

WILSHIRE BANCORP INC
Form 425
April 14, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 7, 2015

BBCN Bancorp, Inc.		
(Exact name of registrant as specified in its charter)		
Delaware	000-50245	95-4170121
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
3731 Wilshire Boulevard, Suite 1000, Los Angeles, CA		90010
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code (213) 639-1700.

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Explanatory Note

On December 7, 2015, BBCN Bancorp, Inc., a Delaware corporation (the "Company"), filed a Form 8-K (the "Original Report") reporting that it had entered into an Agreement and Plan of Merger, dated as of December 7, 2015 (the "Merger Agreement"), with Wilshire Bancorp, Inc., a California Corporation ("Wilshire"). A copy of the Merger Agreement was filed as Exhibit 2.1 to the Original Report.

This report on Form 8-K/A (i) amends Item 9.01 and the Exhibit Index of the Original Report to clarify that the Merger Agreement was filed exclusive of the confidential disclosure schedules referred to therein and (ii) files Exhibit 2.2, a list of items in the confidential disclosure schedules to the Merger Agreement. The confidential disclosure schedules contain confidential information provided by each of Wilshire and the Company that modify, qualify and create exceptions to the representations, warranties and covenants set forth in the Merger Agreement. The Company hereby undertakes to provide copies of the confidential disclosure schedules to the Securities and Exchange Commission (the "SEC") upon request. This report on Form 8-K/A also updates the disclosures under "Additional Information and Where to Find It" and "Participants in the Solicitation" of the Original Report to reflect the Company's filing of the preliminary joint proxy statement/prospectus on Form S-4.

For ease of reference, the entire Original Report, as amended hereby, is set forth below. Except as described in this Explanatory Note, no attempt has been made in this Form 8-K/A to modify or update other disclosures presented in the Original Report. The disclosures in this Form 8-K/A continue to speak as of the date of the Original Report, and do not reflect events occurring after the filing of the Original Report (except as set forth under "Additional Information and Where to Find It" and "Participants in the Solicitation" of this Form 8-K/A). Accordingly, this Form 8-K/A should be read in conjunction with the Company's other filings made with the Securities and Exchange Commission subsequent to the filing of the Original Report and any other amendments to those filings. The filing of this Form 8-K/A shall not be deemed to be an admission that the Original Report, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

Item 1.01 Entry into a Material Definitive Agreement

On December 7, 2015, BBCN Bancorp, Inc., a Delaware corporation (the "Company"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Wilshire Bancorp, Inc., a California corporation ("Wilshire"). Subject to the terms and conditions of the Merger Agreement, which have been approved by the board of directors of both the Company and Wilshire, Wilshire will merge with and into the Company, with the Company being the surviving corporation (the "Merger").

Concurrently with or as soon as reasonably practicable after the consummation of the Merger, Wilshire Bank, a California-state chartered bank and a wholly owned subsidiary of Wilshire ("Wilshire Bank"), will merge with and into BBCN Bank, a California state-chartered bank and a wholly owned subsidiary of the Company ("BBCN Bank"), with BBCN Bank being the surviving bank (the "Bank Merger"), pursuant to a separate merger agreement between Wilshire Bank and BBCN Bank.

Under the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each outstanding share of Wilshire common stock will be converted into 0.7034 (the "Exchange Ratio") shares of the Company's common stock, with any fractional shares paid in cash. At the Effective Time, (i) each outstanding option to acquire shares of Wilshire common stock will be assumed by the Company and be converted into a right to acquire shares of the Company's common stock, subject to adjustments to the exercise price and number of shares issuable upon exercise of such option based on the Exchange Ratio; and (ii) each restricted share of Wilshire common stock will be assumed by the Company at the Effective Time and be converted into restricted shares of the Company's common stock, as adjusted by the Exchange Ratio. In addition, at the Effective Time, the Company will also assume the obligations of

Wilshire with respect to its issued and outstanding junior subordinated debt securities.

Under the Merger Agreement, at the Effective Time, the board of the surviving corporation will consist of 16 members, with the Company and Wilshire designating nine and seven directors respectively to serve on such board, Steven S. Koh, Wilshire's chairman, will serve as chairman of the board and Kevin S. Kim, the Company's chairman, president and chief executive officer, will serve as president and chief executive officer of the combined corporation. The Merger Agreement also provides for the appointment of a consolidation committee consisting of three representatives from each company to oversee the integration process. In addition, prior to the closing, the Company will offer to enter into a consulting agreement with Wilshire's chief executive officer pursuant to which, if such offer is accepted, such individual would be engaged as a consultant for the surviving corporation on a one-year term, with compensation and other terms as determined by the consolidation committee.

The Merger Agreement contains representations and warranties customary for transactions of this type. In addition, each party has agreed to various customary covenants and agreements, including, among others, (i) to conduct its business in the ordinary course consistent with past practice during the interim period between the execution of the Merger Agreement and the Effective Time, (ii) not to engage in certain kinds of transactions during this period, (iii) to convene and hold a meeting of its stockholders to

consider and vote upon the Merger, notwithstanding any acquisition proposal or intervening material event arising after signing, (iv) to recommend approval of the Merger to its stockholders and, subject to certain exceptions, not make any changes to such recommendation, (v) not solicit, initiate, or knowingly encourage any alternative proposal to acquire the Company or Wilshire; and (vi) subject to certain exceptions, not to provide any non-public information in connection with any such proposal, or engage in any discussions or negotiations regarding or any such proposal.

The consummation of the Merger is subject to customary conditions, including receipt of regulatory approvals, receipt of the requisite approval of the shareholders of the Company and Wilshire, the absence of any law or order prohibiting the closing, and effectiveness of the registration statement to be filed by the Company with respect to the stock to be issued in the Merger. In addition, each party's obligation to consummate the Merger is subject to certain other conditions, including the accuracy of the representations and warranties of the other party and compliance of the other party with its covenants, in each case subject to certain materiality standards.

