FALCON ENTERTAINMENT CORP
Form 10QSB
February 20, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2000

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____________ to _____________

Commission File Number: 0-26443

FALCON ENTERTAINMENT CORP.

(Exact name of Small Business Issuer as specified in its Charter)

DELAWARE	22-281-1783
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

459 COLUMBUS AVENUE, NO. 712, NEW YORK, NY 10024

(Address of principal executive offices)

(800) 972-3093

(Issuer's telephone number)

675 THIRD AVENUE, 12TH FLOOR, NEW YORK, NY 10017

(Former Name, former address and former fiscal year, if changed since last Report.)

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:
13,400,724 shares of Common Stock as of February 15, 2001.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE):

YES NO X

FALCON ENTERTAINMENT CORP.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS REPORT REGARDING MATTERS THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS. BECAUSE SUCH FORWARD-LOOKING STATEMENTS INCLUDE RISKS AND UNCERTAINTIES, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ALL STATEMENTS WHICH ADDRESS OPERATING PERFORMANCE, EVENTS OR DEVELOPMENTS THAT MANAGEMENT EXPECTS OR ANTICIPATES TO OCCUR IN THE FUTURE, INCLUDING STATEMENTS RELATING TO SALES AND EARNINGS GROWTH, STATEMENTS EXPRESSING GENERAL OPTIMISM ABOUT FUTURE OPERATING RESULTS, AND STATEMENTS REGARDING THE COMPANY'S STRATEGY OR REVENUE SOURCES, ARE FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS ARE BASED ON MANAGEMENT'S CURRENT VIEWS AND ASSUMPTIONS REGARDING FUTURE EVENTS AND OPERATING PERFORMANCE. MANY FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ESTIMATES CONTAINED IN MANAGEMENT'S FORWARD-LOOKING STATEMENTS INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK FACTORS" IN ITEM 2 OF THIS REPORT. THE

DIFFERENCES MAY BE CAUSED BY A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, ADVERSE ECONOMIC CONDITIONS, COMPETITIVE PRESSURES, INADEQUATE CAPITAL, UNEXPECTED COSTS, LOWER REVENUES, NET INCOME AND FORECASTS, THE POSSIBILITY OF FLUCTUATION AND VOLATILITY OF THE COMPANY'S OPERATING RESULTS AND FINANCIAL CONDITION, INABILITY TO CARRY OUT MARKETING AND SALES PLANS AND LOSS OF KEY EXECUTIVES, AMONG OTHER THINGS. READERS ARE URGED TO CAREFULLY REVIEW AND CONSIDER THE VARIOUS DISCLOSURES MADE BY THE COMPANY IN THIS REPORT AND IN THE COMPANY'S OTHER REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), INCLUDING THE COMPANY'S ANNUAL REPORT ON FORM 10-KSB FOR THE FISCAL YEAR ENDED MAY 31, 2000, AS FILED WITH THE SEC ON SEPTEMBER 13, 2000, THAT ATTEMPT TO ADVISE INTERESTED PARTIES OF CERTAIN RISKS AND FACTORS THAT MAY AFFECT THE COMPANY'S BUSINESS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THOSE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES OCCURRING AFTER THE DATE HEREOF.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

FALCON ENTERTAINMENT CORPORATION & SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	NOVEMBER (UNAUD
CURRENT ASSETS	
Cash and equivalents	$
Certificates of deposit	65
Prepaid recording costs	200
Prepaid expenses	27
Total current assets	293
PREPAID ARTIST FEES	195
CERTIFICATE OF DEPOSIT	360
PROPERTY AND EQUIPMENT, NET	453
OTHER ASSETS	9
TOTAL ASSETS	$1,311
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS)	
CURRENT LIABILITIES	
Note payable - stockholder	$ 604
Accounts payable and accrued expenses	1,238

Distribution payable - stockholder	50
Total current liabilities	1,893
STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS)	
Common stock, par value $.00005 per share; 20,000,000 shares authorized; 13,400,724 and 13,247,307 issued and outstanding	
Additional paid-in capital	8,301
Deficit accumulated during the development stage	(8,883
Total stockholders' equity (deficiency in assets)	(581
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS)	$1,311

See accompanying notes - unaudited.

FALCON ENTERTAINMENT CORPORATION & SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended November 30,		Three Months November
	2000	1999	2000
REVENUES			
Dividend Income	$ 2,916	$ 3,042	$ 283
Interest Income	14,509	-	6,812
Total revenues	17,425	3,042	7,095
EXPENSES			
Advertising	283,505	-	34,014
Broadcasting fees	527,841	-	110,692
Compensation	854,020	-	216,993
Consulting	109,534	-	31,036
General and administrative	645,846	230,103	266,650
Interest	33,157	9,167	18,522
Production costs	280,091	-	75,930
Professional fees	153,359	-	50,692
Matrix agreement costs	45,000	-	-
Total expenses	2,932,353	239,270	804,529
NET LOSS	($ 2,914,928)	($ 236,228)	($ 797,434)

NET LOSS PER SHARE	($ 0.22)	($ 0.02)	($ 0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	13,379,002	9,666,393	13,383,780

See accompanying notes - unaudited.

FALCON ENTERTAINMENT CORPORATION & SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months E November 3
	2000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	($2,914,928)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	67,201
Common stock and options issued for compensation	304,485
Common stock issued for professional services	25,000
Common stock issued for talent acquisition agreement	45,000
Common stock issued for rent	-
Changes in operating assets and liabilities:	
Prepaid expenses	368,718
Prepaid recording costs	(200,000)
Prepaid artist fees	60,000
Other assets	81,775
Accounts payable and accrued expenses	125,101
Total adjustments	877,280
Net cash used in operating activities	(2,037,648)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash balances of company acquired	-
Purchase of certificate of deposit	(24,984)
Maturity of certificate of deposit	98,787
Purchases of property and equipment	(76,189)
Net cash used in investing activities	(2,386)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Loans from (repayment to) stockholder, net	211,123
Net proceeds from issuance of common stock	-
Net cash provided by (used in) financing activities	211,123
DECREASE IN CASH AND EQUIVALENTS	(1,828,911)
CASH AND EQUIVALENTS - BEGINNING	1,829,580
CASH AND EQUIVALENTS - ENDING	$ 669

See accompanying notes - unaudited.

