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FIRST LOOK MEDIA INC
Form SC TO-C
November 08, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE TO
(Amendment No. 3)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) or 13(e)(1) OF
THE SECURITIES EXCHANGE ACT OF 1934

FIRST LOOK MEDIA, INC.
(f/k/a Overseas Filmgroup, Inc.)

(Name of Subject Company (Issuer))

FIRST LOOK MEDIA, INC.
(f/k/a Overseas Filmgroup, Inc.)

(Name of Filing Person, the Issuer)

COMMON STOCK, PAR VALUE \$.001 PER SHARE

(Title of Class of Securities)

320737109

(CUSIP Number of Class of Securities)

William F. Lischak
Chief Operating Officer, Chief Financial Officer and Secretary
First Look Media, Inc.
8800 Sunset Boulevard, Third Floor
Los Angeles, California 90069
(310) 855-1199

(Name, Address And Telephone Number Of Person Authorized To Receive Notices And
Communications On Behalf Of Filing Persons)

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

CALCULATION OF FILING FEE

TRANSACTION VALUATION \$157,500* AMOUNT OF FILING FEE: \$31.50

* Calculated based upon the maximum amount of securities to be acquired
by us multiplied by the market value of the security, using the last
sale price of a warrant (\$0.035) reported on the OTC Bulletin Board on
November 6, 2001 (the last date on which a trade was reported).

Check the box if any part of the fee is offset as provided by Rule
011(a)(2) and identify the filing with which the offsetting fee was
previously paid. Identify the previous filing by registration statement
number or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/A Form or Registration Number: N/A

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Filing Party: N/A Date Filed: N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of a tender offer:

Item 1. Summary Term Sheet

The information contained in the attached Offering Memorandum under the caption "Summary of the Exchange Offer" is specifically incorporated herein by reference.

Item 2. Subject Company Information

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

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

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

(b) As of October 31, 2001, there were 11,613,848 shares of common stock and 4,500,000 public warrants outstanding. Each warrant currently entitles the holder to purchase one share of common stock for \$5.00, subject to adjustment in certain events.

(c) The information contained in the attached Offering Memorandum under the caption "Price Range of Our Common Stock and Warrants" is specifically incorporated herein by reference.

Item 3. Identity and Background of Filing Person

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The filing person is the Issuer. See Item 8.

Item 4. Terms of the Transaction

(a) The exchange offer is for all the outstanding warrants; currently there are 4,500,000 issued and outstanding. In the exchange offer, we are offering to exchange .0714 of a share of our common stock for every one of our outstanding warrants tendered and accepted by us for exchange. Up to approximately 321,429 shares of our common stock will be issued in exchange for all the outstanding warrants that were issued in connection with our initial public offering in February 1995 if all the warrants are exchanged. No fractional shares of common stock will be issued in the exchange offer. Fractional shares will be rounded up to the nearest whole share based upon the aggregate number of warrants tendered by the holder or its agent in the exchange offer. The exchange offer will expire at 5:00 p.m. New York City time on December 18, 2001, unless extended by us. We may extend the exchange offer at our discretion.

The information contained in the attached Offering Memorandum under the caption "The Exchange Offer" and "Certain United States Federal Income Tax Considerations" is specifically incorporated herein by reference.

(b) Not applicable.

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Item 5. Past Contacts, Transaction, Negotiations and Agreements

The information contained in the attached Offering Memorandum under the caption "Voting Agreement" is specifically incorporated herein by reference.

Item 6. Purpose of the Transaction and Plans or Proposals

(a) The purpose of the exchange offer is to retire our public warrants through the issuance of common stock. This would allow us to simplify our capital structure, reduce the potential future dilutive impact on our per-share earnings that could be caused by the warrants, and diminish or eliminate overhang on the market price of our common stock caused by the warrants.

(b) Warrants acquired pursuant to the exchange offer will be extinguished and we intend to delist the warrants from trading on the OTC Bulletin Board and to deregister the warrants pursuant to the Exchange Act.

(c) Items numbered (1) through (10) are not applicable.

Item 7. Source and Amount of Funds or Other Consideration

(a) The consideration offered by us to induce the exchange of the warrants consists solely of shares of our common stock. Assuming 100% participation in the exchange offer, approximately 321,429 shares of common stock will be issued, and all of the warrants will be extinguished. Other than the expenses of the exchange offer, we will incur no monetary obligations or receive any cash proceeds from the issuance of the common stock.

(b) Not applicable.

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(d) Not applicable.

Item 8. Interest in Securities of the Subject Company

(a) The information contained in the attached Offering Memorandum under the caption "Principal Stockholders" is specifically incorporated herein by reference.

(b) Not applicable.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used.

Not applicable.

Item 10. Financial Statements

(a) (1) Audited financial statements for the two fiscal years required to be filed with our most recent annual report are specifically incorporated herein by reference to our Annual Report on Form 10-K for the year ended December 31, 2000.

(2) Unaudited balance sheets, comparative year-to-date income statements and related earnings per share data, statements of cash flows, and comprehensive income are specifically incorporated herein by reference to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.

(3) Not applicable.

(4) The information contained in the attached Offering Memorandum under the caption "Certain Pro Forma Effects of the Exchange Offer" is specifically incorporated herein by reference.

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All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act shall be deemed to be incorporated by reference in this Amendment No. 3 to Schedule TO and to be a part hereof from the respective date of filing of such documents. Any statement contained in a document incorporated by reference herein is modified or superseded for all purposes to the extent that a statement contained in this filing or in any other subsequently filed document which is incorporated by reference modifies or replaces such statement.

Copies of our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. Copies may also be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. These documents are also available at the public reference rooms at the SEC's regional offices in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

(b) Not applicable.

Item 11. Additional Information

(a) (1) Not applicable.

(2) With the exception of Blue Sky securities qualifications in various jurisdictions, there are no applicable regulatory requirements which must be complied with or approvals which must be obtained in

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connection with the exchange offer.

(3) Not applicable.

(4) The warrants are not marginable securities.

(5) There are no material pending legal proceedings relating to the exchange offer.

(b) The offering memorandum should be read in its entirety and is specifically incorporated herein by reference.

Item 12. Exhibits

(a) (i) Offering Memorandum dated November 8, 2001.

(a) (ii) Letter of Transmittal.

(a) (iii) Letter to Brokers, Dealers and Other Nominees.

(a) (iv) Form of Letter to Clients.

(a) (v) Guaranteed Delivery Form.

(a) (vi) Letter from the Issuer to the warrant holders.

(b) Not applicable.

(d) Form of Voting Agreement by and among the Issuer, Rosemary Street Productions, LLC, Robert Little, Ellen Little, MRCo., Inc., Christopher Cooney and Jeffrey Cooney.

(g) Not applicable.

(h) Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statements is true, complete and correct.

Dated: November 7, 2001

FIRST LOOK MEDIA, INC.