The Merger Agreement contains customary termination rights for the Company and Wilshire, including the right to terminate if the other party suffers a material adverse effect after the date of the Agreement. In addition, each party is entitled to a termination fee in the amount of \$40,000,000 if the Merger Agreement is terminated as a result of, among other circumstances, the other party's entry into an alternative acquisition proposal within 18 months after the date of termination of the Merger Agreement or any failure by the other party to hold a shareholder meeting, recommend approval of the Merger to its shareholders or abide by its covenants not to solicit or engage in any alternative proposal, in each case, subject to the other conditions triggering such payment as provided in the Merger Agreement.

The Merger is expected to close in mid-2016.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is attached as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated by reference herein. The Merger Agreement has been attached as an exhibit to provide investors and security holders with information regarding its terms. It is not intended to provide any other financial information about the Company, Wilshire or their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Merger Agreement were made only for purposes of that agreement and as of specific dates, are solely for the benefit of the parties to the Merger Agreement, may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the parties that differ from those applicable to investors. Investors should not rely on the representations, warranties, or covenants or any description thereof as characterizations of the actual state of facts or condition of the Company, Wilshire or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in public disclosures by the Company.

Item 8.01 Other Events.

On December 7, 2015, the Company and Wilshire issued a joint press release and held a joint investor conference call (with simultaneous webcast) to announce the execution of the Merger Agreement. Copies of the press release and the slide presentation used on the conference call are attached hereto as Exhibits 99.1 and 99.2, respectively. These materials are incorporated herein by reference and the foregoing description is qualified in its entirety by reference to such materials.

Forward-Looking Statements

This Current Report on Form 8-K/A contains statements regarding the proposed transaction between BBCN Bancorp and Wilshire Bancorp, and statements about the future expectations, beliefs, goals, plans or prospects of the management of each of BBCN Bancorp and Wilshire Bancorp. These statements are based on current expectations, estimates, forecasts and projections and management assumptions about the future performance of each of BBCN Bancorp, Wilshire Bancorp and the combined company, as well as the businesses and markets in which they do and are expected to operate. These statements constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as "expects," "believes," "estimates," "anticipates," "targets," "goals," "projects," "intends," "plans," "seeks," and variations of such words and similar expressions are intended to identify such forward-looking statements which are not statements of historical fact. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to assess. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The closing of the proposed transaction is subject to regulatory approvals, the approval of the shareholders of both BBCN Bancorp and Wilshire Bancorp, and other customary closing conditions. There is no assurance that such conditions will be met or that the proposed transaction will be consummated within the expected time frame, or at all. If the

transaction is consummated, factors that may cause actual outcomes to differ from what is expressed or forecasted in these forward-looking statements include, among things: difficulties and delays in integrating BBCN Bancorp and Wilshire Bancorp and achieving anticipated synergies, cost savings and other benefits from the transaction; higher than anticipated transaction costs; deposit attrition, operating costs, customer loss and business disruption following the merger, including difficulties in maintaining relationships with employees, may be greater than expected; required governmental approvals of the merger may not be obtained on its proposed terms and schedule, or without regulatory constraints that may limit growth; competitive pressures among depository and other financial institutions may increase significantly and have an effect on revenues; the strength of the United States economy in general, and of the local economies in which the combined company will operate, may be different than expected, which could result in, among other things, a deterioration in credit quality or a reduced demand for credit and have a negative effect on the combined company's loan portfolio and allowance for loan losses; changes in the U.S. legal and regulatory framework; and adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) which would negatively affect the combined company's business and operating results.

For a more complete list and description of such risks and uncertainties, refer to BBCN Bancorp's Form 10-K for the year ended December 31, 2015, and Wilshire Bancorp's Form 10-K for the year ended December 31, 2015, as well as other filings made by BBCN Bancorp and Wilshire Bancorp with the Securities and Exchange Commission (the "SEC"). Except as required under the U.S. federal securities laws and the rules and regulations of the SEC, BBCN Bancorp and Wilshire Bancorp disclaim any intention or obligation to update any forward-looking statements after the distribution of this press release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

Additional Information and Where to Find It

In connection with the proposed merger, BBCN Bancorp has filed with the SEC a registration statement on Form S-4 that includes a preliminary joint proxy statement/prospectus of Wilshire Bancorp and BBCN Bancorp, as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the registration statement, the preliminary joint proxy statement/prospectus regarding the merger, the definitive joint proxy statement/prospectus (when it becomes available) and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the preliminary joint proxy statement/prospectus, as well as other filings containing information about BBCN Bancorp and Wilshire Bancorp at the SEC's Internet site (www.sec.gov). You will also be able to obtain these documents, free of charge, from BBCN at www.BBCNbank.com in the "Investor Relations" section under the "About" tab, or from Wilshire Bancorp at www.wilshirebank.com in the "Investor Relations" section under the "About Wilshire Bank" tab.