Notes to Condensed Consolidated Financial Statements (Unaudited)

BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements of Falcon Entertainment Corp. and its subsidiaries (collectively, the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) have been included. Operating results for the six-month period ended November 30, 2000 are not necessarily indicative of the results that may be expected for the year ending May 31, 2001. These unaudited condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended May 31, 2000.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NET LOSS PER SHARE

Net loss per share is computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share," based on the weighted average number of common shares outstanding, restated to give effect to the recapitalization. Outstanding stock options and warrants were not considered in the calculation of weighted average number of common shares outstanding, as their effect would have been anti-dilutive.

GOING CONCERN

The Company has incurred significant operating losses and negative cash flows from operations since inception. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and positive cash flows from operations or obtaining debt or equity financing. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management is attempting to raise additional capital to assist the Company in funding operations and provide the opportunity for the Company to continue as a going concern. Management believes, but cannot provide any assurance that, it will be successful in raising capital sufficient to continue operations.

LEGAL PROCEEDINGS

In November 2000, OlympuSAT, Inc. filed suit against the Company, James Fallacaro and Anthony Escamilla in Circuit Court in Palm Beach County, Florida. OlympuSAT alleges breach of contract, fraudulent inducement and breach of an implied duty of good faith and fair dealing arising out of the Network Carriage Agreement entered into between the Company and OlumpuSAT on December 6, 1999, which Agreement was terminated in November 2000. The complaint filed by OlympuSAT indicates that it is seeking an indeterminate amount of damages. The Company believes that the claims asserted in the complaint are without merit, and plans to vigorously defend its position. However, the Company is unable to predict the outcome of the matter at this time.

NOTE PAYABLE -- STOCKHOLDER

Note payable -- stockholder bears interest at 10% per annum, is secured by substantially all assets of the Company and is due on demand.

STOCK OPTIONS

On November 1, 2000, the Company granted options to puchase an aggregate of one million shares of common stock to various employees and a consultant. The options are exercisable immediately at $1.00 per share and expire on October 31, 2010.

SUBSEQUENT EVENTS

In January 2001, the Company defaulted on its rental lease and stipulated to relinquish a certificate of deposit in the amount of approximately $360,000 to the landord. This amount was comprised principally of unpaid rent of approximately $150,000, brokers' fees of approximately $113,000, construction fees of approximately $48,000 and other legal and professional fees.

Item 2. Plan of Operation

GENERAL

Falcon Entertainment Corp. (collectively with its subsidiaries, "Falcon" or the "Company") is a diversified entertainment company that webcasts music videos of amateur and professional artists over the Internet through its web site, www.IMNTV.com, and that intends to broadcast those videos over cable and direct satellite television on a corresponding television channel, IMNTV. It also operates a record label, InVision Records, and intends to commence operations of a second record label, Ecity Records. Through these labels, the Company intends to produce and mass market the music of artists and bands, including certain of those who submit videos for broadcast over IMNTV. It further intends to develop its web site into a web portal to promote the Company's products and services, promote the musicians signed to its record labels, provide music news and related informational services and provide links to related web sites.

To date, the Company has not generated revenues from the operation of its current business model. In March 2000, the Company completed a private offering of its common stock, raising approximately $7,395,000 after deductions for commissions, fees and offering expenses.

The Company was incorporated in March 1986 under the laws of the State of Delaware under the name AVTR Systems, Inc. In April 1999, the Company changed its name to Independent Music Group, Inc., and in December 1999 it changed its name to Falcon Entertainment Corp. In April 1999, the Company acquired all of the issued and outstanding capital stock of Independent Music Network, Inc., a Delaware corporation, from the Company's President, Chief Executive Officer and Chairman.

The Company is considered to be in the development stage, and the accompanying financial statements represent those of a development stage company.

PLAN OF OPERATION

Our current plan of operation for the next twelve months includes the development of our broadcast strategy and the re-launch of our programming over national cable television, the continued design and development of our corporate web site, and the development of our record labels, InVision Records and Ecity Records.

We originally began broadcasting content over our IMNTV music channel, in a limited number of markets and during a limited number of time periods, on June 1, 2000. As previously announced, in November 2000 we terminated our original network carriage agreement for the distribution of our programming, and our channel has not been broadcast in any television markets since approximately September 2000. We are currently seeking alternative arrangements to distribute our television programming so that we can re-launch our cable television channel.

We expect that our primary sources of revenue will be derived from our IMNTV music channel and web site, and from InVision Records. We anticipate that IMNTV will generate revenues primarily from advertising sales, video broadcasts and merchandising opportunities. We anticipate that revenue streams from InVision will be generated from the sales and licensing of musical recordings, representation and ownership of music publishing, licensing of published and non-published musical compositions and the licensing and merchandising of products related to the artists and musicians we sign. We solicit videotapes from amateur and professional musicians for broadcast over IMNTV, with the expectation of producing and mass marketing certain of this music under our record labels. To accomplish our goal, we plan to conduct and coordinate all advertising, band recruiting and video editing as well as facilitate the broadcast of the music videos, production and mass marketing the music of bands we sign.