By: /s/ William F. Lischak

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

EXHIBIT INDEX

Exhibit Number -----	Description -----
12(a) (i)	Offering Memorandum dated November 8, 2001.
12(a) (ii)	Letter of Transmittal.
12(a) (iii)	Letter to Brokers, Dealers and Other Nominees.
12(a) (iv)	Form of Letter to Clients.
12(a) (v)	Guaranteed Delivery Form.
12(a) (vi)	Letter from the Issuer to the warrant holders.
12(d)	Form of Voting Agreement by and among the Issuer, Rosemary Street Productions, LLC, Robert Little, Ellen Little, MRCo., Inc., Christopher Cooney and Jeffrey Cooney.

Exhibit 12(a) (i)

This offering memorandum is not an offer to sell these shares and it is not soliciting an offer to buy these shares in any state where the offer or sale is not permitted.

FIRST LOOK MEDIA, INC.

OFFERING MEMORANDUM

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

In the exchange offer, we will exchange .0714 of a share of our common stock for every one of our outstanding warrants tendered and accepted by us for exchange. No fractional shares of common stock will be issued in the exchange offer. Fractional shares will be rounded up to the nearest whole share based upon the aggregate number of warrants tendered by the holder or its agent in the exchange offer.

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Our common stock and warrants are traded on the OTC Bulletin Board under the symbols "FRST" and "FRSTW," respectively. On October 26, 2001, the last day a trade for our common stock was reported, the last reported sale price of our common stock was \$0.40. On October 19, 2001, the last day a trade of our warrants was reported, the last reported sale price of our warrants was \$0.035.

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

The exchange offer will expire at 5:00 p.m. New York City time on December 18, 2001 unless extended by us.

See "Risk Factors" beginning on page 7 for a discussion of certain information that should be considered in connection with the exchange offer.

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

The date of this offering memorandum is November 8, 2001.

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No person is authorized by us to give any information or to make any representations, other than those contained herein, in connection with the

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solicitation and the offering made by this offering memorandum and, if given or made, such information or representations should not be relied upon as having been authorized. This offering memorandum does not constitute the solicitation of the sale of, or an offer to sell, or a solicitation of the purchase of, or an offer to purchase, any securities in any jurisdiction in which such solicitation or offering may not lawfully be made.

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

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Offering Memorandum Summary

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

Our Business

We specialize in the acquisition and direct distribution of, and worldwide license and sale of distribution rights to, independently produced feature films in a wide variety of genres, including action, art-house, comedy, drama, foreign language, science fiction and thrillers. We have accumulated a library of distribution rights in various media and markets to more than 250 films. Additionally, we recently established a television commercial production division and expect to produce television commercials for domestic and international markets.

We have focused primarily on licensing theatrical, video, pay television, free television, satellite and other distribution rights to foreign sub-distributors in major international territories and regions. These activities accounted for approximately 66.3% of our total revenues in 2000 and approximately 66.8% of our total revenues in the six-month period ended June 30, 2001.

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

Corporate Information

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

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

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

Summary of the Exchange Offer

The offer.....	We are offering to exchange .0714 of a share of our common stock for every one of the outstanding warrants issued in our initial public offering in February 1995, that are tendered and accepted by us for exchange. No fractional shares of common stock will be issued. Fractional shares will be rounded up to the nearest whole share based upon the aggregate number of warrants tendered by the holder or its agent in the exchange offer.
Expiration date.....	5:00 p.m., New York City time, on December

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18, 2001, unless extended as provided in the section of this offering memorandum entitled "The Exchange Offer - Expiration Date; Extensions; Termination; Amendments."

The warrants.....

As of September 30, 2001, there were 4,500,000 public warrants outstanding. Each warrant currently entitles the holder to purchase one share of common stock for \$5.00, subject to adjustment in certain events. Provided that a registration statement with respect to the common stock is in effect, the public warrants may be exercised at any time until February 16, 2002. We have the right to redeem the warrants under certain circumstances. See "Description of Securities - Warrants."

Purpose of the exchange offer.....

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

Conditions of the exchange offer.....

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

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

In the absence of the exchange offer, an additional 4,500,000 shares of common stock would be issued if all of the currently outstanding warrants were exercised, and we would receive the cash proceeds of such exercises. Assuming 100% participation in the exchange offer, up to approximately 321,429 shares of common stock would be issued and all of the outstanding warrants would be extinguished and we would receive no cash proceeds. The exchange offer will have no effect on total stockholders' equity (other than transaction costs). See "Background of The Exchange Offer," "Selected Consolidated Financial Information" and "Certain Pro Forma Effects of the Exchange Offer."

Effects of the exchange

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offer on you, if you
participate.....

If you participate in the exchange offer,
you will:

- o receive .0714 of a share of common stock for every warrant you tender and we accept (fractional shares to be rounded up to the nearest whole share based upon the aggregate number of warrants tendered by the holder or its agent in the exchange offer), without having to make any exercise payments;
- o be able to vote the common stock received in the exchange offer on all matters that may come before the holders of our common stock;
- o be able to receive dividends on such common stock, if any, when declared and paid by us; and
- o participate as a holder of common stock in proceeds from any liquidation of our company after creditors and preferred security holders, if any, are paid.

However, if you participate in the exchange offer, you will lose the right to purchase a share of common stock for \$5.00 for each warrant held.

Effects of the exchange
offer on you, if you
do not participate.....

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

Exchange Act. In such event, the trading market for, and the liquidity of an investment in, the warrants remaining outstanding would be significantly reduced. You will not have any appraisal or dissenters' rights under Delaware law.

Procedures for
tendering warrants.....

If you wish to tender your warrants, you must deliver the following documents prior

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to 5:00 p.m., New York City time, on the expiration date to the exchange agent at the address set forth on page 35:

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

If your warrants are registered in the name of brokers, dealers, commercial banks, trust companies or nominees, you are urged to contact such registered holders promptly if you wish to participate in the exchange offer. Warrants should not be sent to us.

Withdrawal of tenders..... Tenders of warrants may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date. See "The Exchange Offer - Withdrawal Rights."

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

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

Reimbursement of expenses..... We have agreed to reimburse certain brokers for their expenses incurred in connection with the exchange offer. We will not be paying any solicitation fees. See "The Exchange Offer - Interests of Certain

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Persons in the Exchange Offer" and "The Exchange Offer - Reimbursement of Expenses."

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

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

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Risk Factors

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

Risks relating to the exchange offer

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

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

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

On October 26, 2001, the last date for which a trade in our common

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stock was reported, the last reported sale price of our common stock as reported on the OTC Bulletin Board was \$0.40. On October 19, 2001, the last date for which a trade in our warrants was reported, the last reported sale price of our warrants was \$0.035. For the 30-trading day period ending on October 31, 2001, the average last sale prices of our common stock and the average last sale prices of our warrants were \$0.40 and \$0.04, respectively. For the 60-trading day period ending on October 31, 2001, the average last sale prices of our common stock and warrants were \$0.47 and \$0.04, respectively.