Participants in Solicitation

BBCN Bancorp, Wilshire Bancorp and their respective directors, executive officers, management and employees may be deemed to be participants in the solicitation of proxies in respect of the merger. Information concerning BBCN Bancorp's participants is set forth in the proxy statement, dated May 1, 2015, and supplemental proxy materials, dated May 20, 2015, for BBCN Bancorp's 2015 annual meeting of stockholders, as filed with the SEC on Schedules 14A. Information concerning Wilshire Bancorp's participants is set forth in the proxy statement, dated April 9, 2015, for Wilshire Bancorp's 2015 annual meeting of stockholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of BBCN Bancorp and Wilshire Bancorp in the solicitation of proxies in respect of the merger is included in the registration statement and the preliminary joint proxy statement/prospectus filed with the SEC.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit No.	Description of Exhibit
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2.1	Agreement and Plan of Merger, dated December 7, 2015, by and between BBCN Bancorp, Inc. and Wilshire Bancorp, Inc. (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 2.1, filed with the SEC on December 7, 2015).*
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2.2	List of Items in the Confidential Disclosure Schedules to the Agreement and Plan of Merger, dated December 7, 2015, by and between BBCN Bancorp, Inc. and Wilshire Bancorp, Inc.
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- 99.1 Joint Press Release dated December 7, 2015 (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 2.1, filed with the SEC on December 7, 2015).
- 99.2 Joint Investor Presentation dated December 7, 2015 (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 2.1, filed with the SEC on December 7, 2015).

* Confidential disclosure schedules omitted pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC. The Company undertakes to furnish supplemental copies of any omitted schedules to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BBCN Bancorp, Inc.

Date: April 13, 2016

/s/ Kevin S. Kim
Kevin S. Kim
Chairman and Chief Executive Officer

EXHIBIT INDEX

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on Impairment of Assets), the NET equipment was estimated to have a useful life of three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the related lease or the lives of the related improvements. Expenditures for maintenance and repairs are charged to operations as incurred. Prior to July 2001 and in accordance with Financial Accounting and Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company recorded impairment losses on long-lived assets used in operations when events and circumstances indicated that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets were less than the carrying amount of those assets. In July 2001, the Company adopted FASB Statement No. 144, "According for the Impairment or Disposal of Long-Lived Assets" which superceded SFAS No. 121. SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of impairment (See further discussion below - Impact of Recently Issued Accounting Standards). INTANGIBLE ASSETS Intangible assets are primarily comprised of goodwill, which represents acquisition costs in excess of the net assets of businesses acquired. Prior to July 1, 2001, intangible assets were amortized on the straight-line basis ranging from 3-15 years. Effective July 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires goodwill to be tested for impairment on an annual basis, between annual tests in certain circumstances, and written down when impaired, rather than being amortized as previous accounting standards required. (See further discussion below - Impact of Recently Issued Accounting Standards). F-9 REVENUE RECOGNITION The Company's primary source of revenue is derived from the sale of advertising space in media, which is owned either by the Company or by third parties, and by the sale of marketing services. Revenue is generally recognized in the month of media publication and in the case of marketing services, the month such services are provided. Retail revenue is derived from the sale of merchandise to consumers on college campuses and stores. Retail revenue is recognized at the time of sale to the consumer. ADVERTISING AND PROMOTION COSTS The Company expenses advertising costs as incurred. Advertising expense from continuing operations for the years ended

June 30, 2002, 2001 and 2000 was approximately \$135,000, \$687,000 and \$263,000, respectively. **INCOME TAXES** The Company accounts for income taxes in accordance with Financial Accounting Standards Board Statement No.

109, "Accounting for Income Taxes." Under this method, deferred income taxes are provided for differences between the carrying amounts of the Company's assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. **NET LOSS PER SHARE** The Company calculates net loss per share as required by SFAS No.

128, "Earnings per Share." Basic earnings per share excludes any dilution for common stock equivalents and is computed on the basis of net loss divided by the weighted average number of common shares outstanding during the relevant period. Diluted earnings per share reflects the potential dilution that could occur if options or other securities

or contracts entitling the holder to acquire shares of common stock were exercised or converted, resulting in the issuance of additional shares of common stock that would then share in earnings. However, diluted earnings per share does not consider such dilution if its effect would be antidilutive. **STOCK-BASED COMPENSATION** The Company

generally grants stock options to employees for a fixed number of shares with an exercise price equal to or greater than the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and,

accordingly, recognizes compensation expense only if the fair value of the underlying common stock exceeds the exercise price of the stock option on the date of grant. The Company believes the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123")

requires the use of option valuation models that were not developed for use in valuing employee stock options. As permitted by SFAS No. 123, the Company continues to account for stock-based compensation in accordance with

APB Opinion No. 25 and has elected the pro forma disclosure alternative of SFAS No. 123. **USE OF ESTIMATES**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. **RISKS AND**

UNCERTAINTIES Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company routinely assesses the financial strength of its customers and requires collateral or other security to support customer receivables when necessary. Credit losses are provided for in the

consolidated financial statements in the form of an allowance for doubtful accounts. Management believes the Company has ample coverage for bad debt and will continue to review the collectibility of its receivables. **IMPACT**

OF RECENTLY ISSUED ACCOUNTING STANDARDS In June 2001, the FASB issued SFAS No. 141, Business Combinations. SFAS No. 141 addresses the initial recognition and measurement of goodwill and other intangible

assets acquired in a business combination. SFAS No. 141 is applicable to business combinations beginning July 1, 2001. In June 2001, the FASB issued SFAS No. 142. SFAS No. 142 addresses the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 also addresses the initial

recognition and measurement of intangible assets acquired outside of a business combination whether acquired individually or with a group of other assets. SFAS No. 142 is F-10 effective for fiscal years beginning after December 15, 2001; however, the Company elected to early-adopt the accounting standard effective at the beginning of fiscal

2002. In accordance with SFAS No. 142, the Company ceased amortizing goodwill. At June 30, 2001 accumulated amortization of intangible assets was \$2,861,000. As defined by SFAS No. 142, the Company identified two reporting units, retail and media, which constitute components of the Company's business. The Company was required to

complete, within six months from adoption, a transitional impairment test that required that the company make a fair value determination of its components of its business as of July 1, 2001. The Company performed the transitional impairment test, and determined at that time that no impairment was required. In conducting its annual impairment

test during the quarter ending June 30, 2002 the Company determined that the value of its recorded goodwill related to its Retail segment was impaired. (see Note 7 - Loss on Impairment of Assets). Had the Company accounted for its goodwill under SFAS No. 142 for all periods presented, the Company's net loss and loss per share would have been as follows (in thousands except per share amounts): Year ended June 30, ----- 2002

