assistant producer of international television commercials. Mr. Cooney received his B.A. from Boston University. Christopher J. Cooney is the brother of Jeffrey Cooney, our Executive Vice President Creative Affairs, and a director of our company.

Robert B. Little has been president of our company since June 2000 and co-chairman of our board of directors since our merger with Overseas Private in October 1996. Mr. Little also served as our co-chief executive officer from October 1996 to June 2000. Mr. Little co-founded Overseas Private in February 1980 and served as chairman of the board of Overseas Private from February 1987 until October 1996 and its chief executive officer from February 1990 until October 1996. Mr. Little was a founding member of the American Film Marketing Association, the organization which established the American Film Market, and served multiple terms on its board of directors. In 1993, Mr. Little served on the City of Los Angeles Entertainment Industry Task Force, a task force composed of industry leaders focused on maintaining and enhancing Los Angeles' reputation as the entertainment capital of the world. Mr. Little is also a founding member of The Archive Council, an industry support group for the University of California at Los Angeles Archive Film Preservation Program, and a member of the board of directors of the Antonio David Blanco Scholarship Fund, an endowment fund that annually benefits deserving students in the UCLA Department of Film and Television. Mr. Little was an executive producer of Titus, which was

nominated for an Academy Award(R) in 1999.

William F. Lischak has served as our chief operating officer, chief financial officer and secretary of our company since October 1996. Mr. Lischak also served as a director of our company from October 1996 until June 2002. Mr. Lischak served as chief operating officer of Overseas Private from September 1990 until October 1996 and its chief financial officer from September 1988 until October 1996. Mr. Lischak, a certified public accountant, previously had worked in public accounting, including from 1982 to 1988 with the accounting firm of Laventhol & Horwath. Mr. Lischak has a masters degree in taxation and has taught courses in the extension program at UCLA in accounting, finance and taxation for motion pictures and television. Mr. Lischak attended New York University's Tisch School of Arts and received a bachelor's degree in business administration from New York University's Leonard N. Stern School of Business.

Jeffrey Cooney has served as our executive vice president-creative affairs and a director of our company since June 2000. Since August 1999, Mr. Cooney has served as creative director of Rosemary Street. Mr. Cooney also holds an ownership interest in EUE/Screen Gems. In 1990, Mr. Cooney formed Jeffrey Cooney Films and until August 1999 directed commercials for clients such as Kodak, Mitsubishi, Procter & Gamble and General Mills. Mr. Cooney received a B.A. in English from Holy Cross College. Jeffrey Cooney is the brother of Christopher J. Cooney, the co-chairman of our board and our chief executive officer.

Stephen K. Bannon has been a director of our company and member of our executive committee since its inception in December 1993. From October 1996 to June 2000, he served as vice chairman of our board of directors and Chairman of its executive committee. From December 1993 until October 1996, he served as our Chairman of the Board. From June 1991 through July 1998, Mr. Bannon served as the chief executive officer of Bannon & Co., Inc., an investment banking firm specializing in the entertainment, media and communications industries. Bannon & Co. formed a joint venture with Societe Generale in 1996 creating Societe Generale Bannon to undertake media and entertainment investment banking. In July 1998, Societe Gererale purchased the joint venture. Mr. Bannon is currently A Partner of The Firm, one of the largest talent management companies in the entertainment business. Mr. Bannon is in charge of The Firm's Strategic Advisory Services Division.

Scot K. Vorse became a director of our company in January 1995. From January 1995 until October 1996, he served as our treasurer and secretary, and from January 1995 until November 1996, he served as our vice president. From June 1991 through July 1998, Mr. Vorse served as an executive vice president and the chief financial officer of Bannon & Co., Inc. After the acquisition of Bannon & Co., Inc. by SG Cowen Securities Corporation in July 1998, Mr. Vorse served as managing director and co-head of SG Cowen Securities Corporation's media and entertainment group until March 2000. Since March 2000, Mr. Vorse has been managing his personal investments and consulting.

Barry R. Minsky has served as a director of our company since June 2000. Since 1977, Mr. Minsky has served as president of Wharton Capital Corporation and since 1996 as chief executive officer of Wharton Capital Partners, Ltd., a New York-based investment banking firm which, along with its partners, facilitates financing for public companies and institutional clients. Mr. Minsky has assisted public and private corporations in merger and acquisition activities, sourcing financing and developing financial strategies. Mr. Minsky also has experience in music publishing, film libraries, motion picture production and distribution. Mr. Minsky received a B.S. in economics and graduated on the dean's list from the Wharton School, University of Pennsylvania.

Joseph Linehan has served as a director of our company since June 2000. Mr. Linehan has been employed in various capacities with The Union Labor Life Insurance Co. since 1984. Since April 2001, Mr. Linehan has served as vice president-private capital. Mr. Linehan received a B.A. and M.B.A. from the University of Maryland.

Patrick Costello has served as a director of our company since February 2003. Since May 1997, Mr. Costello has served as the Chief Financial Officer of Northway Management Company, LLC, a private investment company. Since August 1998, he has served as the Chief Financial Officer of Seven Hills. From May 1992 to May 1997, Mr. Costello was the Chief Financial Officer of PanAmSat International Corporation and was elected a director of PanAmSat International Corporation in October 1996. Mr. Costello continues to serve as a director of PanAmSat Corporation. Mr. Costello is a certified public accountant.

Reverge Anselmo has served as a director of our company since May 2002. Mr. Anselmo formed Seven Hills in 1996 to create and produce independent films and he currently serves as president of Seven Hills. Most recently, Mr. Anselmo wrote and directed Stateside, starring Jonathan Tucker, Rachael Leigh Cook, Agnes Bruckner and Val Kilmer. The romantic drama will be released theatrically in late 2003. Through Seven Hills Mr. Anselmo, wrote, directed and produced the feature films The Outfitters which was an official selection of the Sundance Film Festival and Lover's Prayer which starred Kristen Dunst and was distributed by our company. Mr. Anselmo also wrote the Harper Collins novel The Cadillac of Six-Bys. Mr. Anselmo is currently in development on his screenplays Runaway Bay and Over the Waves. Mr. Anselmo is also the owner and co-founder of the monthly magazine Magnificat.

Board of Directors

Our board of directors is divided into three classes, each of which generally serves for a term of three years, with only one class of directors being elected in each year. The term of the first class of directors, consisting of Reverge Anselmo, Joseph Linehan and Barry R. Minsky, would have expired at the annual meeting of our stockholders in 2002 but, as we did not have an annual meeting that year, will expire on the date of this year's annual meeting and the new term will expire at the annual meeting of our stockholders in 2005. The term of the second class of directors, consisting of Robert B. Little, Stephen K. Bannon and Christopher J. Cooney, will expire at the annual meeting of our stockholders in 2003. The term of the third class of directors, consisting of Scot K. Vorse, Patrick Costello and Jeffrey Cooney, would have expired at the annual meeting of stockholders in 2001 but, as we did not have an annual meeting that year, will expire on the date of this year's annual meeting and the new term will expire at the annual meeting of our stockholders in 2004. In each case, each director serves from the date of his election until the end of his term and until his successor is elected and qualifies.

Committees

Executive Committee. Christopher J. Cooney, Robert B. Little and Stephen K. Bannon currently serve on the executive committee. During intervals between the meetings of the board of directors, the executive committee exercises all powers of the board of directors (except those powers specifically reserved by Delaware law or our Bylaws to the full board of directors) in the management and direction of the business and conduct of our affairs in all cases in which specific directions have not been given by the board.

Compensation Committee. Joseph Linehan and Stephen K. Bannon currently serve on the compensation committee. The compensation committee administers our stock option plans to the extent contemplated thereby and reviews, approves, and makes recommendations with respect to compensation of officers, consultants and key employees.

Audit Committee. The audit committee currently consists of Stephen K. Bannon and Scot K. Vorse. The functions of the Audit Committee are: to review and approve the selection of, and all services performed by, our independent auditors; to meet and consult with and to receive reports from, our independent auditors and our financial and accounting staff; and to review and act with respect to the scope of audit procedures, accounting practices and internal accounting and financial controls.

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Amended and Restated Voting Agreement

We previously were party to a Voting Agreement, dated as of June 20, 2000, by and among us, Rosemary Street, Robert Little, Ellen Little (together with Robert Little, referred to as the "Littles"), MRCo., Inc., Christopher J. Cooney, Jeffrey Cooney and Wharton Capital Partners, Ltd. relating to the voting of shares of our common stock owned by the parties. In connection with the closing of the transaction with Seven Hills in June 2002, we and the other parties to the Voting Agreement entered into an Amended and Restated Voting Agreement with Seven Hills that supersedes the prior Voting Agreement and which provides that:

- So long as Robert Little is employed as our president or the Littles own 5% or more of our Voting Securities (as defined), each of Rosemary Street, Wharton and Seven Hills will use its best efforts to nominate and vote for Mr. Little to serve as a member of our board of directors and will not vote its "Voting Securities" to remove Robert Little as a director, except for "cause" (as defined).

- So long as Christopher Cooney and Jeffrey Cooney own, in the aggregate, directly or indirectly, 5% or more of our Voting Securities, each the Littles, Rosemary Street, Wharton and Seven Hills will use its best efforts to nominate and vote for Christopher Cooney and Jeffrey Cooney to serve as members of our board of directors and will not vote its Voting Securities to remove Christopher Cooney or Jeffrey Cooney as a director, except for cause.

- So long as MRCo., Inc. owns 5% or more of our Voting Securities, each of the Littles, Rosemary Street, Wharton and Seven Hills will use its best efforts to nominate and vote for a designee of MRCo., Inc. to serve as a member of our board of directors and will not vote its Voting Securities to remove such designee as a director, except for cause.

- So long as Seven Hills owns 5% or more of our Voting Securities, each of the Littles, Rosemary Street and Wharton will use its best efforts to nominate and vote for two individuals designated by Seven Hills to serve as members of our board of directors and will not vote its Voting Securities to remove such designees as directors, except for cause.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires

our directors and executive officers and persons who own more than 10% of our common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Our executive officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of Section 16(a) forms they file. To our knowledge, based solely upon a review of the Forms 3 and 4 and amendments thereto furnished to us during our most recent fiscal year, the Forms 5 furnished to us with respect to our most recent fiscal year, and written representations of our directors, executive officers and 10% stockholders, during the year ended December 31, 2002, all Section 16(a) filing requirements applicable to our executive officers, directors and 10% stockholders were complied with.