The exchange ratio of .0714 of a share of common stock for every warrant was fixed as of the date of this offering memorandum and represents (as of that date) a slight premium to the exchange ratio implied by the relationship between the average trading prices of our common stock and warrants for each of the dates and periods described above. However, the market prices of our common stock and warrants are subject to fluctuations, which may be exacerbated by the announcement and consummation of the exchange offer itself. On the date the exchange offer is actually consummated, the exchange ratio may not directly relate to the then-current market prices of the securities involved in the exchange offer and may not result in you receiving at least the market value that was originally contemplated at the time the exchange ratio was set.

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

You will have to give up approximately 14 warrants to receive one share of common stock in the exchange offer. It may be more beneficial for you to own our warrants as opposed to our common stock. For example, if the market price of a share of our common stock increases to \$6.00, thereby exceeding the \$5.00

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exercise price of a warrant by \$1.00, each warrant you owned would give you the ability to realize a profit equal to \$1.00 (without giving effect to the price you actually paid for the warrant and applicable tax liabilities). In this scenario, if you owned 14 warrants, you could realize an aggregate profit of \$14.00 by exercising all of your warrants and selling the underlying common stock. In this same scenario, if you had previously surrendered your 14 warrants in the exchange offer and received one share of common stock, you could sell the share for \$6.00 and could realize a profit equal to the difference between \$6.00 and your cost basis in the share. However, if you do participate in the exchange offer and surrender your warrants, you will have the ability to participate in any post-exchange offer appreciation of our common stock, even at market prices below the \$5.00 exercise price of the warrants. The market price of our common stock may never exceed \$5.00 and may not appreciate from the market price in effect on the date the exchange offer is consummated.

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

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

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

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

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

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

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

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

Following consummation of the exchange offer, we will not need to reserve as many shares (if any) of common stock for possible future exercises of the warrants. Accordingly, the number of authorized, but unissued and unreserved, shares of common stock available for other issuances would increase. Our board of directors is empowered, without stockholder approval, to issue any or all of such authorized (but unissued and unreserved) shares of common stock. These issuances (depending on the consideration, if any, received) may dilute the interests of common stock holders and affect the market price of our common stock (and any remaining outstanding warrants). Other potential issuances of securities, such as options under our stock option plan or shares of our preferred stock, may have similar effects. Also, potential sales of substantial blocks of our outstanding securities by holders could have a negative impact on the market price of our common stock (and any remaining outstanding warrants).

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We have the right to redeem the warrants.

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

Risks relating to our business

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

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

We anticipate that our acquisition, production and marketing costs will continue

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to be significant.

For 1998, 1999, 2000 and the six-month period ended June 30, 2001, the average direct negative costs of motion pictures that we have distributed were approximately \$2,800,000, \$5,900,000, \$3,100,000, and \$3,000,000, respectively. Direct negative costs include production costs of acquiring or developing the screenplay, the compensation of creative and other production personnel, film studio and location rentals, equipment rentals, film stock and other costs incurred in principal photography, as well as post-production costs such as the creation of special effects and music. For 1998, 1999, 2000 and the six-month period ended June 30, 2001, the average print and advertising costs associated with the motion pictures distributed by First Look Pictures were approximately \$561,000, \$0 (no films released), \$510,000 and \$457,000, respectively.

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

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

Christopher J. Cooney serves as our co-chairman of the board and chief executive officer, Robert B. Little serves as our co-chairman of the board and president, William F. Lischak serves as our chief operating officer, chief financial officer, secretary and director. Virtually all decisions concerning

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the conduct of our business, including the motion picture properties and rights that we acquire and the arrangements that we make for our distribution, production and financing of motion pictures, are made or are significantly influenced by these key executives. The loss of any of their services for any reason would have a material adverse effect on our business, operations and future prospects. In addition, our credit facility with Chase generally requires Mr. Little, Mr. Cooney and Mr. Lischak's continued involvement with, and control of, our company.

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

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

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

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

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Our First Look Pictures operations face their own particular risks.

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

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

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

Our quarterly results fluctuate significantly.

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

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

Our directors and executive officers, as a group, beneficially own approximately 79.9% of our voting securities. Accordingly, these persons, acting together, will be in a position to effectively control our company in all respects, including the election of our directors. See "Management" and "Principal Stockholders."

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

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

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Risks relating to our industries

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

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

A motion picture's commercial success also depends upon the quality and acceptance of other competing films released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change and cannot be predicted with certainty.

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Therefore, there is a substantial risk that some or all of the motion pictures that we release, distribute or produce will not be commercially successful, resulting in costs not being recovered or anticipated profits not being realized.

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

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

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

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

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

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

We face numerous risks in our international distribution activities.

We derive revenues from distributing motion pictures and licensing distribution rights in territories outside the United States. Our financial results and results of operations could be negatively affected by the following:

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

Because our contracts are typically denominated in U.S. dollars, advances and minimum guarantees of sub-license fees payable to us by foreign sub-distributors, and advances and minimum guarantees that we pay to foreign producers in connection with the acquisition of distribution rights generally are unaffected by exchange rate fluctuations. However, to the extent our agreements with foreign sub-distributors require them to pay us a percentage of revenues in excess of any advance or minimum guarantee, fluctuations in the currencies in which these revenues are received by the sub-distributor may affect the amount of U.S. dollars that we receive in excess of any minimum guarantee. Exchange rate fluctuations also could affect the ability of sub-distributors to pay agreed minimum guarantees or to bid for and acquire rights to motion pictures that we distribute. Although exchange rate fluctuations generally have not had a material effect on our results of operations in the past, we cannot assure you that these fluctuations will not have a material impact on our future results of operations.

This offering memorandum contains forward-looking statements, which may prove inaccurate.

Some of the statements in this offering memorandum are forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements about our plans, objectives, expectations, intentions and assumptions that are not statements of historical fact. You can identify these statements by words such as "may," "will," "should," "plans," "expects," "believes," "intends" and similar expressions. We cannot guarantee

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our future results, performance or achievements. Our actual results and the timing of corporate events may differ significantly from the expectations discussed in the forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements.

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Selected Consolidated Financial Information

(in thousands of dollars, except per-share data)

The following selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2000, are derived from our consolidated financial statements, which statements have been audited by PricewaterhouseCoopers LLP, independent accountants.

The selected consolidated balance sheet data at June 30, 2001, and the selected statement of operations data for the six months ended June 30, 2000, and June 30, 2001 have been derived from our unaudited consolidated financial statements which, in our opinion include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results of unaudited periods. The results for the six months ended June 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

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 offering memorandum. "Statement of Operations Data" presented below includes reclassifications of certain revenue and expense items which are not directly associated with operations. Such reclassifications include interest income, interest expenses, foreign exchange effects and other non-operating items.