2001 2000 ----- Reported net loss \$ (20,512) \$ (237,803) \$

(49,888) Add back goodwill amortization -- 41,277 31,633 -----

Adjusted net loss \$ (20,512) \$ (196,526) \$ (18,255)

===== Basic and diluted earnings per share: Reported net loss \$ (0.67) \$ (8.11) \$ (2.36) Goodwill amortization -- \$ 1.41 \$ 1.50

----- Adjusted net loss \$ (0.67) \$ (6.70) \$ (0.86)

===== In August 2001, the FASB issued SFAS No. 144, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations" for a disposal of a segment of a business. The Company elected early adoption of SFAS No. 144 as of July 1, 2001. As a result of the adoption of SFAS No. 144, the disposal of Teen.com, which was not a separate segment of the Company, qualified as a discontinued operation (see Note 3 - Discontinued Operations). In addition, in 2002 events and circumstances indicated that the company's Network Theater Equipment and certain other location based Media equipment was impaired. As such, in accordance with the adoption of SFAS No. 144, the Company wrote down the value of these assets to their fair value. (see Note 7 - Loss on Impairment of Assets). In April 2002, the FASB issued SFAS No. 145, "Recision of SFAS Nos. 4, 44 and 64, Amendment of SFAS 13, and Technical Corrections as of April 2000. SFAS No. 145 revises the criteria for classifying the extinguishment of debt as extraordinary and the accounting treatment of certain lease modifications. SFAS 145 is effective in fiscal 2003, and is not expected to have a material impact on the Company's consolidated financial statements. In July 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 provides guidance on the timing of the recognition of costs associated with exit or disposal activities. The new guidance requires costs associated with exit or disposal activities to be recognized when incurred. Previous guidance required recognition of costs at the date of commitment to an exit or disposal plan. The provisions of the statement are to be adopted prospectively after December 31, 2002. Although SFAS No. 146 may impact the accounting for costs related to exit or disposal activities the Company may enter into in the future, particularly the timing of the recognition of these costs, the adoption of the statement will not have an impact on the Company's present financial condition or results of operations.

3. DISCONTINUED OPERATIONS In December 2001, the Company discontinued its Teen.com website. In connection with the discontinuance of this business, the Company incurred a one-time charge of \$348,000, related primarily to the write-off of property and equipment and an accrual for severance. In December 2000, the Company announced its decision to discontinue the online segment, including operations of the sixdegrees subsidiary and exit its Application Service Provider ("ASP") business. The ASP business included the technology that was acquired and further developed by CommonPlaces, CollegeWeb and Invino. The Company determined that the ASP business was not aligned with its long-term vision and strategy. The Company shut down its sixdegrees website on December 30, 2000, and final disposal of the ASP business occurred prior to June 30, 2001. In connection with the F-11 discontinuance of these businesses, the Company incurred a one-time charge of \$164 million, related primarily to the write-off of goodwill, and also including other net assets and an accrual for estimated losses during the phase-out period. The discontinuation of sixdegrees and the disposal of the ASP business represent the disposal of a business segment under APB No. 30. The discontinuation of Teen.com, sixdegrees and the disposal of the ASP business have been classified as discontinued and prior periods have been restated. Net revenues and losses from discontinued operations are as follows (in thousands):

	Year ended June 30, 2002	Year ended June 30, 2001	Year ended June 30, 2000
Net revenues	\$ 142	\$ 1,415	\$ 818
Gain (loss) from discontinued operations	\$ (587)	\$ (47,744)	\$ (39,865)
Gain (loss) on disposal of discontinued operations.....	877	(163,953)	--
Net gain (loss) from discontinued operations	\$ 290	\$ (211,697)	\$ (39,865)

===== The gain on the disposal of discontinued operations for the year ended June 30, 2002 of \$877,000, net of \$348,000 related to the discontinuance of Teen.com, was derived primarily from the favorable settlement of a capitalized equipment lease obligation relating to sixdegrees and an office lease obligation relating to Common Places. The Company also realized gains as a result of the issuance of the settlement of certain deferred purchase price liabilities. These transactions related to discontinued businesses. As of June 30, 2002, the Company has accrued liabilities of \$736,000 remaining from its discontinued businesses. The accrual primarily consists of severance, lease payments and other miscellaneous expenses.

4. REORGANIZATION The Company announced its plan to move the Seattle operations to the New York office in March 2002. In April 2002, the Company finalized its transition plan, which resulted in the termination of 30 employees, and completed the transition in June 2002. The Company recorded a restructuring charge, which is included in selling, general and administrative expenses, in fiscal 2002 of approximately \$519,000 relating to this decision, which included severance costs of \$186,000, lease costs of \$126,000 for a lease expiring November 2002,

and \$207,000 relating to the abandonment of certain fixed assets. As of June 30, 2002 the Company has remaining accruals of approximately \$325,000 for severance and lease obligation costs.