Our ability to continue as a going concern is dependent upon our ability to generate sufficient revenues from operations to meet our working capital requirements. We expect to distribute our first musical recording in April 2001. Until we begin to produce substantive revenues, to sustain our short term capital needs we intend to seek additional financing. Our independent public accountants have raised substantial doubt as to our ability to continue as a going concern if we are unable to obtain such funding in the near future. To meet our immediate working capital requirements, we have from time to time borrowed funds from our Chief Executive Officer. As of November 30, 2000, we owed approximately $730,000 to our Chief Executive Officer, and we have borrowed an additional amount of approximately $273,000 since that date (as of February 20, 2001). $700,000 of this loan is represented by a secured promissory note and corresponding security agreement executed by the Company in October 2000, which provide that such amount is due on demand, and is secured by all of our assets.

We may experience significant fluctuations in future operating results due to a variety of factors, including:

- our ability to re-launch the distribution of our IMNTV television channel;

- commercial acceptance of, and our ability to sell advertising time on, IMNTV;

- the level of traffic on our Internet sites;

- the amount and timing of capital expenditures and other costs relating to the expansion of our operations;

- technical difficulties or system downtime;

- general economic conditions and economic conditions specific to the Internet; and

- consumer acceptance of the artists and musicians signed by our record labels.

RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION IN THIS FORM 10-QSB, THE FOLLOWING FACTORS SHOULD BE CAREFULLY CONSIDERED IN EVALUATING THE COMPANY AND ITS BUSINESS. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING THE COMPANY AND THERE MAY BE ADDITIONAL RISKS THAT THE COMPANY DOES NOT PRESENTLY KNOW OF OR THAT IT MAY CURRENTLY DEEM IMMATERIAL. ALL OF THESE RISKS MAY IMPAIR THE COMPANY'S BUSINESS, PROSPECTS AND RESULTS OF OPERATIONS.

RISKS GENERALLY RELATED TO OUR BUSINESS

IF WE ARE UNABLE TO OBTAIN ADDITIONAL CAPITAL IN THE NEAR FUTURE, WE MAY HAVE TO CURTAIL OR CEASE OPERATIONS.

We have historically financed our operations primarily through the sale of our securities. As of November 30, 2000, we had cash and cash equivalents of $669 and an accumulated deficit of $8,883,775. To meet our immediate working capital needs, we have from time to time borrowed funds from our Chief Executive Officer. As of November 30, 2000 we owed approximately $730,000 to our Chief Executive Offficer, and we have borrowed an additional amount of approximately $273,000 since that date (as of February 20, 2001). $700,000 of this loan is represented by a secured promissory note and corresponding security agreement executed by the Company in October 2000, which provide that such amount is due on demand, and is secured by all of our assets. We need to raise additional funds in the immediate future in order to meet our working capital requirements. In this regard, our independent public accountants have raised substantial doubt as to our ability to continue as a going concern. We may not be able to obtain additional financing on terms favorable to us, if at all. If adequate funds are not available to us, we may have to curtail or cease operations, which would materially harm our business and financial results. To the extent we raise additional funds through further issuances of equity or convertible debt or equity securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Furthermore, any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

WE HAVE A LIMITED OPERATING HISTORY THAT MAKES AN EVALUATION OF OUR BUSINESS DIFFICULT.

Although we incorporated in March 1986, we did not begin developing our current business model until 1999. We only began broadcasting content over our music channel, in a limited number of markets and during a limited number of time periods, on June 1, 2000. In November 2000 we terminated our original network carriage agreement for the distribution of our programming, and our channel has not been broadcast in any television markets since approximately September 2000. In addition, as of November 30, 2000 we had signed only three artists to our record labels, and we do not anticipate distributing any our first musical recording until April 2001. Our extremely limited operating history makes it difficult to evaluate our current business and prospects or to accurately predict our future revenues or results of operations. Our business model, and accordingly our revenue and income potential, is new and unproven. In addition, we are subject to risks and difficulties frequently encountered by early-stage companies in new and rapidly evolving markets.

WE NEED TO ENTER INTO SATISFACTORY DISTRIBUTION ARRANGEMENTS FOR THE BROADCAST OUR PROGRAMMING OVER TELEVISION.

In November 2000 we terminated our original network carriage agreement for the distribution of our programming over cable television channels, and our IMNTV television channel has not been broadcast in any markets since approximately September 2000. In order to achieve our goal of creating a new cable television music channel, we will need to enter into arrangements with one or more third parties to place our programming on cable and direct satellite systems, or we will need to enter into arrangements directly with cable and direct satellite systems to broadcast our programming. There can be no assurance that we will be able to do so. If we are not successful in entering into such arrangements on terms satisfactory to us, we may never be able to develop our business as anticipated.

WE HAVE A NEW AND UNPROVEN BUSINESS MODEL AND MAY NOT GENERATE SUFFICIENT REVENUES FOR OUR BUSINESS TO SURVIVE OR BE SUCCESSFUL.

Our business model is based on the commercial viability of a new national cable television channel devoted to the broadcast of music videos of amateur and professional artists, as well as of two new record labels. In order for our business to be successful, we must not only develop services that directly generate revenues, but also provide content and services that attract consumers to our cable television channel and our web site. Our business model assumes that a large audience will develop for our cable television channel, that cable operators in many markets will air our programming, and that we will be able to generate significant revenues through the sale of advertising time on our channel. Our model further assumes that we will be able to generate significant revenues through the sale of recordings by our musical artists, as well as related merchandise. Each of these assumptions is unproven, and if any of the assumptions is incorrect, we may be unable to generate sufficient revenues to sustain our business or to obtain profitability.

WE HAVE A HISTORY OF LOSSES AND EXPECT TO INCUR LOSSES IN THE FUTURE.