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ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the total compensation paid or accrued during 2002, 2001 and 2000 to our chief executive officer and our two other executive officers who earned more than $100,000 during those periods:

		Annual Compensation			L Com
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen- sation ($)	Securities Underlying Options/SARS (#)
Christopher J. Cooney	2002	200,000	0	0	0
Co-chairman of the board and	2001	200,000	0	0	0
chief executive officer	2000	100,000(2)	0	0	0
Robert B. Little	2002	300,000	50,000(3)	40,000(4)	0
Co-chairman of the board and	2001	300,000	50,000(3)	40,000(4)	0
president	2000	215,865(7)	37,500(8)	36,371(9)	250,000
William F. Lischak	2002	225,000	50,000	0(11)	0
Chief operating officer, chief	2001	212,980	50,000	0(11)	0
financial officer and secretary	2000	212,980	150,000	0(11)	75,000

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(1) Represents disability insurance premiums paid by us for the benefit of Mr. Cooney.

(2) Represents salary earned by Mr. Cooney commencing in June 2000 when he became co-chairman of the board and chief executive officer in connection with the closing of the private placement with Rosemary Street.

(3) Represents bonus earned by Mr. Little pursuant to his employment agreement of which $25,000 has been deferred.

(4) Represents general expenses allowance payable pursuant to Mr. Little's employment agreement.

(5) Represents $6,000 in contributions we made on behalf of Mr. Little pursuant to our 401(k) plan and $660 in disability insurance premiums paid by us for the benefit of Mr. Little.

(6) Represents $3,400 in contributions we made on behalf of Mr. Little pursuant to our 401(k) plan and $2,531 in disability insurance premiums paid by us for the benefit of Mr. Little.

(7) Represents salary earned by Mr. Little as our co-chairman of the board and co-chief executive officer through June 2000. In connection with the closing of the private placement with Rosemary Street in June 2000, we amended Mr. Little's existing employment agreement to provide for him to serve as co-chairman of the board and president.

(8) Represents bonus earned by Mr. Little pursuant to his employment agreement.

(9) Represents $11,852 of auto expense allowance, $3,750 in business management fees and $20,769 of general expense allowance paid pursuant to Mr. Little's employment agreement.

(10) Represents $3,115 in contributions we made on behalf of Mr. Little pursuant to our 401(k) plan, $32,966 in life insurance premiums and $2,634 in disability insurance premiums paid by us for the benefit of Mr. Little.

(11) Prerequisites with respect to the executive officer did not exceed the lesser of $50,000 or 10% of the executive officer's salary and bonus.

(12) Represents $4,860 in contributions we made on behalf of Mr. Lischak pursuant to our 401(k) plan, $5,135 in life insurance premiums and $660 in disability insurance premiums we paid for the benefit of Mr. Lischak.

(13) Represents $4,500 in contributions we made on behalf of Mr. Lischak pursuant to our 401(k) plan, $5,135 in life insurance premiums and $2,935 in disability insurance premiums we paid for the benefit of Mr. Lischak.

(14) Represents $4,260 in contributions we made on behalf of Mr. Lischak pursuant to our 401(k) plan, $6,139 in life insurance premiums and $1,887 in disability insurance premiums we paid for the benefit of Mr. Lischak.

There were no options granted to the executive officers named above during the year ended December 31, 2002.

The following table summarizes the number of exercisable and unexercisable

options held by the executive officers named above at December 31, 2002, and their value at that date if such options were in-the-money:

AGGREGATED OPTION EXERCISES IN 2002 AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercise Options at December 31 2002 Exercisable/ Unexercisa (#)
Christopher J. Cooney Co-chairman of the board and chief executive officer	0	0	0/0
Robert B. Little Co-chairman of the board and president	0	0	250,000/0
William F. Lischak Chief operating officer, chief financial officer and secretary	0	0	66,668/8,332

Director Compensation

Pursuant to the automatic option grant program under our 1996 Basic Stock Option and Stock Appreciation Rights Plan, each individual serving as a non-employee board member on October 31, 1996 was granted a non-qualified option to purchase 5,000 shares of common stock. In addition, each member of the board who is not employed by us receives an automatic grant of a non-qualified option to purchase 5,000 shares of the common stock (i) upon becoming a board member, whether through election at a meeting of our stockholders or through appointment by the board of directors and (ii) on the date of each annual meeting of stockholders, if such individual is to continue to serve as a board member after such meeting; provided such individual has served as a non-employee member of the board of directors for at least six months. Each such automatic option grant is, among other things, exercisable at the fair market value of the common stock on the date of the automatic grant and is generally exercisable after completion of one year of service to the board of directors measured from the automatic grant date. In addition, we reimburse all directors for travel and related expenses incurred in connection with their activities on our behalf. Our directors are not otherwise compensated for serving on the board.

Compensation Committee Interlocks And Insider Participation

Our compensation committee was established in October 1996 and currently consists of Joseph Linehan and Stephen K. Bannon. Mr. Linehan has served as one of our directors since June 2000. Mr. Bannon was our chairman of the board of directors during 1996 until consummation of the merger with Overseas Private and served as vice chairman of the board of directors and chairman of the executive

committee from October 1996 to June 2000. The compensation committee currently administers both of our stock option plans to the extent contemplated thereby.

Compensation Arrangements For Current Executive Officers

Christopher J. Cooney

In June 2000, we entered into an employment agreement with Christopher J. Cooney, which provided for Mr. Cooney to serve as our co-chairman of the board and the chief executive officer for a one-year term that expired in June 2001. Under the terms of the agreement, Mr. Cooney received a base salary of $200,000 and was entitled to receive an annual $25,000 bonus if our pre-tax profits exceeded $500,000 in any year during the term. Mr. Cooney also was entitled to an additional bonus, if any, as established by the board at the beginning of the employment term based on our achieving certain profit targets. The agreement contained a non-compete clause whereby Mr. Cooney agreed not to compete with us for the duration of the agreement. Mr. Cooney has continued to be compensated on the same terms as set forth in his expired employment agreement.

Robert B. Little

In June 2000, we entered into an amended and restated employment agreement with Robert B. Little, which provides for Mr. Little to serve as our co-chairman of the board and the president for a three-year term ending in June 2003. Mr. Little receives a base salary of $300,000 and a guaranteed bonus of $50,000, which will be increased by $25,000 on a cumulative basis for each year of the employment term in which our pre-tax profits exceed $500,000. Mr. Little also will be entitled to an additional bonus, if any, as may be established by the board at the beginning of each year of the employment term based on our achieving certain profit targets. If we achieve these targets, Mr. Little's employment agreement will be automatically renewed on the same terms for an additional two-year term. Regardless of whether we achieve the targets, we may give Mr. Little written notice at least six months prior to the expiration of the initial employment term that we elect to extend the initial term for an additional two years. If the initial term is not renewed, Mr. Little will be entitled to receive $400,000 in cash, payable in six equal monthly installments of $66,666, with the first payment to be made within 30 days after termination of the initial term. The agreement contains a non-compete clause whereby Mr. Little agreed not to compete with us for the duration of the agreement and for one year after its termination.

William F. Lischak

In June 2000, we entered into an amended and restated employment agreement with William F. Lischak, which provides for Mr. Lischak to serve as our chief operating officer and chief financial officer for a three-year term ending in June 2003. Mr. Lischak receives a base salary of $225,000 and a guaranteed bonus of $50,000, which will be increased by $15,000 on a cumulative basis for each year of the employment term in which our pre-tax profits exceed $500,000. Mr. Lischak also will be entitled to an additional bonus, if any, as may be established by the board at the beginning of each year of the employment term based on our achieving certain profit targets. If we achieve these targets, Mr. Lischak's employment agreement will be automatically renewed on the same terms for an additional two-year term. Regardless of whether we achieve the targets, we may give Mr. Lischak written notice at least six months prior to the expiration of the initial employment term that we elect to extend the initial term for an additional two years. If the initial term is not renewed, Mr. Lischak will be entitled to receive $300,000 in cash, payable in six equal monthly installments of $50,000, with the first payment to be made within 30 days after termination of the initial term. The agreement contains a non-compete clause whereby Mr. Lischak agreed not to compete with us for the duration of the agreement and for one year after its termination.

In connection with the June 2000 private placement with Rosemary Street, we granted Mr. Lischak an option under our 1996 Basic Stock Option Plan to purchase 75,000 shares of common stock at an exercise price of $3.40 per share. As of December 31, 2002, 66,668 options were exercisable. 2,083 options will become exercisable on the last day of each of the next 4 consecutive months thereafter. Once exercisable, the options will remain exercisable until April 2005.

Jeffrey Cooney

In June 2000, we entered into an employment agreement with Jeffrey Cooney, which provides for Mr. Cooney to serve as our executive vice president-creative affairs for a three-year term ending in June 2003. Mr. Cooney receives a base salary of $60,000 and will receive a $25,000 bonus for each year of the employment term in which our pre-tax profits exceed $500,000. Mr. Cooney also will be entitled to an additional bonus, if any, as may be established by the board at the beginning of each year of the employment term based on our achieving certain profit targets. If we achieve these targets, Mr. Cooney's employment agreement will be automatically renewed on the same terms for an additional two-year term. Regardless of whether we achieve the targets, we may give Mr. Cooney written notice at least six months prior to the expiration of the initial employment term that we elect to extend the initial term for an additional two years. If the initial term is not renewed, Mr. Cooney will be entitled to receive $100,000 in cash, payable in six equal monthly installments of $16,666.67, with the first payment to be made within 30 days after termination of the initial term. The agreement contains a non-compete clause whereby Mr. Cooney agreed not to compete with us for the duration of the agreement and for one year after its termination.