F-12 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. ACQUISITIONS

TRENT In June 1999, the Company acquired Trent pursuant to a merger agreement (the "Merger Agreement"). Trent sells posters and other products at sales events at junior and four-year colleges, high schools, retail stores, other locations and over the Internet. The purchase price consisted of \$3.5 million in cash and 242,003 shares of the Company's common stock valued at \$3.5 million, or \$14.46 per share, the then current market price. In addition, if Trent's EBITDA (as defined in the Merger Agreement) for the two years ending June 30, 2001 exceeded certain targets, the Company was obligated to pay to the former Trent stockholders up to an additional \$600,000 in cash and additional shares of the Company's common stock valued at \$600,000. In December 2000, the Company amended its agreement with the previous owners of Trent to modify the targets related to the aforementioned earnouts. The modified earnouts were treated as compensation expense rather than additional purchase price due to the nature of the modifications. As of June 30, 2001, the Company had accrued an additional \$991,000 relating to the modified earnouts. Such amount was paid in cash during 2002. The aggregate purchase price of \$8,218,000, including acquisition costs, was recorded as excess of cost over net assets acquired. The amount was determined to be impaired as of June 2002. (see Note 7 - "Loss on Impairment of Assets")

HELLOXPRESS In June 1999, the Company acquired certain assets and liabilities of HelloXpress USA, Inc. ("HelloXpress"). The purchase price consisted of \$300,000 in cash, 17,242 shares of the Company's common stock valued at \$250,000, or \$14.50 per share, the then current market price, and the forgiveness of amounts due to the Company of \$125,000. In addition, the former stockholders of HelloXpress received an additional \$45,000 in cash and shares of the Company's common stock valued at \$200,000 in September 2000. The aggregate purchase price of \$936,000, including acquisition costs, was recorded as excess of cost over net assets acquired, except for a portion that was allocated to a covenant not-to-compete.

COLLEGEWEB In August 1999, the Company acquired CollegeWeb pursuant to a merger agreement between the Company and CollegeWeb. The purchase price consisted of 108,971 shares of the Company's common stock, valued at \$2,529,000, or approximately \$23.22 per share, the then current market price. The Company licensed CollegeWeb's technology to CommonPlaces. The aggregate purchase price of \$2,738,000, including acquisition costs, was recorded as excess of cost over net assets acquired. Effective December 2000, the Company discontinued the CollegeWeb operations. (See Note 3 - Discontinued Operations)

INVINO In October 1999, the Company acquired Invino pursuant to a merger agreement between the Company and Invino. The purchase price aggregating \$9,000,000 is payable in the Company's common stock, of which \$3,486,000 (167,358 shares) was paid at closing, based on the 30-day average share price prior to the payment date. The balance of the purchase price is payable in the Company's common stock in quarterly installments of \$500,000 through September 30, 2000 and quarterly installments of \$375,000 from December 31, 2000 through September 30, 2002. Through June 30, 2002, the Company issued an additional 4,126,394 shares valued at approximately \$3,802,000 in connection with the quarterly installments. The aggregate purchase price was recorded in October 1999, and the deferred purchase price included in the accompanying balance sheet represents the unpaid portion. For accounting purposes, the value of the shares issued and to be issued has been and will be determined on the three-day average trading price one day before and one day after the date of issuance. Any differences between the use of the 30-day and three-day average trading prices will be accounted for as an adjustment to the purchase price. The aggregate purchase price of \$8,594,000, including acquisition costs, was recorded as excess of cost over net assets acquired. Effective December 2000, the Company discontinued the Invino operations. (See Note 3 - Discontinued Operations)

SIXDEGREES In January 2000, the Company acquired sixdegrees pursuant to a merger agreement between the Company and sixdegrees. The Company issued 2,742,536 shares of common stock and 999,957 shares of convertible preferred stock valued at \$110,715,000, or approximately \$29.583 per share, the current three-day average price per share when the merger was announced in December 1999. The convertible preferred stock was converted into common stock in March F-13 2000. The Company also exchanged 640,979 of its options and warrants for 7,722,643 of sixdegrees' options and warrants valued at approximately \$12,850,000. The aggregate purchase price of \$125,369,000, including acquisition costs, exceeded the net assets acquired by \$114,727,000, which was recorded as excess of cost over net assets acquired. Effective December 2000, the Company discontinued the operations of sixdegrees. (See Note 3. Discontinued Operations).

COMMONPLACES In November 1998, the Company acquired 5,000,000 common units in CommonPlaces in exchange for providing media and marketing services having an aggregate value of \$15,000,000 over a four year period commencing upon the initial public launch campaign promoting CommonPlaces' business, but not later than

August 31, 1999. Twenty-five percent of the common units initially acquired by the Company, or 1,250,000 common units, were not subject to vesting and no additional performance of services by the Company was necessary with respect to those units. The Company did not assign a value to the initial 1,250,000 common units that vested immediately because of the start-up nature of CommonPlaces' business and the related uncertainty surrounding it. It was the Company's intention to record an investment proportionate to the cost of media and marketing services provided on an ongoing basis related to its \$15,000,000 four-year commitment. This investment in CommonPlaces was accounted for using the equity method, under which the Company's share of losses of CommonPlaces was reflected in the accompanying statement of operations as an equity loss in investment. For the period November 1998 through February 28, 2000, the Company provided \$2,941,000 in media and marketing services to CommonPlaces. The Company's share of CommonPlaces' losses for the period from November 1998 through June 30, 1999 and July 1, 1999 through February 28, 2000 was approximately \$2,300,000 and \$7,488,000, respectively. The Company limited the recognition of CommonPlaces' losses in its statement of operations for the period from July 1, 1999 through February 28, 2000 and the period from November 1998 to June 30, 1999 to \$2,890,000 and \$51,000, respectively, because it was not required to fund CommonPlaces' losses or to make additional capital contributions. For the period from July 1, 1999 through February 28, 2000, the Company recognized approximately \$1,741,000 in license fee income and CommonPlaces recognized \$1,741,000 in license fee expense. In February 2000, CommonPlaces unit holders, excluding the Company, received 4,792,867 shares of the Company's common stock, valued at \$78,934,000, or approximately \$16.47 per share, the current three-day average price per share when the merger was first announced in June 1999. The Company issued 1,158,223 of its common stock options in exchange for 1,301,374 options in CommonPlaces' units valued at approximately \$4,600,000. The aggregate purchase price of \$92,276,000, including acquisition costs and the funding of CommonPlaces operating expenses of \$7,463,000 through the date of the merger, exceeded the net assets acquired by \$92,373,000 which was recorded as excess of cost over net assets acquired. Effective December 2000, the Company discontinued the operations of CommonPlaces. (See Note 3 - Discontinued Operations)