We incurred net losses of $2,914,928 in the six month period ended November 30, 2000 and $5,866,842 in the fiscal year ended May 31, 2000. Our accumulated deficit as of November 30, 2000 was $8,883,775. We have not achieved profitably and expect to continue to incur losses for the foreseeable future. We expect those losses to increase from current levels as we continue to incur expenses to develop our products and services. We believe that our business depends on our ability to significantly increase revenues and to limit our operating expenses. If our revenues fail to grow at anticipated rates or our operating expenses increase without a commensurate increase in our revenues, or we fail to adjust operating expense levels appropriately, we may never be able to achieve profitability.

OUR QUARTERLY OPERATING RESULTS ARE LIKELY TO BE VOLATILE, AND MAY CAUSE OUR STOCK PRICE TO FLUCTUATE.

Our future revenues and operating results are likely to vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control. Accordingly, quarter-to-quarter comparisons of our results of operations may not be indicative of future performance. It is possible that in some future periods our operating results will be below the expectations of public market analysts and investors. In this event, the price of our common stock will likely decline. Factors which may cause our revenues and operating results to fluctuate include the following:

- our ability to attract and retain advertisers;

- the willingness of cable operators to broadcast our programming;

- market acceptance of our music channel and our music releases;

- the timing and uncertainty of sales cycles;

- our ability to sign additional artists to our record labels;

- our ability to enter into satisfactory manufacturing and distribution arrangements for our music recordings;

- new services offered by current or future competitors; and

- general economic conditions, as well as economic conditions specific to the music industry.

WE FACE INTENSE COMPETITION FROM BUSINESSES THAT HAVE SIGNIFICANTLY MORE RESOURCES THAN WE DO.

We face intense competition for a finite amount of consumer discretionary spending from numerous other entertainment companies and other businesses in the entertainment industry, including television networks such as MTV and VH1, major recording companies such as Sony, Time Warner, Universal and EMI, and a wide variety of music- and entertainment-related web sites. All of these businesses have substantially greater resources, histories of attracting and retaining talent, obtaining properties and hiring key employees.

There are a number of television channels already on the market that offer music entertainment to their viewers. These channels are backed by large organizations that have more resources than we do. We expect to compete, directly and indirectly, with these and other channels for viewers, consumers, content and service providers, advertisers and sponsors. To be competitive, we must enhance our services and content on a timely and cost-effective basis. There can be no assurance that we will be successful in attracting viewers, advertisers, sponsors or adapting our web site or, if re-launched, our television channel to user requirements or emerging industry standards. Similarly, the market for recorded music is dominated by the major record companies, certain of which are a part of larger entertainment conglomerates, and have recording divisions with significant financial resources and promotional budgets and large artist and repertoire staffs to compete for a limited number of promising recording artists, producers and writers. Although we intend to use our web site and, if re-launched, our television channel to promote the videos of our artists, there is also intense competition within the recording industry for "air time" by radio disc jockeys, which is essential to gain attention and create demand for recordings. There can be no assurance that any of our labels' artists, recordings or music videos will gain the exposure required to generate significant market interest or that we will be able to compete successfully.

We expect to compete with various forms of entertainment which provide similar value, including movies, video and audio cassettes, broadcast television, cable programming, special pay-per-view events, sporting events and other forms of entertainment which may be less expensive or provide other advantages to our targeted viewers. We also expect to compete for advertising dollars with traditional media. In addition, there can be no assurance that other companies are not developing or will not seek to develop similar networks. If our network is successful, it is possible that other companies may seek to enter or capitalize on such a market and compete directly with us. Many of these companies may have substantially greater financing, personnel, technical and other resources than we do and may have well-established reputations for success in the development, promotion and marketing of entertainment events. There can be no assurance that we will be able to compete successfully with these other entities.

SUCCESS BY OLYMPUSAT IN ITS LAWSUIT AGAINST US RELATING TO OUR TERMINATION OF OUR NETWORK CARRIAGE AGREEMENT COULD HARM OUR BUSINESS.

In November 2000, OlympuSAT, Inc. filed suit against us, James Fallacaro and Anthony Escamilla in Circuit Court in Palm Beach County, Florida. OlympuSAT alleges breach of contract, fraudulent inducement and breach of an implied duty of good faith and fair dealing arising out of the Network Carriage Agreement entered into between us and OlympuSAT on December 6, 1999, which Agreement was terminated in November 2000. The complaint filed by OlympuSAT indicates that it is seeking an indeterminate amount of damages.

In connection with this lawsuit, we have incurred, and expect to continue to incur, substantial legal fees and expenses. This lawsuit has diverted, and is expected to continue to divert, the efforts and attention of our management. As a result, our defense of this lawsuit, regardless of its eventual outcome, has been, and will continue to be, costly and time consuming. If we are unable to successfully defend this lawsuit, we could be required to pay significant monetary damages to OlympuSAT and our business could be harmed.

WE ARE SUBJECT TO ALL OF THE RISKS AND UNCERTAINTIES ASSOCIATED WITH THE ENTERTAINMENT INDUSTRY GENERALLY, ANY OF ALL OF WHICH MAY HAVE AN ADVERSE IMPACT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

Content acquisition costs, as well as promotion and marketing expenses and third-party participation payable to producers and others, which reduce potential revenues derived from programming events and musical recordings, have increased significantly in recent years. Our future operating results will depend upon numerous factors beyond our control, including the popularity, price and timing of programming and special events being released and distributed, national, regional, and local economic conditions, changes in demographics, the availability of alternative forms of entertainment, critical reviews and public tastes and preferences, which change rapidly and cannot be predicted. If we are unable to successfully anticipate and respond to relatively rapid changes in consumers' tastes and preferences, our business and operating results will be adversely affected.

OUR ABILITY TO ACHIEVE OR MAINTAIN PROFITABILITY WILL BE CONSTRAINED IF WE DO NOT EFFECTIVELY MANAGE OUR ANTICIPATED RAPID GROWTH.