Stock Option Plans

Amended and Restated 1996 Special Stock Option Plan and Agreement

The Amended and Restated 1996 Special Stock Option Plan and Agreement primarily provides equity incentives to each of Robert B. Little and Ellen Dinerman Little. Under the special option plan, on October 31, 1996, each of Ms. Little and Mr. Little was granted two non-qualified options to purchase a total of 1,100,000 shares of common stock. All 2,200,000 shares of common stock initially reserved for issuance under the special option plan were subject to the options granted to the Littles.

In June 2000, we amended the special option plan. Pursuant to this amendment, we cancelled all of the options outstanding under the special option plan and granted each of Ms. Little and Mr. Little an option to purchase 250,000 shares of common stock at an exercise price of $3.40 per share. The options are immediately exercisable and expire in June 2005. As of December 31, 2002, neither of these options had been exercised.

1996 Basic Stock Option Plan

In October 1996, our stockholders approved the 1996 Basic Stock Option and Stock Appreciation Rights Plan under which a total of 550,000 shares of common stock are available for grant to our regular full-time employees, non-employee members of the board of directors, independent consultants and other persons who provide services to us on a regular or substantial basis. Awards consist of stock options (both non-qualified options and options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code) and stock appreciation rights. As of December 31, 2002, options to purchase an aggregate of 259,500 shares of common stock were outstanding under the basic

option plan, with exercise prices ranging from $1.75 to $5.25 per share.

2000 Performance Equity Plan

In November 2000, our stockholders approved the 2000 Performance Equity Plan, under which a total of 1,000,000 shares of common stock are available for grant to our key employees, officers, directors and consultants. Awards consist of stock options (both non-qualified options and options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code), restricted stock awards, deferred stock awards, stock appreciation rights and other stock-based awards, as described in the 2000 plan. As of December 31, 2002, options to purchase an aggregate of 10,000 shares of common stock were outstanding under the 2000 plan at an exercise price of $1.75 per share.

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Non-Plan Options

In July 1999, we granted options to Gary Stein to purchase 10,000 shares of our common stock at an exercise price of $2.44 per share in consideration for rendering consulting services to us. These options are currently exercisable and will remain exercisable until July 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of April 11, 2003 with respect to the common stock ownership of:

- those persons or groups known to beneficially own more than 5% of our voting securities;
- each director;
- each executive officer whose compensation exceeded $100,000 in 2002; and
- all current directors and executive officers as a group.

Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. The information concerning the stockholders is based upon information furnished to us by these stockholders. Except as otherwise indicated, all of the shares of common stock are owned of record and beneficially and the persons identified have sole voting and investment power with respect to the shares. Except as otherwise indicated in the table below, the business address of each of the persons listed is care of First Look Media, Inc., 8000 Sunset Boulevard, Penthouse East, Los Angeles, California 90046.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class of Voting Securities
Christopher J. Cooney c/o First Look Media, Inc. 603 Greenwich Street 2nd Floor New York, New York 10014	7,830,430(1) (13)	48.5%
Robert B. Little	1,864,406(2) (13)	12.4%

William F. Lischak	334,560(3)	2.3%
Jeffrey Cooney c/o First Look Media, Inc. 603 Greenwich Street 2nd Floor New York, New York 10014	7,830,430(1) (13)	48.5%
Stephen K. Bannon c/o Jeffries Bannon Media Fund LLC 11100 Santa Monica Blvd. Los Angeles, California 90025	146,324(4)	1.0%

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class of Voting Securities
Scot K. Vorse c/o 1863 Mango Way Los Angeles, California 90049	151,323(5)	1.0%
Barry R. Minsky c/o Wharton Capital Partners, Ltd. 545 Madison Avenue New York, New York 10022	990,735(6)	6.7%
Joseph Linehan c/o The Union Labor Life Insurance Co. 111 Massachusetts Avenue, N.W. Washington, DC 20011	5,000(7)	*
Reverge Anselmo c/o Seven Hills Pictures, LLC 1041 North Formosa Avenue West Hollywood, California 90046	4,672,421(8)	28.2%
Patrick Costello c/o Northway Management 164 Mason Street Greenwich, Connecticut 06830	0(9)	*
Rosemary Street Productions, LLC 222 East 44th Street New York, New York 10017	7,830,430(10)	48.5%
Seven Hills Pictures, LLC 1041 North Formosa Avenue West Hollywood, California 90046	4,672,421(11)	28.2%
Ellen Dinerman Little c/o Savitsky & Co. 1901 Avenue of the Stars Suite 1450 Los Angeles, California 90067	1,864,406(13)	12.4%

Dolphin Offshore Partners, L.P. c/o Dolphin Management 129 East 17th Street New York, New York 10003	1,435,447	9.9%
Wharton Capital Partners, Ltd. 545 Madison Avenue New York, New York 10022	690,735(13)	4.8%

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Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class of Voting Securities
Voting Group	15,057,992(12) (13)	80.5%
All current executive officers and directors as a group (10 persons)	15,995,199(14)	83.6%

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* Less than 1%

(1) Represents shares of common stock beneficially owned by Rosemary Street, of which Christopher J. Cooney is one of the two designated managers and president and of which Jeffrey Cooney is one of the two designated managers and creative director.

(2) Represents (i) 1,364,406 shares of common stock held by the Littles as community property in a revocable living trust, (ii) 250,000 shares of common stock issuable upon exercise of immediately exercisable options and (iii) 250,000 shares of common stock issuable upon exercise of immediately exercisable options granted to such person's spouse which generally only may be exercised by such person's spouse. Such person disclaims beneficial ownership of the shares subject to his or her spouse's options.

(3) Includes (i) 82,917 shares of common stock issuable upon exercise of immediately exercisable options and (ii) 2,083 shares of common stock issuable upon exercise of options that become exercisable on April 30, 2003.

(4) Includes 25,000 shares of common stock issuable upon exercise of immediately exercisable options.

(5) Represents (i) 25,000 shares of common stock issuable upon exercise of immediately exercisable options and (ii) 126,323 shares of common stock contributed by Mr. Vorse to a revocable living trust for the benefit of Mr. Vorse's spouse.

(6) Represents (i) 690,735 shares of common stock owned by Wharton Capital Partners Ltd., a New York corporation of which Mr. Minsky holds a 50%

interest, (ii) 295,000 shares of common stock issuable upon exercise of immediately exercisable warrants, 95,000 of which are held by Mr. Minsky's spouse and (iii) 5,000 shares of common stock issuable upon exercise of immediately exercisable options.

(7) Represents 5,000 shares of common stock issuable upon exercise of immediately exercisable options.

(8) Represents shares of common stock beneficially owned by Seven Hills, of which Reverge Anselmo is the sole member and manager. Excludes 5,000 shares of common stock issuable upon exercise of options granted in June 2002, which become exercisable one year from the date of grant.

(9) Excludes 5,000 shares of common stock issuable upon exercise of options granted in February 2003, which become exercisable one year from the date of grant.

(10) Includes 1,613,810 shares of common stock issuable upon exercise of immediately exercisable warrants.

(11) Includes (i) 881,137 shares of common stock issuable upon exercise of immediately exercisable warrants, (ii) 869,565 shares of common stock issuable upon the conversion of a $2,000,000 principal amount promissory note and (iii) 291,285 shares of common stock issuable upon exercise of warrants that became exercisable upon the conversion of the promissory note.

(12) The Voting Group consists of Rosemary Street, Christopher Cooney, Jeffrey Cooney, Robert and Ellen Little, Wharton Capital Partners, Ltd. and Seven Hills, each of whom is a party to, and has agreed to vote their shares in accordance with, the Amended and Restated Voting Agreement described below. Each of the members of this group shares voting power with respect to the shares of common stock held by each of the members. The number of shares set forth in the table includes the shares held by each member.

(13) Does not include shares held by other members of the Voting Group (see Note 12) with respect to which each member shares voting power with the other members of such group.

(14) Includes shares referred to as being included in notes 1 through 9. Excludes shares referred to in such notes as being excluded.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

First Look Agreement with the Little Film Company. Through June 2000, Ellen Dinerman Little was employed as our co-chairman of the board, co-chief executive officer and president. In June 2000, our existing employment agreement with Ms. Little was terminated and we entered into a "first look" agreement with The Little Film Company and Ms. Little. The agreement provides for a three-year term ending in June 2003. Pursuant to the first look agreement, the Little Film Company receives:

- an annual fee of $100,000;
- a discretionary revolving development fund of $100,000 for The Little Film Company's use in the option/acquisition of literary properties, engagement of writers and other customary development costs; and
- customary overhead, including office space, staff, telephone and

reasonable travel costs, of up to $150,000 per year.

The Little Film Company also is compensated on a project-by-project basis, through fixed producer fees equal to 3.5% of the all inclusive budget of each picture produced with a minimum of $150,000 and maximum of $500,000 per picture. Additionally, The Little Film Company may earn certain contingent compensation based upon the performance of the given picture. We have an exclusive "first look" on any project that The Little Film Company owns or controls or any project that it has the right to acquire or may wish to acquire for development or production. The Little Film Company furnishes us with the services of Ms. Little in connection with the development and possible production of theatrical motion pictures based upon accepted artist submissions meeting certain criteria. We did not compensate The Little Film Company relative to the production of any films during 2002 and 2001.

Consulting Agreement with Wharton Capital Partners, Ltd. In October 2000, we entered into a consulting agreement with Wharton Capital Partners Ltd. Barry R. Minsky, one of our directors, is the chief executive officer and a 50% stockholder of Wharton. Under the agreement, Wharton received a one-time fee of $100,000 and a monthly fee of $4,166 for 24 months beginning in November 2000. If Wharton introduces us to a financing source and we consummate any public or private equity and/or debt financing with the source during the term of the consulting agreement or during the two-year period following the expiration of the agreement, then we also will pay Wharton an amount equal to (i) 5% of all funds received by us from such public or private equity financing and (ii) 3% of all funds received by us from such public or private debt financing. Additionally, upon completion of an equity-based financing, we will issue to Wharton warrants to purchase shares of common stock equal to 5% of the common stock or common stock equivalents issued in the financing at an exercise price equal to 120% of the five-day average closing bid price prior to the closing of such financing. The warrants will be exercisable on a cashless basis and will have registration rights.