	Year Ended December 31,				
	(in thousands, except per share data)				
	1996	1997	1998	1999	2000
Statement of Operations Data:					
Revenues.....	\$28,678	\$22,494	\$25,585	\$33,784	\$22,
Film costs.....	23,058	19,152	21,015	30,888	16,
Distribution and marketing costs..	---	---	---	---	4,
Selling, general and administrative	3,596	3,509	2,960	2,983	6,
Income (loss) from operations.....	2,024	(168)	1,610	(87)	(5,4
Income (loss) before tax and cumulative effect of accounting changes.....	1,665	(837)	112	(1,989)	(6,2
Income tax provision (benefit) (1).	3,131	(293)	53	(736)	

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Income (loss) before cumulative effect of accounting changes.....	(1,466)	(544)	59	(1,253)	(6,3
Cumulative effect of accounting changes(2).....	---	---	---	---	(14,
Net income (loss)	(1,466)	(544)	59	(1,253)	(20,4
Basic and diluted net income (loss) per share before cumulative effect.	(0.41)	(0.09)	0.01	(0.21)	(0.
Cumulative effect.....	---	---	---	---	(1.
Net income (loss) per share after cumulative effect.....	(0.41)	(0.09)	0.01	(0.21)	(2.
Basic and diluted weighted average number of shares outstanding.....	3,611	5,748	5,732	5,990	8,

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Year Ended December 31,

(in thousands, except per share data)

	1996	1997	1998	1999	2000
Balance Sheet Data:					
Film costs, net of accumulated amortization.....	\$28,358	\$29,741	\$29,003	\$28,363	\$13,
Total assets.....	40,804	46,560	50,209	62,647	42,
Total long-term liabilities.....	16,607	23,142	22,013	19,764	6,
Total liabilities.....	28,612	34,999	38,588	49,348	32,
Total shareholders' equity.....	12,192	11,561	11,621	13,299	9,

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

(2) During the 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."

Selected Quarterly Financial Information
(in thousands, except per share data)

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The following table sets forth selected unaudited quarterly financial data for the six months ended June 30, 2001 and each of the two years ended December 31, 1999 and 2000:

	2001	
	(amount in thousands except for per share data)	
	March 31,	June 30,
Revenues	\$10,243	\$9,759
Income (loss) from operations	333	(458)
Net (loss) income	129	(673)
Basic and diluted income (loss) per share;		
Net income (loss)	0.01	(0.07)

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	2000		
	(amounts in thousands except for per-share data)		
	March 31,	June 30,	September 30,
Revenues	6,049	4,411	4,767
Income (loss) from operations	(20)	(831)	(596)
Loss before cumulative effect of accounting changes	(558)	(1,351)	(165)
Cumulative effect of accounting changes	(14,123)	-	-
Net loss	(14,681)	(1,350)	(165)
Basic and diluted loss per share:			

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Loss before cumulative effect of accounting changes	(0.09)	(0.21)	(0.02)
Cumulative effect of accounting changes	(2.24)	-	-
Net loss	(2.33)	(0.21)	(0.02)

	March 31,	June 30,	1999 September 30,
	-----	-----	-----
Revenues	6,690	6,541	6,726
Income (loss) from operations	606	409	(242)
Net income (loss)	100	(48)	(444)
Income (loss) per share:			
Basic and diluted	0.02	(0.01)	(0.07)

The increase in loss from operations during the fourth quarter of 2000 compared to the previous three quarters was due to the expansion of our operations and increases in:

- o write offs of certain projects under development;
- o marketing and distribution expenses in connection with preparation for 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 Productions, LLC ("Rosemary Street").

The lower net loss for the quarter ended September 30, 2000, reflected the capital gain that we recognized on our sale of 17,454 shares of common stock of Yahoo! Inc. during the quarter.

The increase in loss from operations and net loss during the fourth quarter of 1999 compared to the previous three quarters was due to increases in write offs of certain projects under development and bad debt write-offs.

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

General

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

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Today, we are principally involved in the acquisition and worldwide license or sale of distribution rights to independently produced motion pictures. We directly distribute certain 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."

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, in the fiscal quarter ended June 30, 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 our Consolidated Statement of Operations for the year ended December 31, 2000. Under SOP 00-2, we recorded additional operating expense of \$888,000 for the year ended December 31, 2000.

Results of operations

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Revenues increased by \$9,541,000 (91.2%) to \$20,001,000 for the six months ended June 30, 2001 from \$10,460,000 for the six months ended June 30, 2000. The increase in revenues was primarily due to, (i) increased number of titles with revenues over \$200,000 from foreign territories and U.S. television rights during the six months ended June 30, 2001 (15 titles with an average of \$885,000 each), compared to the six months ended June 30, 2000 (8 titles with an average of \$880,000 each), (ii) six video releases with an average of \$200,000 each for the six months ended June 30, 2001 compared to five video releases with an average of \$67,000 each for the six months ended June 30, 2000 and, (iii) an increase of approximately \$1,203,000 in airline and straight distribution revenues during the six months ended June 30, 2001.

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Film costs as a percentage of revenues decreased to 72.9% for the six months ended June 30, 2001 compared to 76.6% for the six months ended June 30, 2000. Film costs include amortization of capitalized production costs as well as accruals of participation cost for the current period. The decrease in film costs as a percentage of revenues was primarily due to higher negotiated fees on titles released during the six months ended June 30, 2001 compared to six months ended June 30, 2000.

In accordance with the new accounting standards established pursuant to SOP 00-2, the Company expenses all distribution and marketing expenses as incurred. Distribution and marketing expenses increased to \$2,151,000 during the six months ended June 30, 2001 compared to \$1,415,000 for the six months ended June 30, 2000, primarily due to the increased number of titles released on video and in theaters as well as titles with world wide distribution rights.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by \$1,505,000 (79.7%) to \$3,394,000 for the

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six months ended June 30, 2001 from \$1,889,000 for the six months ended June 30, 2000. The increase was primarily due to increases in:

- o salary, payroll taxes and related expenses of \$908,000 due to additional personnel;
- o legal and consulting fees of \$169,000;
- o bad debt expense of \$269,000;
- o health insurance expense of \$27,000;
- o meals and entertainment expenses of \$48,000;
- o publicity expenses of \$41,000;
- o rent expense of \$18,000;
- o office and computer supplies of \$87,000; and
- o Shipping and messenger of \$13,000.

The above increases were reduced by an increase in overhead capitalization of \$73,000 due to the Company's increased involvement in production related activities.

Net other expense for the six months ended June 30, 2001 decreased by \$563,000 to \$401,000, compared to net other expense of \$964,000 for the six months ended June 30, 2000. The decrease is primarily due to lower interest expense of \$546,000 as a result of lower outstanding notes payable and lower interest rates during the six months ended June 30, 2001, compared to the quarter ended June 30, 2000.