We expect to significantly increase our employee base as we implement our business model and develop our product and service offerings. We currently have only four employees. If we expand our operations as anticipated, we expect to significantly increase the size of our employee base. Our management and operations are likely to be strained by this anticipated growth. To compete effectively and to manage future growth, we must improve our financial and management controls, reporting systems and procedures on a timely basis. We must also expand, train and manage our employee base. If we are not successful in managing our growth, our ability to achieve or maintain profitability may be harmed.

WE MAY BE UNABLE TO ATTRACT AND RETAIN KEY PERSONNEL, WHICH WOULD ADVERSELY AFFECT OUR ABILITY TO DEVELOP AND EFFECTIVELY MANAGE OUR BUSINESS.

Our future performance will depend largely on the efforts and abilities of our senior executives and other key personnel. Our success will depend on our ability to attract and retain these key employees in the future. The market for such persons is extremely competitive and we may not find qualified replacements for personnel who leave us. In addition, we do not maintain key person life insurance on any of our key personnel, and have no plans to do so. The loss of, or the inability to attract, any one or more of our key personnel may harm our ability to develop and effectively manage our business.

CURRENT OR FUTURE GOVERNMENT REGULATION MAY ADD TO OUR OPERATING COSTS.

We may face unanticipated operating costs because of the current uncertainty surrounding potential government regulation of the Internet and e-commerce. We believe that we are not currently

subject to direct regulation of our current and expected activities, other than regulations applicable to businesses generally. However, the Internet has rapidly emerged as a commerce medium, and governmental agencies have not yet been able to adapt all existing regulations to the Internet environment. Laws and regulations may be introduced and court decisions reached that affect the Internet or other online services, covering issues such as user pricing, user privacy, freedom of expression, access charges, content and quality of products and services, advertising, intellectual property rights and information security. Complying with new regulations would increase our operating costs. Furthermore, as a company with a significant Internet presence, it is unclear in which jurisdictions we are actually conducting business. Our failure to qualify to do business in a jurisdiction that requires us to do so could subject us to fines or penalties and could result in our inability to enforce contracts in that jurisdiction.

In addition, if we are able to enter into arrangements with one or more cable operators or other third parties to distribute our programming over cable and/or direct satellite television, we may become indirectly subject to regulation by the Federal Communications Commission in connection with operations of cable television systems, satellite distribution systems and television broadcasters. From time to time there are pending before Congress various proposals which provide, among other things, for increased rate regulation of cable systems, some form of "must carry" regime for local broadcast stations, limits on the size of multiple system operators and limits on carriage of affiliated program services. In addition, legislation is periodically before Congress which would restore local authority to set cable rates, to require the Federal Communications Commission to determine whether and/or how to limit cable system ownership, and to require cable programmers to sell their product to non-cable distributors under certain circumstances. It is impossible to predict with accuracy whether any of these legislative proposals will be enacted, or, if enacted, the form they will take; however, any legislation which increases rate regulation or effects structural changes in the cable industry could have a material adverse impact on our business and operations.

WE MAY BE UNABLE TO ADEQUATELY PROTECT OUR PROPRIETARY RIGHTS, WHICH COULD RESULT IN THEIR UNAUTHORIZED USE BY OUR COMPETITORS AND HAVE AN ADVERSE IMPACT ON OUR REVENUES.

Our success depends in part on our ability to protect our proprietary rights. There can be no assurance that the measures taken by us to protect our proprietary rights will be adequate to prevent misappropriation or independent development by others of programming and media concepts based upon, or otherwise similar to, those of our network. In addition, although we believe that our programming and concepts have been independently developed and do not infringe on the proprietary rights or trade secrets of others, there can be no assurance that our methods and concepts do not and will not so infringe or that third parties will not assert infringement claims, trade secret violations, competitive torts or other proprietary rights violations against us in the future. In the case of infringement, we could, under certain circumstances, be required to modify our programming or obtain a license. There can be no assurance that we would be able to do either in a timely manner or upon acceptable terms and conditions, and such failure could have a material adverse effect on our operations, cash flows and financial condition. There can also be no assurance that we will have the resources to defend or prosecute proprietary rights infringement action.

In addition, our record label business could be adversely affected by the unauthorized reproduction of recordings for commercial sale and by home taping. Unauthorized recordings of our products could result in the loss of substantial revenues. We may in the future file lawsuits, either on our own behalf or in conjunction with other music publishers, copyright owners and publishing organizations seeking injunctive relief and/or monetary damages from persons and companies who interfere with our property rights. Future actions could be costly and time consuming and may divert management's attention from our business affairs which could have a material adverse effect on our operations. Similarly, new technologies, including digital audio tape and recordable CD technology, may increase the opportunity for contraband reproduction for distribution as well as the opportunity for consumers to make high quality home copies of recordings. In the absence of adequate copyright or other protections, new recording technologies could adversely affect the sale of our music and consequently adversely affect our operating results.

We have filed U.S. trademark applications with respect to a number of our names and marks, including "IMC," "Independent Music Channel," "IMNTV" and "InVision." We cannot assure you that we will be able to secure registration of any of these trademarks. In addition, we do not have any trademarks registered, nor do we have any trademark applications pending, outside of the United States. The laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Effective copyright and trademark protection may not be available in other jurisdictions. If we cannot adequately protect our proprietary rights, our competitors could benefit from the unauthorized use of such rights, resulting in an adverse impact on our revenues. Even if we are able to protect our proprietary rights, we could incur significant costs to defend our rights.