Film Marketing and Distribution Agreement with First Look/Seven Hills, LLC and Seven Hills. In May 2002, we formed a joint venture company with Seven Hills to provide marketing and distribution funds for the theatrical release of motion pictures. Reverge Anselmo, one of our directors, is the sole member and manager of Seven Hills, and Patrick Costello, one of our directors, is the chief financial officer of Seven Hills. In June 2002, Seven Hills funded our $2,000,000 capital contribution to the joint venture company pursuant to a convertible promissory note issued by the joint venture company and us. The note bears interest at a rate of 4% per annum, payable quarterly in arrears, and principal and unpaid accrued interest on the note are payable on June 25, 2008. The note is recourse against us as to interest only (accrued prior to the maturity date) and against the joint venture company as to both principal and interest. Also in June 2002, we entered into a Film Marketing and Distribution Agreement with Seven Hills and the joint venture company, pursuant to which the joint venture company will market and distribute motion pictures that Seven Hills Pictures or we select on an alternating basis. Under the agreement, we will receive a distribution fee equal to 10% of the Theatrical Gross Receipts (as defined in the agreement) derived from the U.S. theatrical distribution of each picture designated by Seven Hills that the joint venture company distributes. During 2002, the joint venture did not market or distribute any movies and therefore no fees were earned or received by us.

ITEM 14. CONTROLS AND PROCEDURES.

Within the 90-day period prior to the filing of this annual report, an evaluation of the effectiveness of our disclosure controls and procedures was

made under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, there were no significant changes in our internal controls or in other factors that could significantly affect these controls, including any corrective actions with regard to significance deficiencies and material weaknesses.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)(1) INDEX TO FINANCIAL STATEMENTS

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(a)(2) INDEX TO FINANCIAL STATEMENTS SCHEDULES

Schedule II - Valuation and Qualifying Accounts	S-1

(a)(3) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, dated October 25, 1996, filed with the SEC on November 12, 1996.

3.2	Bylaws, as amended on June 20, 2000. Incorporated by reference to Exhibit 3.2 to our Amended Current Report on Form 8-K/A filed with the SEC on June 29, 2000.
3.3	Certificate of Designations for Series A Preferred Stock. Incorporated by reference to Exhibit 3.3 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.
3.4	Amendment to our Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.4 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

4.1	Form of Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, dated October 25, 1996, filed with the SEC on November 12, 1996.
4.5	Warrant, dated October 31, 1996, issued to Jefferson Capital Group, Ltd. to purchase shares of our common stock. Incorporated by reference to Exhibit 4.6 to our current report on Form 8-K, dated October 25, 1996, filed with the SEC on November 26, 1996.
4.6	Warrant, dated June 20, 2000 issued in connection with the Rosemary Street transaction. Incorporated by reference to Exhibit 4.8 to our Amended Current Report on Form 8-K/A filed with the SEC on June 29, 2000.
4.7	Warrant, dated June 25, 2002, to purchase 881,137 shares of common stock issued to Seven Hills. Incorporated by reference to Exhibit 4.7 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
4.8	Warrant, dated June 25, 2002, to purchase 291,285 shares of common stock issued to Seven Hills. Incorporated by reference to Exhibit 4.8 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.1	Indemnity Agreement, dated October 31, 1996, between us and Robert B. Little. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, dated October 25, 1996, filed with the SEC on November 12, 1996.
10.2	Indemnity Agreement, dated October 31, 1996, between us and William F. Lischak. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, dated October 25, 1996, filed with the SEC on November 12, 1996.
10.3	Indemnity Agreement, dated October 31, 1996, between us and Stephen K. Bannon. Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K, dated October 25, 1996, filed with the SEC on November 12, 1996.
10.4	Indemnity Agreement, dated October 31, 1996, between us and Scot K. Vorse. Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K, dated October 25, 1996, filed with the SEC on November 12, 1996.
10.5	1996 Basic Stock Option and Stock Appreciation Rights Plan. Incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the year ended December 31, 1996.
10.6	Lease Agreement dated April 21, 1987, as amended. Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K for the year ended December 31, 1996.

10.7 Amendment, dated April 1, 1997 to Lease Agreement, dated April 21, 1987. Incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K for the year ended December 31, 1997.

10.8 Movie and Motion Picture Programming Agreement, dated July 19, 1999, between broadcast.com inc. and our company. Incorporated by reference to Exhibit 10.34 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.*

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*Confidential treatment has been granted for portions of such exhibit.

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10.9 Securities Purchase Agreement, dated May 3, 2000, between our company and Rosemary Street. Incorporated by reference to Exhibit 10.35 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.10 Assignment and Assumption Agreement between our company and Rosemary Street. Incorporated by reference to Exhibit 10.36 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.11 Amended and Restated 1996 Special Stock Option Plan and Agreement among the Littles and our company. Incorporated by reference to Exhibit 10.37 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.12 Stock Option Agreement between us and William Lischak. Incorporated by reference to Exhibit 10.38 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.13 Amended and Restated Employment Agreement between Robert Little and us. Incorporated by reference to Exhibit 10.39 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.14 Amended and Restated Employment Agreement between William Lischak and us. Incorporated by reference to Exhibit 10.40 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.15 Employment Agreement between Christopher Cooney and us. Incorporated by reference to Exhibit 10.41 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.16 Employment Agreement between Jeffrey Cooney and us. Incorporated by reference to Exhibit 10.42 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.17 First Look Agreement between The Little Film Company, Inc. and us. Incorporated by reference to Exhibit 10.43 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.18 Note and Debt Contribution Agreement among the Littles and us. Incorporated by reference to Exhibit 10.44 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

10.19 Form of Management Letter between each of Robert Little and Ellen Little and us. Incorporated by reference to Exhibit 10.45 to our Amended Current

	Report on Form 8-K/A, filed with the SEC on June 29, 2000.
10.20	Voting Agreement among our company, Rosemary Street, the Littles, MRCo., Inc., Christopher Cooney and Jeffrey Cooney. Incorporated by reference to Exhibit 10.46 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.
10.21	Form of Credit, Security, Guaranty and Pledge Agreement, dated as of June 20, 2000, among our company, as Borrower, the Guarantors named therein and the Lenders named therein, with The Chase Manhattan Bank, as Administrative Agent, and The Chase Manhattan Bank, as Issuing Bank (without schedules and exhibits). Incorporated by reference to Exhibit 10.47 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.

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10.22	Copyright Security Agreement, dated as of June 20, 2000 (without schedules and exhibits). Incorporated by reference to Exhibit 10.48 to our Amended Current Report on Form 8-K/A, filed with the SEC on June 29, 2000.
10.23	Consulting Agreement, dated October 1, 2000, between us and Wharton Capital Partners, Ltd. Incorporated by reference to Exhibit 5 to the Schedule 13D filed by Wharton with the SEC on November 28, 2000.
10.24	2000 Performance Equity Plan. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.
10.25	Amendment No. 1, dated May 16, 2001 to the Credit, Security, Guaranty and Pledge Agreement, dated as of June 20, 2000, among our company, as Borrower, the Guarantors named therein and the Lenders named therein, with The Chase Manhattan Bank, as Administrative Agent, and the Chase Manhattan Bank, as Issuing Bank. Incorporated by reference to Exhibit 10.28 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
10.26	Amendment No. 2, dated as of September 17, 2001 to the Credit, Security, Guaranty and Pledge Agreement, dated as of June 20, 2000, as amended, among our company, as Borrower, the Guarantors named therein and the Lenders named therein, with The Chase Manhattan Bank, as Administrative Agent, and The Chase Manhattan Bank, as Issuing Bank. Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.
10.27	Agreement of Sublease dated November 15, 2001 between Scott Mednick & Associates, Inc. and First Look Media, Inc. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.
10.28	Securities Purchase Agreement, dated as of May 20, 2002, between our company and Seven Hills. Incorporated by reference to Exhibit 10.28 to our Current Report on Form 8-K, filed with the SEC on May 29, 2002.
10.29	First Amendment to Securities Purchase Agreement, dated as of June 25, 2002. Incorporated by reference to Exhibit 10.28(a) to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.30	Secured Convertible Promissory Note in favor of Seven Hills. Incorporated by reference to Exhibit 10.29 to our Amended Current Report on Form 8-K/A,

filed with the SEC on July 2, 2002.

10.31	Pledge and Security Agreement between our company and Seven Hills. Incorporated by reference to Exhibit 10.30 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.32	Investor Rights Agreement between our company and Seven Hills. Incorporated by reference to Exhibit 10.31 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.

10.33	Limited Liability Company Agreement of F/SLLC. Incorporated by reference to Exhibit 10.32 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.34	Film Marketing and Distribution Agreement among our company, Seven Hills and F/SLLC. Incorporated by reference to Exhibit 10.33 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.35	Amended and Restated Voting Agreement among our company, Seven Hills, Rosemary Street, the Littles, MRCo, Inc., Wharton, Christopher Cooney and Jeffrey Cooney. Incorporated by reference to Exhibit 10.34 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.36	Amendment No.3, dated as of June 24, 2002, to the Credit, Security, Guaranty and Pledge Agreement dated as of June 20, 2000, as amended among our company, as Borrower, the Guarantors named therein, the Lenders referred to therein, and JPMorgan Chase Bank, as Administrative Bank and as Issuing Bank. Incorporated by reference to Exhibit 10.35 to our Amended Current Report on Form 8-K/A, filed with the SEC on July 2, 2002.
10.37	Amendment No. 4, dated as of February 18, 2003, to the Credit, Security, Guaranty and Pledge Agreement dated as of June 20, 2000, as amended among our company, as Borrower, the Guarantors named therein, the Lenders referred to therein, and JPMorgan Chase Bank, as Administrative Bank and as Issuing Bank. Filed herewith.
21	Subsidiaries of the Registrant. Filed herewith.
23	Consent of PricewaterhouseCoopers LLP. Filed herewith.
99	Risk factors. Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 15, 2003

FIRST LOOK MEDIA, INC.