TEEN.COM In July 2000, the Company acquired Teen.com pursuant to a merger agreement among the Company, a wholly-owned subsidiary of the Company, and Teen.com. Teen.com was a family-friendly Web destination for teens and was ranked as one of the top websites visited by 13 to 19 year-olds. The purchase price consisted of 944,000 shares of the Company's common stock, including 50,000 shares issued to the broker, valued at approximately \$5,200,000 or approximately \$5.53 per share, the then current market price. In December 2001 the Company discontinued its Teen.com operations. (see Note 3 - Discontinued Operations)

The aforementioned acquisitions have been accounted for using the purchase method of accounting. Accordingly, the purchase price of each of the acquisitions has been allocated to the assets acquired and the liabilities assumed based on their fair values at the respective date of each acquisition. Included in intangible assets is the excess of cost over the fair value of assets acquired and liabilities assumed. The results of operations of the businesses acquired are included in the Company's consolidated results of operations from the respective dates of acquisition.

F-14 6. LONG-TERM DEBT Long-term debt consists of the following (in thousands):

	Year ended June 30, -----	2002	2001	-----	-----
Payable to Bank (A)	\$ --	\$ 1,072	Subordinated Notes - Private Placement (B) - in default		
..... 5,000	5,000	Note Payable to Finance Company (C) - in default	496	1,169	Subordinated Notes
- Private Placement (D) - in default	12,000	12,000	Subordinated Notes - Private Placement (E) - in default		
..... 1,000	1,000	Other	1	6	-----
			18,497	20,247	Less
		unamortized original issue discount attributed to subordinated notes	313	448	-----
-----	18,184	19,799	Less current portion	18,184	1,169
=====	=====	(A) On January 15, 2002, the Company repaid the loan and retired the interest rate exchange agreement. This loan was secured by all of the assets of Campus Voice, Beyond the Wall and American Passage (the "Borrowers") and was guaranteed by the Company. This loan was payable in equal monthly installments, commencing in February 1998, over a maximum of six years. Interest was payable monthly at a rate of interest of 275 basis points above LIBOR for U.S. dollar deposits of one month maturity. The Borrowers were also party to an interest rate exchange agreement originally converting \$3.0 million of the aforementioned floating rate debt to a fixed rate. Under the interest rate exchange agreement, the Borrowers were required to pay interest at a fixed rate of 9.11% on the notional amount covered by the interest rate exchange agreement. In return, the Company received interest payments on the same notional amount at the prevailing LIBOR rate plus 275 basis points. (B) In July 1998, the Company issued subordinated notes to accredited investors in the aggregate amount of \$5,000,000 less an original			

discount of \$188,000 ("NET Notes"). These notes bear interest at 11% per annum and are due in July 2003. In connection with the issuance of the subordinated notes, the Company issued 375,000 warrants to the accredited investors for \$188,000, and 150,000 warrants to the placement agent. Each warrant, which expires in July 2003, entitles the holder to purchase one share of the Company's common stock for \$4.125, the market price of the Company's common stock at the date of issuance. Based on an independent appraisal, the 525,000 warrants were valued at \$740,000. The value of the warrants and closing costs of \$314,000 have been recorded as deferred financing costs and are being amortized over the term of the subordinated notes. The original issue discount of \$188,000 is also being amortized over the term of the related debt. On September 8, 2002 NET failed to make the interest payment due on the NET Notes, constituting an event of default under the terms of the NET Notes. In September 2002, the holder of a majority of the NET Notes declared these notes due and payable under the terms of the NET Notes. (C) In March 2000, the Company issued a note to a finance company in the amount of \$1,971,000 ("Equipment Note"). The note bears interest at the rate of 11.95% per annum and is payable in 36 equal monthly payments commencing in March 2000. The note is secured by certain equipment owned by NET. NET failed to make payments of approximately \$65,000 due on August 1, 2002 and \$65,000 due on September 1, 2002, in connection with the Equipment Note. On September 6, 2002, NET received notice from the finance company holding the Equipment Note stating that the entire outstanding indebtedness under the Equipment Note is due and payable pursuant to the terms of the note. On September 16, 2002, the holder of the Equipment Note commenced litigation against NET seeking repayment of the note. (D) In June 2000, the Company issued a subordinated note to an accredited investor in the amount of \$12,000,000, less an original issue discount of \$420,000 ("YSTM Note"). The note bears interest at 11% per annum and is due in June 2005. In connection with the issuance of the subordinated note, the Company issued 1,020,000 warrants to an accredited investor in exchange for \$420,000. Each warrant, which expires in June 2005, entitles the holder to purchase one share of the Company's common stock for \$5.9375, the market price of the Company's common stock at the date of issuance. Based on an independent appraisal, the 1,020,000 warrants were valued at \$3,346,000. The value of the warrants and closing costs of \$494,000 were recorded as deferred financing costs and are being amortized over the term of the subordinated note. The original issue discount of \$420,000 is being amortized over the term of the related debt. On August 31, 2002 the Company failed to make an interest payment due on the YSTM Note, constituting an event of default under the terms of the YSTM Note. On September 9, 2002 the holder of the YSTM Note declared this note due and payable under the terms of the YSTM Note. F-15 (E) In July 2000, the Company issued a subordinated note to an accredited investor in the amount of \$1,000,000, less an original issue discount of \$35,000 ("YSTM 2 Note"). The note bears interest at 11% per annum and is due in July 2005. In connection with the issuance of the subordinated note, the Company issued 60,000 warrants to an accredited investor in exchange for \$35,000. Each warrant, which expires in July 2005, entitles the holder to purchase one share of the Company's common stock for \$3.75, the market price of the Company's common stock at the date of issuance. Based on an independent appraisal, the 60,000 warrants were valued at \$197,000. The value of the warrants was recorded as deferred financing costs and is being amortized over the term of the subordinated note. The original issue discount of \$35,000 is being amortized over the term of the related debt. On August 31, 2002 the Company failed to make an interest payment due on the YSTM 2 Note, constituting an event of default under the terms of the YSTM 2 Note. Under the terms of the YSTM 2 Note, the holder of the note has the right to declare this note immediately due and payable. 7. LOSS ON IMPAIRMENT OF ASSETS Operating results at the Company's Trent subsidiary declined during 2002. In the fourth quarter of 2002, the Company evaluated the recoverability of the goodwill of this subsidiary in accordance with its accounting policy. This evaluation indicated that the carrying value of the goodwill of this subsidiary was impaired. As a result, in 2002, the Company recorded goodwill impairment charges totaling \$7,439,000 in the Retail segment. In addition, the Company determined during fiscal year 2002 that the fixed assets related to its satellite network was impaired as the Company decided to use alternative means of showing movies on college campuses for the 2003 season. In May 2002 the Company recognized a charge of \$672,000 of impairment on these fixed assets which were recorded on NET within the Media segment. The aforementioned charges have been recorded as a loss on impairment of assets in the statement of operations for the year ended June 30, 2002. In fiscal 2001, the Company conducted a strategic review of certain operations in the Media segment. Upon completion of this review, the company determined that the fair market values of the goodwill and certain other long-lived assets for Beyond the Wall and HotStamp were below their carrying values. As a result, the Company recorded an impairment charge of \$2,162,000. Additionally, the Company determined that it was unlikely that \$4,750,000 of a prepaid