RISKS RELATED TO OUR TELEVISION BUSINESS

WE ARE DEPENDENT ON OUR AGREEMENT WITH YAHOO! TO PROVIDE OUR NATIONAL TELEVISION MUSIC VIDEO PROGRAMMING TO THE INTERNET, AND WE ARE CURRENTLY IN BREACH OF THIS AGREEMENT.

Completion of our business plan of distribution of music video programming on the Internet is dependent upon Yahoo's performance of its obligations under the television station agreement with Yahoo! Inc. Similarly, completion of the business plan is also dependent upon our ability to perform our obligations under the television station agreement. We are currently in breach of our payment obligations. Although we are working to cure this breach, we cannot assure you that we will be able to, or that Yahoo will not cease providing services under the agreement.

IF WE FAIL TO ATTRACT A LARGE AUDIENCE FOR OUR MUSIC CHANNEL AND WEB SITE, WE MAY NOT BE ABLE TO ATTRACT ADVERTISERS OR STRATEGIC ALLIANCES.

Attracting and maintaining a large audience is critical to selling advertising and to otherwise generating revenues. If we cannot attract and maintain a large audience for our web site and, if re-launched, our television channel, then we may be unable to attract advertisers. In addition, we may be at a relative disadvantage to other media companies with larger audiences that may be able to leverage their audiences to access more advertisers and enter into significant strategic alliances. To attract and maintain a large audience, we must:

- offer compelling music content;
- conduct effective marketing campaigns to acquire new users and consumers;
- develop and maintain existing distribution relationships with other web sites;
- update and enhance the features of our web site; and

- offer targeted, relevant products and services.

Our failure to achieve one or more of these objectives could adversely affect our business, and we cannot assure you that we will be successful in these efforts.

A significant element of our strategy is to build a loyal community of members on our web site and web portal because we believe community features help retain actively engaged users. If we are not successful in developing such a community, then it may be more difficult to increase the size of our audience.

We also depend on establishing and maintaining relationships with high-traffic web sites to increase our audience. There is intense competition for placements on these sites, and we may not be able to establish such relationships on commercially reasonable terms or at all. Even if we enter into agreements with these web sites, they themselves may not attract significant numbers of users. Therefore, our web site may not obtain additional users from these relationships.

OUR BUSINESS IS DEPENDENT UPON THE DISTRIBUTION OF OUR PROGRAMMING THROUGH CABLE TELEVISION SYSTEMS.

IMNTV must compete for a limited amount of broadcast space on cable television systems with a large number of well-established programmers supplying a variety of alternative programming. We expect that our ability to generate revenues through sales of advertising time on IMNTV will be dependent in large part on our ability to distribute our television programming to a large audience. We do not know how many cable televisions systems have channels available for, or any interest in, programming featuring independent music interests or whether we will be able to secure available channels for our programming on a profitable basis. Accordingly, we cannot assure you that we will be able to secure channel space in any markets or be able to expand our operations as planned. If we are unable to distribute our channel and its programming in a large number of markets, our ability to generate revenues and our results of operations would be adversely affected.

IF WE ARE UNABLE TO ATTRACT ADVERTISERS AND SPONSORS TO IMNTV, OUR BUSINESS WOULD BE HARMED.

We expect to rely heavily upon the sale of advertising time on IMNTV to generate revenues. Such sales will likely be dependent upon our ability to demonstrate that our programming is able to reach the demographics that advertisers and sponsors seek to target. Our success in these efforts will be affected by a number of factors including, among others, our ability to deliver high quality, entertaining programming that is appealing to our targeted viewers. There can be no assurance, however, that we will be successful in our endeavors or that we will receive sufficient advertising revenues to obtain or maintain profitability.

Our ability to generate advertising revenues also may be adversely affected by economic downturns which, if prolonged, might have an adverse impact on television advertising, in general, and on our results of operations, cash flows and financial condition. Additionally, advertising revenues may be adversely impacted by many other factors beyond our control, including the amount of funds that advertisers dedicate to television advertising and sponsorship in general and to our programming in particular, the number of advertisers seeking audiences within the demographic groups to which our programming is targeted, competition within national and regional markets from other media, and regulatory restrictions on advertising and sponsorships such as liquor or cigarette advertising. There can be no assurance that we will be able to attract advertisers. The inability to attract advertisers or to maintain these relationships once obtained would have an adverse affect on our results of operations, cash flows and financial condition.

IF IMNTV DOES NOT ATTRACT LOYAL SUPPORT FROM ITS TARGETED VIEWING AUDIENCE, OUR BUSINESS WILL BE ADVERSELY AFFECTED.

Our business plan is predicated on IMNTV attracting active and loyal support from the community of music fans that have an interest in independent music. There can be no assurance that there will be significant support from our anticipated viewership segment or that sufficient public acceptance of our programming will enable IMNTV to operate profitably. Moreover, there can be no assurance that a sufficient number of advertisers will support our programming because it may be considered too far outside mainstream programming, or it may not reach a large enough audience. If we do not engender such support from our targeted audience or advertisers, our results of operations, cash flows and financial condition would be adversely affected.

SEASONALITY IN REVENUES IN THE TELEVISION INDUSTRY MAY HAVE AN ADVERSE AFFECT ON OUR RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION.

Advertising revenues in the television industry fluctuate due to seasonality. Television network revenues are typically lower in the third quarter due to the number of reruns broadcast during the summer

months. In the future, our results of operations may fluctuate from quarter to quarter, which could have a material adverse affect on our results of operations, cash flows and financial condition.

WE MAY NOT BE ABLE TO ESTABLISH THE IMNTV BRAND.

We are new and little known in the entertainment sector and, although we were incorporated in 1986, our efforts in the entertainment industry only commenced in 1999. In order to generate traffic to our web site and web portal and attract an audience to our entertainment channel, we will need to spend significant resources on marketing and promoting our record label, music programming and our web site. If we are unable to establish brand recognition in the areas in which we operate, our business may be negatively affected.