By: /s/ Christopher J. Cooney

Christopher J. Cooney
Co-Chairman of the Board of Directors
and Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/Christopher J. Cooney Christopher J. Cooney	Co-Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	April 15, 2003
/s/ Robert B. Little Robert B. Little	Co-Chairman of the Board of Directors and President	April 15, 2003
/s/ William F. Lischak William F. Lischak	Chief Operating Officer, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	April 15, 2003
/s/ Jeffrey Cooney Jeffrey Cooney	Executive Vice President - Creative Affairs and Director	April 15, 2003
Stephen K. Bannon	Director	
Scot K. Vorse	Director	
Barry R. Minsky	Director	
/s/ Joseph Linehan	Director	April 15, 2003

Joseph Linehan

/s/ Reverge Anselmo	Director	April 15, 2003

Reverge Anselmo

Director

Patrick Costello

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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of First Look Media, Inc. (the "Company") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

April 15, 2003

/s/ Christopher J. Cooney

Christopher J. Cooney
Chief Executive Officer

/s/ William F. Lischak

William F. Lischak
Chief Financial Officer, Chief
Operating Officer and Secretary

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CERTIFICATION PURSUANT TO
RULE 13a-14 AND 15d-14 UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Christopher J. Cooney, certify that:

1. I have reviewed this annual report on Form 10-K of First Look Media, Inc.;

2. based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. the registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. the registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 15, 2003

/s/ Christopher J. Cooney

Christopher J. Cooney
Chief Executive Officer

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14 UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, William F. Lischak, certify that:

1. I have reviewed this annual report on Form 10-K of First Look Media, Inc.;

2. based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. the registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. the registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 15, 2003

/s/ William F. Lischak

William F. Lischak
Chief Financial Officer,
Chief Operating Officer and Secretary

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of First Look Media, Inc. (formerly known as
Overseas Filmgroup, Inc.):

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of First Look Media, Inc. ("the Company") and its subsidiaries at December 31, 2002 and December 31, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred operating losses and negative cash flows from operations for the past three years which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Century City, California

March 28, 2003

FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)

CONSOLIDATED BALANCE SHEETS

ASSETS:

Cash and cash equivalents
Accounts receivable, net of allowance for doubtful accounts of $2,401,000
and $1,150,000, respectively
Investment
Film costs, net of accumulated amortization
Other assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY:

Accounts payable and accrued expenses
Accrued interest payable
Deferred revenue
Payable to producers
Notes payable

Total liabilities

Commitments and contingencies (Note 10)

Shareholders' equity:

Common stock, $.001 par value, 50,000,000 shares authorized; 14,584,573 and
11,658,848 shares issued at December 31, 2002 and 2001, respectively;
14,539,573 and 11,613,848 shares
outstanding at December 31, 2002 and 2001, respectively
Additional paid-in capital
Accumulated deficit
Treasury stock at cost, 45,000 shares

Total shareholders' equity

Total liabilities and shareholders' equity

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

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FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ende

	2002
	(in thousands
Revenues	$ 26,699
Expenses:	
Film costs	19,779
Distribution and marketing	7,541
Selling, general and administrative	7,928
Total expenses	35,248
Loss from operations	(8,549)
Other income (expense):	
Interest income	144
Interest expense	(1,118)
Other income	236
Total other expense	(738)
Loss before income taxes and cumulative effect of accounting change	(9,287)
Income tax provision	91
Loss before cumulative effect of accounting change	(9,378)
Cumulative effect of accounting change (net of income taxes)	-
Net loss	$ (9,378)
Basic and diluted loss per share:	
Loss before cumulative effect of accounting change	$ (0.71)
Cumulative effect	-
Net loss	$ (0.71)
Weighted average number of common shares outstanding	13,270

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

FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year E
	2002
	(
Cash flows from operating activities:	
Net loss	$ (9,378)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities	
Cumulative effect of accounting change	-
Film costs	19,779
Additions to film costs	(17,105)
Payments to producers	(13,472)
Capital gains and other non-cash income	22
Changes in operating assets and liabilities:	
Accounts receivable	9,123
Related party receivables	-
Other assets	360
Accounts payable and accrued expenses	(226)
Deferred income taxes	-
Deferred revenue	399
Net cash used in operating activities	(10,498)
Cash flows from investing activities:	
Investment	(2,000)
Sale of marketable securities	-
Net cash (used in) provided by investing activities	(2,000)
Cash flows from financing activities:	
Issuance of equity instruments, net of expenses	5,718
Investment by significant shareholder	-
Net borrowings (pay down) under credit facility	4,000
Convertible note payable and warrant	2,000
Net pay down of subordinated note payable	(180)
Net pay down of note payable to shareholders	-
Decrease in restricted cash position	-
Net cash provided by financing activities	11,538
Net (decrease) increase in cash and cash equivalents	(960)
Cash and cash equivalents at beginning of year	1,673
Cash and cash equivalents at end of year	$ 713
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	$ 1,097
Income taxes	$ 11

Foreign withholding taxes	$ 80
Non-cash financing activities:	
Contribution of capital by significant shareholder	$ -

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

FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Preferred Stock		Common Stock	
	Number	Amount	Number	Amount
Balance at December 31, 1999	-	$ -	6,341	$ 6
Issuance of common stock, preferred stock and warrants	905	1	5,097	5
Retirement of common stock	-	-	(1,589)	(1
Forgiveness of notes payable, accrued expenses and contribution of capital	-	-	-	-
Comprehensive income:				
Reversal of unrealized holding gain upon sale of investment available for sale	-	-	-	-
Net loss	-	-	-	-
Total comprehensive income				
Balance at December 31, 2000	905	1	9,849	10
Conversion of preferred stock to common	(905)	(1)	1,810	2
Net loss	-	-	-	-
Balance at December 31, 2001	-	-	11,659	12
Issuance of common stock in exchange for outstanding warrants	-	-	295	-
Issuance of warrants in connection with note	-	-	-	-
Issuance of common stock and warrants	-	-	2,630	3
Net loss	-	-	-	-
Balance at December 31, 2002	-	$ -	14,584	$ 15

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

FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Cont'd)
(in thousands)

	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders Equity
Balance at December 31, 1999	$ 1,477	$ (87)	$ 13,299
Issuance of common stock, preferred stock and warrants	-	-	16,420
Retirement of common stock	-	-	-
Forgiveness of notes payable, accrued expenses and contribution of capital	-	-	2,153
Comprehensive income:			
Reversal of unrealized holding gain upon sale of investment available for sale	(1,477)	-	(1,477)
Net loss	-	-	(20,490)
Total comprehensive income			(21,967)
Balance at December 31, 2000	-	(87)	9,905
Conversion of preferred stock to common	-	-	-
Net loss	-	-	(3,854)
Balance at December 31, 2001	-	(87)	6,051
Issuance of common stock in exchange for outstanding warrants	-	-	-
Issuance of warrants in connection with note	-	-	268
Issuance of common stock and warrants	-	-	5,718
Net loss	-	-	(9,378)
Balance at December 31, 2002	$ -	$ (87)	$ 2,659

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

FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS:

General

First Look Media, Inc. (formerly known as Overseas Filmgroup, Inc.) ("Company") is principally involved in the acquisition and worldwide license or sale of distribution rights to independently produced motion pictures. Certain motion pictures are directly distributed by the Company in the domestic theatrical market under the name "First Look Pictures", and in the domestic video market under the name "First Look Home Entertainment. The Company also produces television commercials under the name "First Look Artists".

Liquidity and Capital Resources

For the two years ended December 31, 2002, the Company had operating losses of $11,711,000 and its operating activities used $17,221,000 of cash. As of December 31, 2002, the Company had cash and cash equivalents of $713,000 and, based on its calculations, approximately $2,045,000 available for borrowing under its JPMorgan Credit Facility (see Note 6). The recent operating losses and negative cash flow the Company has experienced, along with the general market conditions for the Company's business, has resulted in ongoing review and discussions between the Company and its primary lender, JPMorgan and participating banks in its credit facility. In February 2003, JPMorgan requested that the Company voluntarily reduce the amount that it is permitted to borrow under the credit facility in relation to its library value. The credit agreement initially provided that the Company could borrow up to 50% (the "advance rate") of the valuation of its library, conducted by an independent third party approved by JPMorgan. JPMorgan asked that this advance rate be reduced by 5% (to 45%) as of April 1, 2003, an additional 5% (to 40%) as of July 1, 2003, and a final 5% (to 35%) as of October 1, 2003. On February 18, 2003 management agreed to these reductions, which are reflected in an amended credit agreement (see Note 14).

The Company's significant net losses and negative cash flow along with the most recent modification and pending modifications under the credit agreement with JPMorgan raise questions about its ability to continue as a going concern. The Company has been reviewing its past business plan, alternative plans and other options. The Company has made reductions in overhead, including staff reductions, certain consulting contracts have not been renewed, and the Company has not revnewed its first look arrangement with Grandview Pictures. The Company also is considering further reductions in overhead. Budgeted film investment has been significantly reduced from 2002. Additionally, the Company is actively in discussion with various parties regarding potential strategic relationships, equity investment and revised business plans. If the Company is not successful in generating sufficient future cash flow from operations in accordance with its current or an altered business plan, raising additional capital through public or private financings, strategic relationships or other arrangements will be necessary. This additional funding, if needed, might not be available on acceptable terms, or at all. Failure to raise sufficient capital, if and when needed, could have a material adverse effect on the business, results of operations and financial condition of the Company, including the ability of the Company to continue to operate as a going concern.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements of the Company include the financial position, results of operations and cash flows of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Revenues

Revenues from nonrefundable guarantees payable by sub-distributors are recognized when the film becomes available for release and certain other conditions are met in accordance with Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). Amounts received in advance of the film being available are recorded as deferred revenue. Revenues from direct

theatrical distribution of films are recognized on the dates of exhibition. Revenues from home video market are recognized, net of a reserve for returns, upon availability of product to retailers.

Film Costs

The Company accounts for film costs in accordance with SOP 00-2. Film costs include the direct costs of acquiring and producing motion picture product. Capitalized costs are amortized using the individual film forecast method whereby expense is recognized in the proportion that current year revenues for each film bear to management's estimate of ultimate revenues. Film costs are stated at the lower of net unamortized cost or net realizable value.