marketing asset would ever be utilized. Such amount was recorded as a charge as of June 30, 2001. The aforementioned charges have been recorded as a loss on impairment of assets in the statement of operations for the year ended June 30, 2001.

8. **PROPERTY AND EQUIPMENT** Property and equipment consists of the following (in thousands):

JUNE 30, -----	2002	2001	-----	-----	Network theater equipment	\$ --	\$
4,051	Location based media equipment	2,847	882	Furniture and office equipment	3,909		
6,073	Leasehold improvements	678	775	Building	493	488	Land
-----	130	130	-----	-----	8,057	12,399	Less accumulated amortization and depreciation
.....	(3,497)	(5,787)	-----	-----	\$ 4,560	\$ 6,612	=====

Property and equipment include assets under capital leases aggregating approximately \$155,000 and \$189,000 at June 30, 2002 and 2001, respectively. The accumulated amortization related to assets under capital leases is approximately \$18,000 and \$96,000 at June 30, 2002 and 2001, respectively.

9. **INCOME TAXES** At June 30, 2002, the Company had a net operating loss carryforward for income tax purposes of approximately \$101,506,000 that expires from 2013 through 2022. The use of this net operating loss in future years may be restricted under Section 382 of the Internal Revenue Code. For financial reporting purposes, a valuation allowance of approximately \$41,347,000 has been recognized to offset F-16 the net deferred tax asset principally related to this carryforward. The valuation allowance increased by approximately \$10,646,000 and \$9,803,000 for the years ended June 30, 2002 and 2001, respectively. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of June 30, 2002 are as follows: (in thousands)

Year ended June 30, -----	2002	2001	-----
-----	Net operating loss carryforwards	\$ 40,501	\$ 32,856
	Other	846	
(2,155)	-----	Total deferred tax assets	41,347
(41,347)	(30,701)	-----	Net deferred tax asset
			\$ --

===== No federal tax provision has been provided for the years ended at June 30, 2002 and 2001 due to the significant losses incurred to date. A current state tax provision has been provided for at June 30, 2002 and 2001 in the amount of \$184,000 and \$275,000 respectively. These taxes are primarily based on net assets and net revenues.

10. **STOCKHOLDERS' (DEFICIENCY) EQUITY** In December 1995, the Company granted to certain consultants an option to purchase 552,560 shares of common stock at an exercise price of \$1.58 per share, which expires in December 2005. The Company, in the year ended June 30, 2000, issued 460,280 shares of common stock in connection with the exercise of the last of such options. In connection with the Company's initial public offering in April 1996, the Company issued 230,000 warrants to the underwriter. Each warrant entitled the holder to purchase one share of the Company's stock for \$8.25 and an additional warrant for \$.165. Each additional warrant entitled the holder to purchase one share of the Company's common stock for \$8.25. Through June 30, 2000, 228,088 warrants and 227,088 additional warrants were exercised resulting in net proceeds to the Company of \$2,146,000. Approximately 198,000 of the additional warrants were exercised in cashless transactions. The remainder of the warrants expired in April 2002. In December 1997 and 1998, the Company granted to a public relations firm, an aggregate of 400,000 warrants to purchase shares of the Company's common stock at an exercise price of \$5.00 per share. In January 1999, the Company issued 71,193 shares of its common stock upon the cashless exercise of 100,000 warrants. In December 1999, the Company issued 249,791 shares of its common stock upon cashless exercise of 300,000 warrants. In connection with certain earnout contingencies related to the American Passage acquisition in September 1996, the Company issued 75,000 options, each of which entitled the holder to purchase one share of the Company's common stock for \$2.627. The value of such options of \$1,062,000 was recorded as additional purchase price. In November 1999, the Company issued 75,000 shares of its common stock in connection with the exercise of such options. In connection with the issuance of subordinated notes in July 1998, the Company issued 525,000 warrants to accredited investors and the placement agent. Each warrant, which expires in July 2003, entitles the holder to purchase one share of the Company's common stock for \$4.125. During July and September 1999, the warrants were exercised in a cashless transaction resulting in the issuance of 450,568 shares of the Company's common stock. The July 1999 Trent acquisition agreement provided for additional consideration for the purchase contingent upon Trent meeting certain targets as defined in the merger agreement (as amended). Accordingly, those targets were met and on September 30, 2001 the Company issued 458,000 shares of the Company's common stock, valued at \$558,000, and paid \$600,000 in cash. The additional purchase price of \$1,158,000 was recorded as additional goodwill.