DELIVERY OF OUR CONTENT VIA TELEVISION OR THE INTERNET MAY BE INTERRUPTED DUE TO SYSTEMS FAILURES, NATURAL DISASTERS OR OTHER CAUSES.

We are subject to the risk that delivery of our services via cable television or the Internet may be interrupted as a result of satellite failure, communications and/or network equipment damage caused by natural disasters such as earthquakes and fires, hardware failures, increased stress on communications and/or network hardware, local power losses or other telecommunications failures and/or capacity constraints on us or our vendors' or suppliers' hardware. Any such interruptions may cause us to lose viewers and, accordingly, may adversely affect our business and results of operations.

RISKS RELATED TO OUR RECORDING BUSINESS

WE HAVE A LIMITED ARTIST ROSTER AND IT IS UNCERTAINTY THAT THESE ARTISTS WILL EVER GAIN MARKET ACCEPTANCE, WHICH COULD SUBSTANTIALLY HARM OUR

BUSINESS.

The success of our business model will depend, in large part, on our ability to generate significant revenues in the future from the exploitation of a limited number of new and unknown recording artists in limited musical genres. At present we have only three artists signed to our label. Accordingly, our continued success will be dependent upon our ability to sign and retain promising artists who will appeal to popular taste over a significant period of time. As is typically the case in the record industry, demand and market acceptance for newly introduced and unknown artists and recordings is subject to a high level of uncertainty. Achieving market acceptance for new artists and recordings will require us to spend significant efforts and expenditures for advertising, marketing and promotional activities, including obtaining access to television and radio "air time" to create awareness of and demand for our recordings by consumers. We currently have limited marketing capabilities, resources and personnel. There can be no assurance that we will be able, for financial or other reasons, to successfully promote and market our newly recorded music or that any of our efforts will result in initial or continued market acceptance for our products.

WE ARE SUBJECT TO BUSINESS RISKS ASSOCIATED WITH TALENT DEVELOPMENT.

Currently, we have entered into recording contracts with only three artists. There can be no assurance that we will be able to attract other artists, or, if we are able to attract such talent, that we will be able to develop that talent successfully or in such a manner that significant sales of artist product will result. There can be no assurance that any artist developed by us will not request a release from his or her agreement with us. Because of the highly personal and creative nature of a recording artist's contractual obligations, it is not feasible to force an unwilling artist to perform the terms of his or her contract. The failure to enter into recording contracts with additional talented artists, or the loss of an artist with whom we have signed a recording contract, could have a materially adverse effect on our results of operations.

RECORD PRODUCTION AND PROMOTION ACTIVITIES ARE SPECULATIVE AND ARE SUBJECT TO ALL OF THE RISKS GENERALLY ASSOCIATED WITH THE RECORDING INDUSTRY.

Many commercial recordings released in the United States do not earn sufficient gross receipts to cover the costs of production, promotion, marketing and distribution and to return initial investments. Production costs and promotion, marketing and distribution expenses, as well as third-party participation costs payable to producers, recording artists and others, which reduce potential revenues derived from record sales, have increased significantly in recent years. Our future operating results will depend on numerous factors beyond our control, such as the popularity and timing of other recordings being released, retail prices, national, regional and local economic conditions, changes in consumer demographics and critical reviews and public tastes and preferences, which change rapidly and cannot be accurately predicted. Our ability to plan for record production and promotional activities will be significantly affected by our ability to anticipate and respond to changes in consumer tastes and preferences, primarily those consumers comprising our target market. A decline in the popularity of pre-recorded music, in the recording industry generally or in our particular market segments could materially adversely affect our business prospects and financial results. In addition, the initial recording we expect to release is a motion picture soundtrack. If the release date of the motion picture is delayed or cancelled, or if the motion picture is not a commercial success, this recording may not be successful and our business and operating results may be harmed.

Record production activities are also subject to unforeseen events, unanticipated production cost overruns and technical and operating difficulties. Significant up-front expenses associated with record production and promotion could adversely affect our future operating results. Although we expect to seek to reduce the financial risk of individual recordings by limiting our initial production runs, actual production costs may exceed production budgets and the occurrence of material cost overruns could have a material adverse effect on our operating results.

WE WILL BE DEPENDENT ON AGREEMENTS WITH DISTRIBUTORS TO DISTRIBUTE MUSIC RECORDED FOR OUR RECORD LABELS.

Our success will be largely dependent upon the marketing efforts of our distributors. To date, we have entered into only one distribution agreement, and this agreement applies only to the motion picture soundtrack that we expect will be our initial musical recording available for distribution. The distributor we have engaged, and any other distributors we may engage, will continue to distribute other recordings, including recordings in which they may have a large financial interest and, accordingly, more incentive to actively distribute. If we are unable to enter into distribution agreements with recognized distributors on terms satisfactory to us, or if such distribution agreements are cancelled after inception, our business and results of operations will be adversely affected.

ADVANCES IN NEW TECHNOLOGIES MAY INCREASE THE LIKELIHOOD FOR CONTRABAND REPRODUCTION, WHICH COULD HARM OUR BUSINESS.

New technologies, including digital audio tape and recordable CD technology, may increase the opportunity for contraband reproduction for distribution as well as the opportunity for consumers to make high quality home copies of recordings. New recording technologies could adversely affect the sale of CDs and tapes. We expect that our labels' recordings will initially be produced primarily for CDs. A leveling off or a decline in sales of CDs as a result of the introduction of new technologies could adversely affect our business, operating results, cash flows and financial condition.

OUR MUSIC PRODUCTS WILL BE SUBJECT TO RETURN IF NOT SOLD TO CONSUMERS.