In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued SOP 00-2, which replaces SFAS No. 53. SOP 00-2 was adopted for the Company's fiscal year beginning January 1, 2000. SOP 00-2 establishes new accounting standards for producers or distributors of films, including changes in revenue recognition and accounting for advertising, development and overhead costs. Under the new standard, all exploitation costs such as advertising and marketing costs for theatrical and television products will be expensed as incurred, whereas under the previous standards, these costs were capitalized and amortized over the products' lifetime revenues. In addition, the new standard requires that development costs for abandoned projects be charged directly to expense rather than being included in production overhead and reestablished as film costs. The Company elected early adoption of SOP 00-2 and, as a result, in 2000, a cumulative charge for the change in accounting principle of $15,582,000 ($14,123,000 net of income taxes) has been reflected in the Company's Consolidated Statement of Operations for the year ended December 31, 2000.

Payables to Producers

The Company accounts for participations due to producers in accordance with SOP 00-2. Management's estimate of ultimate participations is accrued as an expense using the individual film forecast method whereby expense is recognized in the proportion that current year revenues for each film bear to management's estimate of ultimate revenues. In the year ending December 31, 2003, management expects to make payments of approximately $13,000,000 to settle producer liabilities outstanding at December 31, 2002.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. The carrying value of the

Company's cash and cash equivalents approximate fair value due to their short-term nature.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of assets, which range from 5 to 7 years using the straight line method. Leasehold improvements are amortized over the shorter of the useful lives of assets or the term of the lease.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. If such assets are considered impaired, the amount of the impairment loss recognized is measured as the amount by which the carrying value of the asset exceeds the fair value of the asset, fair value being determined based upon discounted cash flows. The Company has recorded write-downs of film costs amounting to $3,189,000, $1,815,000 and $494,000 for the years ended December 31, 2002, 2001 and 2000 respectively, as a result of downward adjustments of projected ultimate revenues. These write-downs are included in film costs in the Consolidated Statements of Operations.

Fair Value of Financial Instruments

The recorded value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and payable to producers approximate their fair value due to the relative short maturities of these instruments. The fair value of notes payable approximates the recorded value due to the stated interest rate on such instruments.

Segment Reporting

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" effective January 1, 2000. SFAS No. 131 establishes standards for the way companies report information about operating segments in interim and annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company's management has determined that the Company operated within two discrete reportable business segments for the years ended December 31, 2002 and 2001, and one discrete reportable business segment for the year ended December 31, 2000.

Income Taxes

The Company records income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes". The standard requires, among other provisions, an asset and liability approach to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Basic and Diluted Loss per Share

Basic and diluted net loss per share is computed by dividing the net loss

applicable to common stockholders by the weighted average number of shares of common stock and common equivalent shares outstanding. Common equivalent shares related to all stock options, warrants and convertible preferred stock during the three years ended December 31, 2002 have been excluded from the computation below because their effect is anti-dilutive.

The following table sets forth common stock equivalents (potential common stock) that are not included in the diluted net loss per share calculations above because their effect would be anti-dilutive for the years indicated:

	Year Ended December 31,		
	2002	2001	2000
Weighted average common stock equivalents:			
Convertible preferred stock	-	-	904,971
Stock options	749,766	375,076	1,546,377
Warrants	3,658,400	7,551,310	6,118,319

Accounting for Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees," and FASB Interpretation ("FIN") No. 28 "Accounting for Stock Appreciation Rights and Other Variable Stock Option Award Plans an Interpretation of APB Opinions No. 15 and 25" and complies with the disclosure requirement of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under APB No. 25, compensation cost, if any, is recognized over the respective vesting period based on the difference, if any, on the date of grant, between the fair value of the Company's common stock and the grant price. The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF 96-18, "Accounting for Equity Instruments that are issued to other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

In March 2000, the Financial Accounting Standards Board issued FIN No. 44, "Accounting for Certain Transactions involving Stock Compensation." FIN No. 44

provides guidance for issues arising in applying APB No. 25. FIN No. 44 applies specifically to new awards, exchanges of awards in a business combination, modification to outstanding awards, and changes in grantee status that occur on or after July 1, 2000, except for the provisions related to repricing and the definition of an employee which apply to awards issued after December 15, 1998. The Company's financial statements have been prepared under the guidance provided by FIN No. 44.

The Company applies APB No. 25 and related interpretations to account for stock options granted to employees and directors. Had compensation cost been recognized pursuant to the fair value approach of SFAS No. 123, the Company's pro forma net loss and net loss per share applicable to common stockholders would have been as follows:

	2002
Net loss before cumulative effect of accounting change:	

As reported	$ (9,378)	$
SFAS 123 pro forma	(9,378)	
Net loss:		
As reported	(9,378)	
SFAS 123 pro forma	(9,378)	
Basic and diluted net loss per share:		
As reported		
Net loss before cumulative effect of accounting change	(0.71)	
Net loss	(0.71)	
SFAS 123 pro forma		
Net loss before cumulative effect of accounting change	(0.71)	
Net loss	(0.71)	

The fair value of each stock option granted has been estimated on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	3.5%
Expected life (in years)	4 years
Dividend yield	0%
Expected volatility	50%

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The Company places its cash with a financial institution and, at times, such amounts may be in excess of the FDIC insurance limits. Concentration of credit risk associated with accounts receivable is limited due to the large number of customers, as well as their dispersion across geographic areas. The Company performs credit evaluations of its customers and generally does not require collateral. As of December 31, 2002, two customers had outstanding balances of 14.8% and 11.1% of the Company's total accounts receivable.

Comprehensive Income

The Company has adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined,

includes all changes in equity during a period from non-owner sources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure

of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to amounts reported in prior periods to conform with the current year presentation.

Recent Accounting Pronouncements

On December 31, 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. It also amends the disclosure provisions of and requires prominent disclosure about the effects on reported net income of a company's accounting policy decisions with respect to stock-based employee compensation. In addition, this statement amends APB No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The disclosure requirements for interim financial statements containing condensed consolidated financial statements are effective for interim periods beginning after December 15, 2002. The Company does not intend to adopt the fair value method of accounting for stock-based compensation of SFAS No. 123 and accordingly SFAS No. 148 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 3 - EQUITY INVESTMENTS:

June 2002 Securities Purchase Agreement with Seven Hills

In June 2002, the Company consummated a private placement with Seven Hills, in which the Company sold to Seven Hills, for an aggregate cash purchase price of $6,050,000, 2,630,434 shares of the Company's common stock and five-year warrants to purchase up to 1,172,422 shares of the Company's common stock at an exercise price of $3.40 per share (Note 8). As of December 31, 2002, Seven Hills owned approximately 18.1% of the Company's outstanding voting securities.

Additionally, in May 2002, the Company and Seven Hills formed a joint venture company that will provide marketing and distribution funds for the theatrical release of motion pictures that the Company or Seven Hills selects on an alternating basis. In June 2002, Seven Hills funded the Company's $2,000,000 capital contribution to the joint venture company pursuant to a convertible promissory note (Note 6) issued by the Company and the joint venture company. The investment in the joint venture company is reported as an asset on the balance sheet under "Investment". Seven Hills also funded its own $2,000,000 capital contribution to the joint venture company in June 2002.

June 2000 Securities Purchase Agreement with Rosemary Street

In June 2000, the Company consummated a Securities Purchase Agreement with Rosemary Street in which the Company sold to Rosemary Street for an aggregate cash price of $17,000,000 (i) 5,097,413 shares of common stock, (ii) 904,971 shares of Series A convertible preferred stock (which were converted into 1,809,942 shares of common stock in October 2001) and (iii) five-year warrants to purchase up to 2,313,810 shares of common stock for an exercise price of $3.40 per share. Direct expenses associated with the issuance of stock and warrants amounted to $580,000 through December 31, 2001, which were charged to equity. As of December 31, 2002, Rosemary Street owned approximately 42.8% of

the Company's voting securities.

In accordance with the terms of the Securities Purchase Agreement with Rosemary Street, in June 2000, the Littles, former co-chairs of the Board of Directors, co-chief executive officers and significant stockholders of the Company, forgave $2,023,000 in notes and other payables owed to them by the Company. In addition, the Littles contributed to the Company $130,000 in cash and 1,588,812 shares of the Company's common stock they owned. In return, in accordance with the terms of the Securities Purchase Agreement, the Company paid $1,430,000 to the Littles.

NOTE 4 - MARKETABLE SECURITIES:

In July 1999, the Company and broadcast.com entered into an agreement whereby broadcast.com was granted the right to exhibit, via the Internet, certain films owned by the Company. Additionally, broadcast.com received 562,527 shares of the Company's common stock in consideration for 11,302 shares in broadcast.com. In July 1999, the Company received 17,454 shares of common stock of Yahoo!, Inc. ("Yahoo!"), reflecting a 2 for 1 stock split, in exchange for its shares of broadcast.com, following Yahoo!'s acquisition of broadcast.com. The Company accounted for its investment in Yahoo! under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The investment in Yahoo! was classified as an available-for-sale security and was carried on the balance sheet at fair value. During 2000, the Company sold all its shares of Yahoo! common stock for approximately $2,056,000.

NOTE 5 - FILM COSTS:

Film costs consist of the following:

	December 31, 2002	December 31, 2001
	(in thousands)	
Films in release net of accumulated amortization	$ 15,601	$ 13,167
Films not yet available for release	7,597	5,137
	$ 23,198	$ 18,304

Interest costs capitalized to films were $236,000, $191,000 and $186,000 during the years ended December 31, 2002, 2001 and 2000, respectively. Based on the Company's estimates of projected gross revenues as of December 31, 2002, approximately 82% and 90% of unamortized film costs applicable to films in release and not yet released, are expected to be amortized during the next three years, respectively.

NOTE 6 - NOTES PAYABLE:

Notes payable consist of the following:

	2002	2001
	(in thousands)	
Borrowing under credit facility	$ 18,500	$ 14,500
Subordinated note payable	1,754	1,806
	$ 20,254	$ 14,680

Concurrently with the consummation of the Securities Purchase Agreement with Rosemary Street (Note 3), in June 2000 the Company entered into a five-year $40 million revolving credit facility (the "JPMorgan Credit Facility") with JPMorgan (formerly Chase Securities, Inc. and The Chase Manhattan Bank) and other commercial banks and financial institutions. A portion of the proceeds from this credit facility was used to refinance outstanding loans and accrued interest under the Company's previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G. (the "Coutts/Bankgesellschaft Credit Facility"). The remaining proceeds have been used to finance the Company's production, acquisition, distribution and exploitation of motion pictures, and for working capital and general corporate purposes (Note 14). During the years ended

December 31, 2002 and 2001, the Company borrowed $4,000,000 and $8,000,000, respectively, under the JPMorgan Credit Facility.