As a result of the above, the Company had a loss before income taxes and cumulative effect of accounting changes of \$525,000 for the six months ended June 30, 2001, compared to a loss before income taxes and cumulative effect of accounting changes of \$1,908,000 for the six months ended June 30, 2000.

The Company reported a cumulative effect of accounting changes of \$14,123,000, net of income tax benefit of \$1,459,000 effective January 1, 2000, relating to its adoption of SOP 00-2.

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The Company had a net loss of \$544,000 for the six months ended June 30, 2001 (reflecting foreign withholding taxes of \$19,000), compared to a net loss of \$16,031,000 (including a one-time charge of cumulative effect of accounting changes of \$14,123,000) for the six months ended June 30, 2000.

Year ended December 31, 2000 compared to year ended December 31, 1999

Revenues decreased by \$11,159,000 (33.0%) to \$22,625,000 for the year ended December 31, 2000, compared to \$33,784,000 for the year ended December 31, 1999. The decrease in revenues was primarily due to lower revenues from the highest grossing films released in 2000 compared to 1999. For example, the six highest income-producing films released during the year ended December 31, 2000, generated approximately \$9,410,000 in revenue compared to approximately \$21,180,000 in revenue generated by the six highest income-producing films released during the year ended December 31, 1999.

In accordance with new accounting standards established pursuant to SOP 00-2, distribution and marketing costs were expensed as incurred during the year ended December 31, 2000. For the year ended December 31, 1999, distribution and marketing costs were capitalized and amortized as film costs. Film costs, distribution and marketing costs as a percentage of revenues increased to 95.6% for the year ended December 31, 2000, compared to 91.4% for the year ended December 31, 1999. The increase was in part due to application of the new

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accounting standards, and to generally lower distribution fee rates (our gross margin) on films generating the greatest amount of revenue during the year ended December 31, 2000, compared to the year ended December 31, 1999.

Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by \$3,490,000 (117.0%) to \$6,473,000 for the year ended December 31, 2000, compared to \$2,983,000 for the year ended December 31, 1999. The largest increases were in the areas of bad debt expense (\$1,617,000) and salary and payroll tax expense (\$789,000). Bad debt expense increased as a function of management's decision to write off certain accounts deemed uncollectible. Salary expense increased due to our expansion of existing and new operational areas, including expansion related to the equity investment by Rosemary Street, expansion of our video and DVD operations, creation of a television commercial production operation and increased staffing of the First Look Pictures theatrical releasing operation. Additionally, we capitalize some of our overhead costs incurred in connection with our production activities related to a motion picture by adding the costs to the capitalized film costs of the motion picture. The increase in selling, general and administrative expenses was partially the result of fewer expenses being capitalized (\$673,000 in 2000 compared to \$1,100,000 in 1999), due to our reduced involvement in production related activities. Other increases included:

- o accounting expenses of \$21,000;
- o charitable contributions of \$10,000;
- o consulting fees of \$97,000;
- o insurance premiums of \$132,000;
- o legal fees of \$222,000;
- o office and computer supplies of \$21,000;
- o officers' fringe and employee benefits of \$76,000;

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- o publicity expenses of \$23,000;
- o repairs expenses of \$19,000;
- o business and franchise taxes of \$17,000;
- o telephone expenses of \$33,000; and
- o travel and entertainment expenses of \$61,000.

These increases were partially offset by decreases in contract labor of \$44,000 and miscellaneous expenses related to being a public company of \$23,000.

Net other expense decreased by \$1,144,000 (60.1%) to \$758,000 for the year ended December 31, 2000, compared to \$1,902,000 for the year ended December 31, 1999. The decrease in net other expense was primarily due to the gain reported on our sale of shares of common stock of Yahoo! Inc. of \$625,000, decreased interest expense of \$448,000, an increase in interest income of \$20,000, and an increase in other miscellaneous revenues of \$51,000.

As a result of the above, we had a loss before income taxes and cumulative effect of accounting changes of \$6,230,000 for the year ended December 31, 2000, compared to a loss before income tax benefit and cumulative effect of accounting changes of \$1,989,000 for the year ended December 31, 1999.

We recorded a one-time charge for the cumulative effect of accounting changes 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 \$20,490,000 for the year ended December 31, 2000 (reflecting foreign withholding taxes of \$131,000, and state taxes of \$6,000), compared to net loss of \$1,253,000 for the year ended December 31, 1999 (reflecting an effective income tax benefit of \$736,000).

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

Revenues increased by \$8,199,000 (32.0%) to \$33,784,000 for the year ended December 31, 1999, compared to \$25,585,000 for the year ended December 31, 1998. The increase in revenues was due in part to more films generating in excess of \$1,000,000 each in revenue in 1999 as compared to 1998. We licensed rights to eight motion pictures that each generated over \$1,000,000 in revenue during 1999 and which in the aggregate generated approximately \$23,947,000 in revenue, compared to only six films that each generated over \$1,000,000 in revenue during 1998 and which in the aggregate generated approximately \$16,472,000 in revenue.

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

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Selling, general and administrative expenses, net of amounts capitalized to film costs, increased by \$23,000 (0.8%) to \$2,983,000 for the year ended December 31, 1999, compared to \$2,960,000 for the year ended December 31, 1998. We capitalize some of our overhead costs incurred in connection with our acquisition of rights to a motion picture by adding the costs to the capitalized film costs of the motion picture. The increase in selling, general and administrative expenses, net of amounts capitalized to film costs, was partially the result of fewer expenses being capitalized. We capitalized expenses of \$1,229,000 for the year ended December 31, 1998, compared to \$1,089,000 for the year ended December 31, 1999. Other increases included:

- o accounting expenses of \$22,000;
- o bad debt expenses of \$129,000;
- o consulting fees of \$63,000;
- o contract labor of \$28,000; and
- o legal fees of \$29,000.

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

- o equipment leases of \$15,000;
- o directors and officers insurance premiums of \$19,000;
- o the officer life insurance premiums of \$27,000;
- o employee benefits of \$77,000;
- o expenses related to our being a publicly traded company of \$20,000;
- o publicity expenses of \$47,000;
- o reader and research expenses of \$25,000;
- o compensation costs of \$102,000; and
- o telephone and fax costs of \$42,000.

Other expense increased by \$404,000 (26.9%) to \$1,902,000 for the year ended December 31, 1999, compared to \$1,498,000 for the year ended December 31, 1998. This increase was primarily due to decreased capitalized interest costs of \$136,000 for the year ended December 31, 1999, compared to \$650,000 for the year ended December 31, 1998. Interest costs and fees, before capitalization,

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decreased by \$139,000 to \$2,155,000 for the year ended December 31, 1999, compared to \$2,294,000 for the year ended December 31, 1998, primarily as the result of lower outstanding balances on various notes and loans payable to banks and to two of our principal stockholders, Robert B. Little and Ellen Dinerman Little (together, the "Littles").