At the time of product sales, we may establish a reserve for future returns based primarily on historical return rates and recognize revenues net of estimated product returns. We anticipate that the agreements we may enter into with distributors will permit the distributors to withhold up to approximately 35% of revenues for product returns. Product returns which significantly exceed our reserves would materially adversely affect our operating results.

WE WILL RELY ON THIRD-PARTY VENDORS FOR THE MANUFACTURE OF CDS AND TAPES. WE DO NOT YET, AND MAY NEVER, MAINTAIN AGREEMENTS WITH ANY PRODUCT

MANUFACTURERS AND MAY NEED TO PURCHASE CDS AND TAPES PURSUANT TO PURCHASE ORDERS PLACED FROM TIME TO TIME IN THE ORDINARY COURSE OF BUSINESS.

We will be dependent on the ability of third-party manufacturers and other vendors to provide adequate supplies of CDs and tapes on a timely basis and on favorable terms. Several of these manufacturers may require that we purchase certain minimum quantities of CDs and tapes with each purchase order. Although we believe that alternative manufacturing sources are currently available, there can be no assurance that manufacturers will have sufficient production capacity or incentive to satisfy our product and scheduling requirements during any period of sustained demand or that we will not be subject to price fluctuations or periodic delays. Failure or delay by our manufacturers in supplying CDs and tapes to us on favorable terms could result in material interruptions in our operations and adversely affect our ability to deliver our products on a timely and competitive basis.

WE ANTICIPATE THAT A PORTION OF OUR SALES OF CDS AND TAPES WILL BE MADE IN INTERNATIONAL MARKETS, WHICH WILL SUBJECT US TO SPECIAL RISKS.

We expect that a portion of our sales of CDs and tapes will be to foreign countries. Accordingly, we will be subject to increased credit risks, customs duties and other trade restrictions, fluctuations in foreign currency exchange rates, shipping delays and international political and economic developments. A decline in the economic prospects of emerging foreign markets could adversely affect our ability to initiate, and once initiated, expand, international sales. Foreign sales also involve potential difficulties in enforcing foreign license arrangements in the event of non-performance by the licensee.

RISKS RELATED TO OUR COMMON STOCK

OUR COMMON STOCK IS TRADED ON THE "OVER THE COUNTER BULLETIN BOARD AND THERE IS CURRENTLY ONLY A LIMITED TRADING MARKET FOR OUR SHARES.

Because of the limited trading market for shares of our common stock, historic market prices may not be indicative of the prices at which our shares can be bought or sold. The market price of our common stock may fall due to a number of factors, including:

- actual or anticipated fluctuations in our operating results;

- changes in expectations as to our future financial performance;

- availability of additional shares of common stock for public sale;

- changes in securities analysts' financial estimates; and

- the operating and stock price performance of our competitors and other comparable companies.

THE HOLDINGS OF OUR CONTROLLING STOCKHOLDER MAY LIMIT YOUR ABILITY TO INFLUENCE THE OUTCOME OF DIRECTOR ELECTIONS AND OTHER MATTERS SUBJECT TO A STOCKHOLDER VOTE, INCLUDING A SALE OF OUR COMPANY ON TERMS THAT MAY BE ATTRACTIVE TO YOU.

James Fallacaro, our Chief Executive Officer and President and Chairman of our Board of Directors, currently owns approximately 63% of our outstanding common stock. Mr. Fallacaro's stock ownership and management positions enable him to exert considerable influence over us, including the election of directors and the approval of other actions submitted to our stockholders. In addition, without the consent of Mr. Fallacaro, we may be prevented from entering into transactions that could be viewed as beneficial to other stockholders, including a sale of our company. This could prevent you from selling your stock to a potential acquiror at prices that exceed the market price of our stock.

SHARES OF OUR COMMON STOCK ELIGIBLE FOR PUBLIC SALE COULD DEPRESS OUR

STOCK PRICE.

The market price of our common stock could decline as a result of sales by our existing stockholders of shares of common stock in the market, or the perception that these sales could occur. In addition to shares of our common stock that may be eligible for sale under Rule 144 or other exemptions from registration under U.S. securities laws, we are obligated to register a total of 4,190,000 shares of our common stock, including shares issuable upon the exercise of outstanding warrants, for resale.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In November 2000, OlympuSAT, Inc. filed suit against the Company, James Fallacaro and Anthony Escamilla in Circuit Court in Palm Beach County, Florida. OlympuSAT alleges breach of contract, fraudulent inducement and breach of an implied duty of good faith and fair dealing arising out of the Network Carriage Agreement entered into between the Company and OlumpuSAT on December 6, 1999, which Agreement was terminated in November 2000. The complaint filed by OlympuSAT indicates that it is seeking an indeterminate amount of damages. The Company believes that the claims asserted in the complaint are without merit, and plans to vigorously defend its position. However, the Company is unable to predict the outcome of the matter at this time.

Item 2. Changes in Securities and Use of Proceeds

(c) On November 1, 2000, the Company granted options to purchase an aggregate of 1,000,166 shares of common stock to employees and a consultant of the Company. Each such option had an exercise price of $1.00 per share, and were exercisable in full as to all shares subject thereto. These issuances were intended to be exempt from registration under Section 5 of the Securities Act of 1933 in reliance upon Section 4(2) thereof and/or Rule 701 thereunder. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to, or for sale in connection with, any distribution thereof.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-B

Exhibits:

None.

(b) Reports on Form 8-K

On November 7, 2000, the Company filed a Current Report on Form 8-K reporting the Company's issuance of a press release announcing, among other things, that it had terminated its network carriage agreement with OlympuSAT, Inc.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Falcon Entertainment Corp., a Delaware corporation

BY: /s/ JAMES FALLACARO

James Fallacaro, Chairman and President
(Principal Executive Officer and Principal
Financial Officer)

Date: February 20, 2001