The amounts borrowed under the JPMorgan Credit Facility bear interest, as the Company may select, at rates based on either LIBOR plus 2% or a rate per annum equal to the greater of (a) the Prime Rate plus 1%, (b) the Base CD Rate plus 2% and (c) the Federal Funds Effective Rate plus 1.5% (as these terms are defined in the JPMorgan Credit Facility Agreement). In addition to an annual management fee of $125,000, the Company pays a commitment fee on the daily average unused portion of the JPMorgan Credit Facility at an annual rate of 0.5%. Upon entering the JPMorgan facility, we paid a one-time fee of approximately $848,000 as a cost of acquiring the JPMorgan facility. Additionally, in 2001 we added one lender (increasing total commitments to $40,000,000 from $33,000,000) and paid an additional fee of $42,000. The JPMorgan facility restricts the creation or incurrence of indebtedness or the issuance of additional securities. The JPMorgan facility is collateralized by all tangible and intangible assets and future revenues of the Company.

As of December 31, 2002, the Company's cumulative losses resulted in a breach of the covenant contained in the credit agreement with JPMorgan that sets forth a minimum level of net worth that the Company is required to maintain. The Company has requested a waiver of this breach. JPMorgan currently is considering this request and the Company is in negotiation with respect to further modifications JPMorgan will require to the credit agreement in exchange for such waiver (Note 14).

In addition to the amounts outstanding under the JPMorgan Credit Facility Agreement, during 1998 the Company borrowed $2,000,000 from another lender, the proceeds of such loan were used to acquire rights to a particular film. This subordinated note bore interest at the Prime Rate plus 1.5% and was collateralized by amounts due under distribution agreements from the specific film. The outstanding remaining obligation of $180,000 was fully repaid in March 2002.

In May 2002, the Company and Seven Hills formed a joint venture company (Note 3). In connection with formation of the joint venture, the Company and the joint venture issued a $2,000,000 convertible promissory note to Seven Hills. The note bears interest at a rate of 4% per annum, payable quarterly in arrears, and principal and unpaid interest on the note are payable on June 25, 2008. The note is recourse against the Company as to interest only (accrued prior to the maturity date) and against the joint venture company as to both principal and interest. The note has been discounted by approximately $268,000, the value of the 291,285 warrants issued in connection with this note (see Note 8), which discount will be amortized over the term of the note.

NOTE 7 - INCOME TAXES:

The components of the provision for income taxes on earnings before income taxes are as follows:

	Years ended December 31,		
	2002	2001	2000
	(in thousands)		
Current			
State	$ 11	$ 9	$ 6
Foreign withholding	80	53	131
	91	62	137
Deferred			
State	-	-	-
Federal	-	-	-
	-	-	-
	$ 91	$ 62	$ 137

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rates to loss before taxes and cumulative effect of accounting change, as a result of the following differences:

	Years ended December 31		
	2002	2001	2000
Federal statutory rate	(34.0)%	(34.0)%	(34.0)%
State taxes, net of federal benefit and income not subject to tax	(3.0)%	(3.0)%	(3.0)%
Deferred tax asset valuation allowance	36.5%	36.5%	37.0%
Other	1.5%	2.1%	2.2 %
	1.0%	1.6%	2.2 %

The deferred taxes relate primarily to differences arising from the amortization of film costs for book and tax purposes and the benefits associated with tax loss and foreign withholding tax credit carryforwards. The foreign withholding taxes are substantially recouped from the producers' share of revenue.

The Company has provided a valuation allowance for the full amount of its net deferred tax assets since realization of any future benefit from deductible temporary differences and net operating loss and tax credit carryforwards cannot be sufficiently assured at December 31, 2002.

At December 31, 2002, the Company had net operating loss carryforwards for both federal and state income tax purposes of approximately $30,000,000 and $4,600,000, respectively, which expire at various dates between 2006 and 2022, respectively. The net operating losses can be carried forward to offset future

taxable income, if any. Utilization of the carryforwards may be subject to utilization limitations which may inhibit the Company's ability to use carryforwards in the future.

NOTE 8 - SHAREHOLDERS' EQUITY:

Common Stock

During 2000, the Company increased the number of authorized shares of common stock, $.001 par value, from 25,000,000 to 50,000,000 shares.

Preferred Stock

During 2000, the Company increased the number of authorized shares of preferred stock, $.001 par value, from 2,000,000 to 10,000,000 shares.

Series A Preferred Stock

In accordance with the terms of the Securities Purchase Agreement with Rosemary Street (Note 3), in June 2000, the Company issued 904,971 shares of Series A Preferred Stock. Pursuant to the agreement, all shares of Series A Preferred Stock were automatically converted into common stock on a 2:1 basis in October 2001.

Stock Option Plans

In October 1996, the Company's stockholders approved the 1996 Basic Stock Option and Stock Appreciation Rights Plan ("1996 Plan"), under which incentive and non-qualified stock options and stock appreciation rights may be granted to certain employees, directors, independent consultants and certain other persons who provide services to the Company to purchase up to a maximum of 550,000 shares of common stock. The 1996 Plan calls for annual grants to non-employee directors of 5,000 shares at an exercise price equal to the fair market value of the common stock on the date of grant, which is the date of the Annual Stockholders meeting. These options are exercisable one year after the date of grant and expire on the earlier of ten years from the date of grant or three years from the date on which the director ceases to be a director of the Company.

As part of the Securities Purchase Agreement with Rosemary Street (Note 3), the Company cancelled all outstanding stock options granted to the Littles. Under the terms of the Company's 1996 Special Stock Option Plan, the Littles held options to purchase up to 2.2 million shares of common stock at exercise prices ranging from $5.00 to $8.50 per share. These stock options were issued in 1996 and vested over a five-year period. The Company subsequently granted the Littles fully vested stock options to purchase 500,000 shares of common stock at an exercise price of $3.40 per share.

In November 2000, the Company's stockholders approved the 2000 Performance Equity Plan ("2000 Plan"), under which a total of 1,000,000 shares of common stock are available for grant to the Company's key employees, directors and independent consultants. Awards consist of stock options, restricted stock awards, deferred stock awards, stock appreciation rights and other stock-based awards, as described in the 2000 plan.

The Board of Directors is responsible for administration of the 2000 Plan. The Board determines the term of each award, including the option exercise price, the number of shares for which each option is granted and the rate at which each option is exercisable. Incentive stock options granted pursuant to the Plan

cannot be granted with an exercise price of less than 100% of the fair market value on the date of grant (110% if the award is issued to a 10% or more shareholder). The term of the options granted under the Plan cannot be greater than 10 years; 5 years for certain optionees who have an ownership interest in the Company or one if its subsidiaries. Options granted under the Plan are exercisable at times and increments as specified by the Board of Directors.

An aggregate of 1,550,000 shares of common stock were reserved for grant under the 1996 Plan and the 2000 Plan, of which 1,280,000 shares were available for future grant at December 31, 2002.

The following table summarizes stock option transactions during the years ended December 31, 2002, 2001 and 2000:

	Number of Shares	Weighted Average Price Per Share
Balance at December 31, 1999	2,380,000	$ 6.48
Granted during 2000	650,000	3.20
Cancelled during 2000	2,200,000	6.78
Balance at December 31, 2000	830,000	$ 3.22
Cancelled during 2001	60,000	1.88
Balance at December 31, 2001	770,000	$ 3.18
No activity during 2002	-	$ -
Balance at December 31, 2002	770,000	$ 3.18
Exercisable at December 31, 2002	761,000	$ 3.18

The following summarizes prices and terms of options outstanding at December 31, 2002:

	Stock Options Outstanding		
Exercise Price	Number Outstanding at December 31, 2002	Weighted Average Remaining Contractual Life in Years	Number Exercisable at December 31, 2002
$ 1.75	10,000	7.88	10,000
$ 1.88	20,000	3.15	20,000
$ 2.25	20,000	3.71	20,000
$ 2.38	30,000	5.41	30,000
$ 2.44	100,000	5.90	100,000
$ 3.40	575,000	3.15	566,000

$ 5.25	15,000	3.39	15,000
	770,000	3.68	761,000

Warrants

In June 2002, in accordance with the terms of the Securities Purchase Agreement with Seven Hills (Note 3), the Company issued Seven Hills warrants to purchase up to 1,172,422 shares of common stock at an exercise price of $3.40 per share. Warrants to purchase 881,137 shares of common stock are immediately exercisable and will expire on June 25, 2007. Warrants to purchase 291,285 shares of common stock ("Note Warrants") only will become exercisable upon conversion of the convertible promissory note described in Note 3, in proportion to the amount of the note converted if the note is not converted in whole, and will expire on June 25, 2007. If no portion of the note is converted into common stock, then the Note Warrants will not become exercisable. All of these warrants remain unexercised at December 31, 2002.

In June 2000, in accordance with the terms of the Securities Purchase Agreement with Rosemary Street (Note 3) the Company issued Rosemary Street warrants to purchase 2,313,810 shares of common stock. The Company also issued warrants to purchase 600,000 shares of common stock to individuals as compensation for services rendered in connection with closing of the Securities Purchase Agreement. The Company also issued warrants to purchase 75,000 shares of common stock to an individual in consideration of his consent to the assignment by Rosemary Street to the Company of his first look agreement. These warrants have an exercise price of $3.40 per share, are fully vested, expire in June 2005 and remain unexercised at December 31, 2002.

In 1996, the Company issued warrants to purchase 62,500 shares of common stock at an exercise price of $5.00 per share. The warrants are fully vested and expire in October 2003. At December 31, 2002, these warrants remain unexercised.