As a result of the above, we had a loss before income tax benefit of \$1,989,000 for the year ended December 31, 1999, compared to income before income taxes of \$112,000 for the year ended December 31, 1998.

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

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As a result of the above, we had a net loss of \$1,253,000 for the year ended December 31, 1999, compared to net income of \$59,000 for the year ended December 31, 1998.

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 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:

- o 5,097,413 shares of our common stock;
- o 904,971 shares of our Series A preferred stock, each share of which is convertible into two shares of common stock and votes with the common stock on an as-converted basis; and
- o five-year warrants to purchase up to 2,313,810 shares of our common stock at an exercise price of \$3.40 per share.

As of June 30, 2001, Rosemary Street owned approximately 59.2% of our voting securities.

Chase Facility

Concurrently with the consummation of the June 2000 private placement with Rosemary Street, we entered into a \$40 million credit facility (of which \$40 million has been committed) with Chase and other commercial banks and financial institutions. A portion of the proceeds from this new credit facility was used to refinance outstanding loans and accrued interest under our previous credit facility with Coutts & Co. and Bankgesellschaft Berlin A.G. The remaining proceeds will be available 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 including our expansion into television commercial production.

Under the Chase facility, we borrow funds through loans evidenced by

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promissory notes. The loans are made available through a revolving line of credit which may be reduced, partially or in whole, at any time and is to be fully paid on June 20, 2005. The Chase facility also provides for letters of credit to be issued from time to time upon our request. At June 30, 2001, we had borrowed an aggregate of \$11,000,000 under the Chase facility.

The amounts drawn down under the Chase 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

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commitment fee on the daily average unused portion of the Chase facility at an annual rate of 0.5%. Upon entering the Chase facility, we paid a one-time fee of approximately \$890,000 as a cost of acquiring the Chase facility. The Chase facility also restricts the creation or incurrence of indebtedness or the issuance of additional securities. The Chase facility is collateralized by all our tangible and intangible assets and future revenues.

In May 2001, we entered into an amendment to the Chase facility, pursuant to which the requisite lenders agreed, effective as of the date of the amendment, to:

- o permit us to obtain financing for one film from another lender;
- o increase our overhead allowance from \$5 million to \$7.25 million; and
- o reduce the minimum level of Consolidated Net Worth (as defined in the credit agreement) that we are required to maintain from \$28 million to \$22 million.

Other Loans

In addition to the amounts outstanding under the Chase facility, during 1998 we borrowed \$2,000,000 from another lender, the proceeds of such loan were used to acquire rights to a particular film. This subordinated note bears interest at the Prime Rate plus 1.5% and is collateralized by amounts due under distribution agreements from the specific film. The subordinated note matures on May 29, 2002. As of June 30, 2001, \$450,000 was outstanding under the subordinated note.

Note and Debt Contributions

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

- o \$1,339,037 principal amount and \$480,709 of accrued but unpaid interest on a note issued by us to the Littles as part of the consideration for our merger with Overseas Private;
- o \$78,101 of accrued and unpaid interest on loans in the aggregate principal amount of \$400,000 ("P&A Loans") made by the Littles to us in December 1997 and February 1998, which were used to provide a portion of the funds required by us for the print and advertising costs associated with the domestic

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theatrical release of Mrs. Dalloway; and

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

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

- o \$135,476 for various reimbursable expenses as provided in their employment agreements with us;
- o \$130,000 of the remaining principal balance on the note issued in connection with our merger with Overseas Private;

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- o \$400,000 representing the aggregate principal amount owed by us to the Littles under the P&A Loans;
- o \$564,524 of accrued salaries; and
- o \$200,000 representing the amount owed by us to the Littles under a tax reimbursement agreement between us and the Littles entered into in connection with our merger with Overseas Private.

Yahoo! Inc. Stock Sale

In July and September 2000, we sold for approximately \$2,056,000 all 17,454 shares of common stock of Yahoo! Inc. that we received in July 1999 as part of a share-for-share exchange with broadcast.com, which was subsequently acquired by Yahoo! Inc.

Resources

At June 30, 2001, we had cash and cash equivalents of \$839,000, compared to cash and cash equivalents of \$832,000 as of December 31, 2000. At June 30, 2001, \$5,372,000 was available for us to draw down under the Chase facility.

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

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 June 30, 2001, including principal cash flows and related weighted average interest rates by expected maturity dates:

Expected Maturity Date					

(in thousands)					
2001	2002	2003	2004	2005	Thereafter
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Liabilities

Variable Rate:

Chase Credit Facility					\$11,000
Average Interest Rate	5.8%	5.8%	5.8%	5.8%	5.8%
Subordinated Note Payable		\$450			
Average Interest Rate		8.25%			

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Certain Pro Forma Effects of the Exchange Offer

The following table presents (i) our historical basic and diluted per-share earnings for the year ended December 31, 2000, and the six months ended June 30, 2001, (ii) the historical per-share book value as of December 31, 2000, and June 30, 2001, and (iii) the pro forma effect of the issuance of shares of common stock pursuant to the exchange offer, assuming 100% of the outstanding warrants are exchanged. All historical per-share information has been calculated on the basis of 8,131,313 shares and 9,803,906 shares of common stock outstanding, and all pro forma per-share information has been calculated on the basis of 8,452,742 shares and 10,125,335 shares of common stock outstanding at each of, and during the periods ended, December 31, 2000, and June 30, 2001, respectively.

Earnings Per Share

	Year Ended December 31, 2000 -----	Six Months Ended June 30, 2001 -----
Historical.....	\$(2.52)	\$(0.06)
Pro forma.....	\$(2.42)	\$(0.05)

Book Value Per Share

	Year Ended December 31, 2000 -----	Six Months Ended June 30, 2001 -----
Historical.....	\$1.02	\$0.95
Pro forma.....	\$0.99	\$0.96

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Price Range of Our Common Stock and Warrants

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

	Common Stock		Warrants	
	High (\$)	Low (\$)	High (\$)	Low (\$)
1999				
First quarter.....	3-1/8	2-1/16	1/2	1/4
Second quarter.....	2-15/16	2-11/16	1/4	3/16
Third quarter.....	3-3/8	2-1/4	9/16	1/8
Fourth quarter.....	2-3/4	2-1/4	5/16	1/8
2000				
First quarter.....	2-7/8	2-1/4	1/4	1/8
Second quarter.....	2-1/2	2	1/8	1/16
Third quarter.....	2-1/8	1-3/4	1/8	1/16
Fourth quarter.....	1-7/8	1-1/2	1/8	1/8
2001				
First quarter.....	1-3/16	3/4	3/64	1/32
Second quarter.....	26/32	1/2	3/64	1/64
Third quarter.....	1.01	0.40	0.10	0.01
Fourth Quarter*.....	1.01	0.40	0.05	0.035

* Through October 31, 2001.

As of October 31, 2001, there were approximately 29 holders of record of our common stock and there were 11,613,848 shares of our common stock issued and outstanding. We believe that there are more than 250 beneficial owners of our common stock. As of October 31, 2001, there were approximately 12 holders of record of our warrants and there were 4,500,000 warrants issued and outstanding. We believe there are more than 250 beneficial holders of our warrants.

On October 26, 2001, the last date for which a trade in our common stock was reported, the last reported sale price of our common stock as reported on the OTC Bulletin Board was \$0.40. On October 19, 2001, the last date for which a trade in our warrants was reported, the last reported sale price of our warrants was \$0.035.

Background of the Exchange Offer

Purpose of the exchange offer

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

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

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

In the absence of the exchange offer, 4,500,000 shares of common stock would be issued in exchange for the warrants if all of the currently outstanding warrants were exercised, resulting in an aggregate of 16,113,848 shares of common stock outstanding, and we would receive the proceeds of such exercises. Assuming 100% participation in the exchange offer, approximately 321,429 shares of common stock would be issued, resulting in an aggregate of 11,935,277 shares of common stock outstanding, and all of the warrants would be extinguished. The exchange offer will have no effect on total stockholders' equity (other than transaction costs).

Interests of certain persons in the exchange offer

We have agreed to reimburse certain brokers for their expenses incurred in connection with the exchange offer. See "The Exchange Offer - Reimbursement of Expenses."

Effects of exchange offer on you, if you participate

If you participate in the exchange offer, you will:

- o receive whole shares of common stock for your warrants in accordance with the .0714 of a share to one exchange ratio (fractional shares to be rounded up to the nearest whole share based upon the aggregate number of warrants tendered by the holder or its agent in the exchange offer), without having to make any exercise payments;
- o be able to vote the common stock received in the exchange offer on all matters that may come before the holders of our common stock;
- o be able to receive dividends on such common stock, if any, when declared and paid by us; and
- o participate as a holder of common stock in proceeds from any liquidation of our company after creditors and preferred security holders, if any, are paid.

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

Effects of the exchange offer on you, if you do not participate

If you do not participate in the exchange offer, you will retain the

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

The Exchange Offer

Terms of the exchange offer

We are offering to exchange .0714 of a share of common stock for every outstanding warrant tendered and accepted by us for exchange. No fractional shares of common stock will be issued as a result of the exchange offer. Fractional shares will be rounded up to the nearest whole share based upon the aggregate number of warrants tendered by the holder or its agent in the exchange offer. You will not have appraisal or dissenters' rights under Delaware Law in connection with the exchange offer.

The exchange offer is made pursuant to the terms and subject to the conditions set forth in this offering memorandum and the accompanying letter of transmittal. This offering memorandum and the letter of transmittal are being sent to all persons and entities that, as of October 31, 2001, were registered holders of our outstanding warrants. Although there is no fixed record date for determining registered holders of warrants entitled to participate in the exchange offer, only a holder of warrants who is the registered holder thereof (or such person's legal representative or attorney-in-fact) at the time of their tender in the exchange offer or who is a person holding sale and transfer documents with respect to such warrants from the registered holder thereof at the time of such tender (which documents are satisfactory to us and our transfer agent), may participate in the exchange offer.

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

You will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of warrants pursuant to the exchange offer. If, however, shares of common stock issued pursuant to the exchange offer or substitute certificates evidencing warrants not exchanged are to be delivered to, or are to be issued in the name of, any person other than the registered warrant holder, or if tendered warrants are recorded in the name of any person other than the person signing the letter of transmittal, then the amount of any transfer taxes

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(whether imposed on the registered warrant holder or any other person) will be payable by the tendering warrant holder. See "- Payment of Expenses" below.

Expiration date; extension; termination; amendments

The exchange offer will expire at 5:00 p.m., New York City time, on December 18, 2001, subject to extension by us, in which event the expiration

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

We reserve the right to:

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

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

If a material change in the exchange offer relates to a change in the exchange ratio, Rule 13e-4(f) (1) requires the exchange offer to remain open for a period of not less than ten business days following the announcement of any such change if the exchange offer would otherwise expire within such ten business-day period. For purposes of the exchange offer, "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. The rights reserved by us in this paragraph are in addition to our rights set forth below under the caption "Conditions of the Exchange Offer."

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Procedure for tendering

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

To be tendered validly, the warrants, together with the properly completed letter of transmittal (or facsimile thereof), executed by the registered holder thereof, and any other documents required by the letter of

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transmittal, must be received by the exchange agent at the address set forth below prior to 5:00 p.m., New York City time, on the expiration date. In addition, prior to such time the certificates for such warrants must be delivered to the exchange agent along with the letter of transmittal.

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

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

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

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

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

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

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incur any liability for failure to give such notification. Tenders of warrants will not be deemed to have been made until such irregularities have been cured or waived. Any warrants received by the exchange agent that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

If your warrants are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender warrants in the exchange offer, you should contact such registered warrant holder promptly and instruct such registered warrant holder to tender on your behalf. If you wish to tender directly, you must, prior to completing and executing the letter of transmittal and tendering warrants, make appropriate arrangements to register ownership of the warrants in your own name. You should be aware that the transfer of registered ownership may take considerable time.

Guaranteed delivery procedure

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

- (a) The tender is made by or through an Eligible Institution;
- (b) Prior to 5:00 p.m., New York City time, on the expiration date, the exchange agent receives from such Eligible Institution a properly completed and duly executed guaranteed delivery form (by facsimile transmission, mail or hand delivery), setting forth your name and address and the number of warrants tendered, stating that the tender is being made thereby and guaranteeing that, within five business days after the expiration date, the certificate(s) representing such warrants, accompanied by a properly completed and duly executed letter of transmittal and all other documents required by the letter of transmittal, will be deposited by the Eligible Institution with the exchange agent; and
- (c) The certificate(s) for all tendered warrants, as well as a properly completed and duly executed letter of transmittal and all other documents required by the letter of transmittal, are received by the exchange agent within five business days after the expiration date.

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Conditions of the exchange offer

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

- o any action or proceeding is instituted or threatened in any court or by or before any governmental agency or regulatory authority which challenges the making of the exchange offer or which might materially impair our ability to proceed with or

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consummate the exchange offer or have a material adverse effect on the contemplated benefits of the exchange offer to our company; or

- o there shall have been proposed, adopted or enacted any law, statute, rule or regulation which might materially impair our ability to proceed with or consummate the exchange offer or have a material adverse effect on the contemplated benefits of the exchange offer to our company; or
- o there shall have occurred:
 - o any general suspension of, shortening of hours for, or limitation on prices for, trading in securities on the OTC Bulletin Board (whether or not mandatory);
 - o a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States (whether or not mandatory);
 - o a commencement of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States;
 - o any limitation (whether or not mandatory) by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States;
 - o in the case of any of the foregoing existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof; or
 - o any tender or exchange offer with respect to some or all of the common stock or the warrants (other than the exchange offer), or a merger, acquisition or other business combination proposal involving our company, shall have been proposed, announced or made by any person or entity.