In 1995, the company issued warrants to purchase 4,500,000 shares of common stock were issued at an exercise price of $5.00 per share. In January 2002, the Company exchanged 4,135,579 of 4,500,000 outstanding warrants for 295,291 shares of the Company's common stock. The remaining 364,421 warrants expired in February 2002.

NOTE 9 - RELATED PARTY TRANSACTIONS:

Through June 2000, Ellen Dinerman Little was employed by the Company as its co-chairman of the board, co-chief executive officer and president. In June 2000, the Company and Ms. Little terminated Ms. Little's existing employment agreement and the Company entered into a first look agreement with The Little Film Company, Inc. and Ms. Little. The agreement provides for a three-year term ending in June 2003. Pursuant to the first look agreement, The Little Film Company receives (i) an annual fee of $100,000; (ii) a discretionary revolving development fund of $100,000 for The Little Film Company's use in the option/acquisition of literary properties, engagement of writers and other customary development costs; and (iii) customary overhead, including office space, staff, telephone and reasonable travel costs of up to $150,000 per year.

The Little Film Company also will be compensated on a project-by-project basis. The Company will have an exclusive "first look" on any project that The Little Film Company owns or controls or any project that it has the right to acquire or may wish to acquire for development or production. The Little Film Company will furnish the Company with the services of Ms. Little in connection with the

development and possible production of theatrical motion pictures based upon accepted artist submissions meeting certain criteria. We did not compensate The Little Film Company relative to the production of any films during 2002 and 2001.

In October 2000, the Company entered into a consulting agreement with Wharton Capital Partners Ltd. ("Wharton"). Barry Minsky, a director of the Company, is the chief executive officer and a 50% stockholder of Wharton. Under the agreement, Wharton received a one-time fee of $100,000, and a monthly fee of $4,166 for 24 months beginning in November 2000. If Wharton introduces the Company to a financing source and the Company consummates any public or private equity and/or debt financing with the source during the term of the consulting agreement or during the two-year period following the expiration of the agreement, then the Company also will pay Wharton an amount equal to (i) 5% of all funds received by the Company from such public or private equity financing and (ii) 3% of all funds received by the Company from such public or private debt financing. Additionally, upon completion of an equity-based financing, the Company will issue to Wharton warrants to purchase shares of the Company's common stock equal to 5% of the common stock or common stock equivalents issued in the financing at an exercise price equal to 120% of the five-day average closing bid price prior to the closing of such financing. The warrants will be exercisable on a cashless basis and will have registration rights. During the three years ended December 31, 2002, the Company recorded expenses of $37,500, $50,000 and $112,500, respectively, related to services rendered by Wharton.

In May 2002, the Company and Seven Hills formed a joint venture company to provide marketing and distribution funds for the theatrical release of motion pictures. Reverge Anselmo, a director of the Company, is the sole member and manager of Seven Hills, and Patrick Costello, a director of the Company, is the chief financial officer of Seven Hills. In June 2002, Seven Hills funded the Company's $2,000,000 capital contribution to the joint venture company pursuant to a convertible promissory note issued by the Company and the joint venture company (Notes 3 and 6). Also in June 2002, the Company, Seven Hills and the joint venture company entered into a Film Marketing and Distribution Agreement, pursuant to which the joint venture company will market and distribute motion pictures that the Company or Seven Hills selects on an alternating basis. Under the agreement, the Company will receive a distribution fee equal to 10% of the Theatrical Gross Receipts (as defined in the agreement) derived from the U.S. theatrical distribution of each picture designated by Seven Hills that the joint venture company distributes. During 2002, the joint venture did not market or distribute any movies and therefore no fees were earned or received by the Company.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The Company leases office space and office equipment under various operating leases, which expire between 2003 and 2007. Total rental expense under these leases for the years ended December 31, 2002, 2001 and 2000 amounted to $517,000 $278,000 and $255,000, respectively. Minimum annual rental payments under non-cancelable leases are as follows:

Year	Amount
2003	$ 511,000
2004	508,000
2005	503,000
2006	503,000
2007	205,000
	$ 2,230,000

As of December 31, 2002, the Company was committed to pay minimum guarantees of approximately $2,933,000 contingent upon delivery of certain films to the

Company.

Additionally, the Company has entered into arrangements with German film financing partnerships whereby the Company has guaranteed that within three

years from the commencement of principal photography of the related film, the licensing and distribution proceeds, net of fees and expenses, will be no less than sixty to eighty percent (depending upon the specific arrangement) of the amount funded toward the production cost of the related film. These guarantees generally are not recorded as liabilities unless and until management expects that proceeds from the licensing and distribution of the related film, net of fees and expenses, will be insufficient to cover the guarantee within the agreed upon period for the particular film. As of December 31, 2002, the Company had three such commitments outstanding, whereby the total amount committed was $10,238,000. These guarantees are summarized below.

	Term of Guarantee			Maximum Potential	Current Carrying
	From	To	Guarantee	Amount of Future Payments	Amount of Libaility
Film 1	10/04/01	10/04/04	$ 5,240,000	$ 2,598,000	$ -
Film 2	12/03/00	12/03/03	3,998,000	3,559,000	2,046,000
Film 3	01/31/02	01/31/05	1,000,000	717,000	371,000
			$10,238,000	$ 6,874,000	$ 2,417,000

In the event any of the guarantees are drawn upon, the Company has the right to retain proceeds from the collection of accounts receivable in addition to proceeds from the future contracts of distribution rights in the respective film where the guarantee had been called (both, net of fees and expenses) until we have recovered any guarantee paid. The table above reflects the amount of cash and accounts receivable held ("Assets Held") along with management's estimate of the value of future contracts of distribution rights ("Projected Future Contracts") to the respective film as of December 31, 2002. Management expects that the possibility of having to honor its contingent obligations under these agreements is remote and in the event any of the guarantees are drawn upon, management believes that proceeds from the liquidation of accounts receivable and further distribution rights will be sufficient to cover the maximum amount of future payments under each guarantee.

NOTE 11 - FOREIGN SALES AND SIGNIFICANT CUSTOMERS:

The Company's foreign revenues are summarized as follows:

	Years Ended December 31,		
	2002	2001	2000
	(in thousands)		
Western Europe	$ 8,478	$ 11,782	$ 9,289
Asia	1,280	2,420	1,999
Latin America	1,676	1,684	1,139
Eastern Europe	600	641	806

Other	306	2,238	1,775
	$ 12,340	$ 18,765	$ 15,008

No customers accounted for 10% or more of the Company's revenues for the years ended December 31, 2002 and 2001, one customer accounted for $3,014,000 or 13.3% of the revenues for the year ended December 31, 2000.

NOTE 12 - 401(K) PLAN

The Company has a 401(K) plan, which covers substantially all employees. Each participant is permitted to make voluntary contributions not to exceed the lesser of 15% of his or her respective compensation or the applicable statutory limitation. The Company matches one-half of the first 4% contributed by the employee. Amounts contributed by each employee are immediately vested and amounts contributed by the Company vest over a five-year period at the rate of 20% per year. The Company's contributions to the plan were $48,000, $35,000 and $24,000 in 2002, 2001 and 2000, respectively.

NOTE 13 - SEGMENT INFORMATION

The Company has managed its business in two operating segments: Motion Picture Distribution and Television Commercial Production. The segments were determined based upon the types of products and services provided and sold by each segment.

The Motion Picture Distribution segment acquires licenses, distributes, sells and otherwise exploits distribution rights to motion pictures. Activities include direct theatrical, video and DVD distribution in the U.S. as well as licensing of rights to other theatrical, video and DVD distributors and to pay, basic and free television broadcasters throughout the world. The Television Commercial Production segment produces commercials for manufacturers and service providers who use the commercial to promote their products and services. There were no inter-segment transactions during the years reported. The Company evaluates performance based on income or loss from operations before interest expense and taxes. The Television Commercial Production segment has become relatively inactive and the Company has eliminated substantially all overhead related to this segment. In the future, if the Company produces any television commercials, it will likely use a company partially owned by Christopher J. Cooney, the Company's co-chairman and chief executive officer, and Jeffrey Cooney, the Company's executive vice president and a director, to provide all support services needed in exchange for a fee.

Financial information by operating segment is set forth below:

	Year Ended and as of December 31, 2002			Year En
	Motion Pictures	Television Commercial Production	Total	Motion Pictures
		(in thousands)		
Revenues from external Customers	$ 25,541	$ 1,158	$ 26,699	$ 34,881

Loss from operations before interest and taxes	(9,481)	125	(9,356)	(2,387
Total assets	41,729	193	41,922	45,264

NOTE 14 - SUBSEQUENT EVENTS (UNAUDITED):

As of December 31, 2002, the Company has sustained cumulative losses which have resulted in a breach of the covenant contained in the credit agreement with JPMorgan that sets forth a minimum level of net worth that the Company is required to maintain. The Company has requested a waiver of this breach. JPMorgan currently is considering this request and the Company is in negotiation with respect to further modifications JPMorgan will require to the credit agreement in exchange for such waiver. At this point, JPMorgan has indicated that these modifications will likely include an immediate reduction of the commitment level under the credit agreement from $40 million to approximately $20 million, with further reductions so that by January 1, 2004 the commitment level will be $15 million. The minimum net worth requirement would be waived until December 31, 2003, subject to the Company maintaining a positive net worth as calculated pursuant to GAAP . These modifications require the agreement of 51% of the voting right of the participating banks (the percentage based upon the proportionate commitment of each bank to the total commitment of $40 million). Final resolution of this matter is expected by April 30, 2003. Until then, the Company is precluded from drawing further funds under the credit facility.

FIRST LOOK MEDIA, INC.
(formerly known as Overseas Filmgroup, Inc.)

Schedule II - Valuation and Qualifying Accounts

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charged to Costs and Expenses	Deduct
		(in thousands)	
Year Ended December 31, 2002	$ 1,150	$ 2,175	$ (
Year Ended December 31, 2001	1,100	1,268	(1,
Year Ended December 31, 2000	1,100	1,876	(1,

To the Board of Directors
And shareholders of First Look Media, Inc.

Our audits of the consolidated financial statements referred to in our report dated March 28, 2003, appearing in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 8 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
Century City, California
March 28, 2003