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

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

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Acceptance of warrants for exchange; delivery of common stock

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

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

If any tendered warrants are not accepted for exchange because of an invalid tender, or due to the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted warrants will be returned, without expense, to the tendering holder thereof as promptly as practicable after the expiration or termination of the exchange offer.

Withdrawal rights

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

To be effective, a written notice of withdrawal (sent by hand delivery, overnight courier, mail or facsimile transmission) must:

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

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

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

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Fractional shares

No fractional shares of common stock will be issued as a result of the exchange offer. All fractional interests in a share of common stock that you would be entitled to receive as a result of the exchange offer will be aggregated and, if after such aggregation a fractional interest in a share of common stock would result, such fractional interest will be rounded up to the nearest whole share.

Transferability of shares of common stock received upon exchange

The issuance of shares of common stock upon exchange of the warrants pursuant to the exchange offer are being issued pursuant to Section 3(a)(9) of the Securities Act of 1933 and are, therefore, exempt from registration thereunder. As such, the shares of common stock issued upon exchange of the warrants will be freely tradable under federal law, provided that the person receiving the shares of common stock issued upon exchange of the warrants is not our affiliate. If the recipient of the shares of common stock is an affiliate of our company, the shares of common stock may only be sold pursuant to an effective registration statement under the Securities Act with respect to such shares of common stock or an exemption from registration thereunder.

Accounting for the exchange offer

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

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Exchange agent

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

Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, New York 10004
Attention: Reorganization Department
Telephone: (212)-509-4000 (extension 535)
Facsimile: (212)-509-5150

Please note that all correspondence prior to November 19, 2001, should be sent to the above at 2 Broadway, 19th Floor, New York, New York 10004.

Reimbursement of expenses

We have agreed to reimburse certain brokers for their expenses incurred in connection with effecting the exchange. We will not be paying any solicitation fees. We, however, will reimburse the exchange agent reasonable and customary fees for its services and will reimburse the exchange agent for its reasonable out-of-pocket expenses in connection therewith. We will reimburse brokers, dealers and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this offering memorandum and related documents to the beneficial owners of the warrants, and in handling or forwarding tenders for their customers.

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

Payment of expenses

The cash expenses to be incurred by us in connection with the exchange offer are estimated in the aggregate to be approximately \$225,000 and include fees and expenses of the exchange agent, reimbursement of expenses of certain brokers, printing and miscellaneous expenses and accounting and legal fees.

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

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or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

Use of proceeds

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

Our Business

General

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

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

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

We operate in numerous capacities, i.

By:

*

Phil J. Gaines
Senior Vice President Finance

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY A. ROGERS	President (Principal Executive Officer)	February 28, 2012
Jeffrey A. Rogers	and Director	
*	Senior Vice President Finance	February 28, 2012
Phil J. Gaines	(Principal Financial and Accounting Officer)	
	and Director	

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/s/ JEFF P. BENNETT

Vice President and Secretary and Director

February 28, 2012

Jeff P. Bennett

* The undersigned, by signing his name hereto, does execute this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 on behalf of the persons identified above pursuant to a power of attorney.

By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on February 28, 2012.

YRC International Investments, Inc.

By: *
Paul F. Liljegren

Vice President Finance

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	President (Principal Executive Officer)	February 28, 2012
Eric A. Friedlander	and Director	
*	Vice President Finance	February 28, 2012
Paul F. Liljegren	(Principal Financial and Accounting Officer)	
	and Director	
/s/ JEFF P. BENNETT	Vice President and Secretary and Director	February 28, 2012
Jeff P. Bennett		

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

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USF RedStar LLC

By: *
Paul F. Liljegren

Vice President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFF P. BENNETT	President and Secretary	February 28, 2012
Jeff P. Bennett	(Principal Executive Officer) and Manager	
*	Vice President	February 28, 2012
Paul F. Liljegren	(Principal Financial and Accounting Officer)	
	and Manager	
/s/ TERRY GERROND	Manager	February 28, 2012
Terry Gerrond		

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on February 28, 2012.

USF Dugan Inc.

By: *
Paul F. Liljegren

Vice President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFF P. BENNETT	President and Secretary	February 28, 2012
Jeff P. Bennett	(Principal Executive Officer) and Director	
*	Vice President	February 28, 2012
Paul F. Liljegren	(Principal Financial and Accounting Officer)	
	and Director	
/s/ TERRY GERROND	Director	February 28, 2012
Terry Gerrond		

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

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YRC Mortgages, LLC

By: *
Paul F. Liljegren

President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	President (Principal Executive, Financial	February 28, 2012
Paul F. Liljegren	and Accounting Officer) and Manager	
/s/ JEFF P. BENNETT	Vice President and Secretary and Manager	February 28, 2012
Jeff P. Bennett		
/s/ TERRY GERROND	Manager	February 28, 2012
Terry Gerrond		

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

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New Penn Motor Express, Inc.

By: *
Paul F. Liljegren

Vice President Finance

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	President and Chief Executive Officer	February 28, 2012
Steven D. Gast	(Principal Executive Officer) and Director	
*	Vice President Finance	February 28, 2012
Paul F. Liljegren	(Principal Financial and Accounting Officer)	
	and Director	
/s/ JEFF P. BENNETT	Vice President Legal and Secretary and Director	February 28, 2012
Jeff P. Bennett		

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

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Roadway Express International, Inc.

By: *
Phil J. Gaines

Senior Vice President Finance

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY A. ROGERS Jeffrey A. Rogers	President (Principal Executive Officer) and Director	February 28, 2012
* Phil J. Gaines	Senior Vice President Finance (Principal Financial and Accounting Officer) and Director	February 28, 2012
/s/ JEFF P. BENNETT Jeff P. Bennett	Vice President and Secretary and Director	February 28, 2012

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on February 28, 2012.

Roadway Reverse Logistics, Inc.

By: *
Phil J. Gaines

Senior Vice President Finance

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* Randy Riddell	President (Principal Executive Officer)	February 28, 2012
* Phil J. Gaines	Senior Vice President Finance (Principal Financial and Accounting Officer) and Director	February 28, 2012
/s/ JEFF P. BENNETT Jeff P. Bennett	Vice President and Secretary and Director	February 28, 2012

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on February 28, 2012.

USF Bestway Inc.

By: *
Paul F. Liljegren

Vice President

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFF P. BENNETT	President and Secretary	February 28, 2012
Jeff P. Bennett	(Principal Executive Officer) and Director	
*	Vice President	February 28, 2012
Paul F. Liljegren	(Principal Financial and Accounting Officer)	
	and Director	
/s/ TERRY GERROND	Director	February 28, 2012
Terry Gerrond		

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By: /s/ JEFF P. BENNETT
Jeff P. Bennett

Attorney-in-Fact