F-17 In August 1999, the Company sold 1,219,521 shares of its common stock for \$25,000,000 in a private placement. In

conjunction with the private placement, the Company issued to the placement agent a warrant to purchase 36,585 shares of the Company's common stock at \$23.50 per share, the then current market price. The Company incurred approximately \$1,500,000 of fees and related expenses in this transaction. In December 1999, the Company sold 1,257,400 shares of its common stock for \$31,435,000 in a private placement. In conjunction with the private placement, the Company issued to the placement agent a warrant to purchase 37,722 shares of the Company's common stock at \$25.00 per share, the then current market price. The Company incurred approximately \$1,900,000 of fees and related expenses in this transaction. In connection with an acquisition, the Company issued 13,332 shares of the Company's common stock, in April 2000, to the former owners of Beyond the Wall valued at approximately \$126,000. In connection with the issuance of subordinated notes in June 2000, the Company issued 1,020,000 warrants to accredited investors and the placement agent. Each warrant, which expires in June 2005, entitles the holder to purchase one share of the Company's common stock for \$5.9375. For the twelve months ended June 30, 2001, options were exercised resulting in the issuance of 45,848 shares of common stock and net proceeds to the Company of \$127,000. In May 2001, the Board of Directors authorized the Company to make open market purchases of the Company's common stock aggregating up to \$2,000,000. As of June 30, 2002, the Company purchased, on the open market, 607,000 shares at a cost of \$829,000. Securities for issuance of common stock excluded from diluted earnings per share due to their antidilutive effect are as follows: As of June 30 ----- 2002 2001 2000

----- Stock options	1,882,013	3,942,021	3,595,547	Common stock purchase warrants	1,462,000	1,462,000	1,402,000
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11. STOCK OPTION PLANS In February 2000, the Company adopted the YouthStream 2000 Stock Option Plan (the "2000 Plan") in order to grant employees providing services to the Company incentive stock options. The 2000 Plan allows for the granting of options to purchase up to 5,000,000 shares of the Company's common stock. All option plans of the Company in existence at the formation of the 2000 Plan were merged into the 2000 Plan. The terms of the options were not changed upon merging the Plans. The exercise price of the options granted was at fair market value on the date of the grant. Options generally vest over three years. In October 2000, the Company granted an executive of the Company a non-qualified option to purchase up to 100,000 shares of the Company's common stock. The exercise price of the options granted was at fair market value on the date of the grant. The option vests over two years. In May 2001, the Company approved a Voluntary Stock Option Exchange Program to be carried out under the Company's 2000 Stock Incentive Plan. Employees were given the option to exchange all or a portion of their options on July 20, 2001, with an exercise price equal to or greater than \$9.00. In exchange, employees were eligible to receive, six months and one day after cancellation, new options for 80% of the number of shares covered by the cancelled options, with an exercise price equal to the fair market value of the Company's stock on the date of the new grant. On July 20, 2001, 743,800 options were cancelled, and 518,319 options were reissued on January 22, 2002. F-18 The following table summarizes the Option Plan and the effects from the execution of the Voluntary Stock Option Exchange Program initiated in May 2001: Weighted Average Shares Exercise Price ----- Options outstanding at June 30, 1999 788,367 \$ 7.64 Options granted 3,985,255 14.35 Options canceled (758,389) 15.93 Options exercised (419,686) 4.17 ----- Options outstanding at June 30, 2000 3,595,547 \$13.70 Options granted 2,123,820 2.35 Options canceled (1,731,498) 15.10 Options exercised (45,848) 2.77 ----- Options outstanding at June 30, 2001 3,942,021 \$ 7.09 Options granted 1,097,652 1.32 Options canceled (3,157,660) 7.88 Options exercised -- -- ----- Options outstanding at June 30, 2002 1,882,013 \$ 2.53 ===== Options exercisable at June 30, 2002 1,379,644 ===== Options exercisable at June 30, 2001 1,483,260 ===== Options available for future grant at June 30, 2002 2,990,110 ===== Information regarding the options outstanding under the Option Plan at June 30, 2002 is as follows: Number of Weighted- Weighted- Options Average Average Exercise Price Currently Exercise Contractual Number Average Range Outstanding Price Life Exercisable Exercise Price

-----	\$ 0.78-	1.01	22,499	\$ 0.90
8.5 years	15,831	\$ 0.92	\$ 1.17-	1.21 90,000 \$ 1.17
9.6 years	40,000	\$ 1.19	\$ 1.22-	1.30 601,235 \$ 1.23
9.5 years	459,920	\$ 1.27	\$ 1.32-	1.57 361,113 \$ 1.50
8.6 years	153,044	\$ 1.46	\$ 1.63-	1.88 348,095 \$ 1.69
8.6 years	324,761	\$ 1.72	\$ 3.00-	3.50 32,332 \$ 3.10
7.6 years	32,332	\$ 3.25	\$ 3.56-	5.00 47,082 \$ 4.81
7.7					

years 46,248 \$ 4.35 \$ 5.42- 6.94 344,432 \$ 6.01 7.9 years 273,925 \$ 6.01 \$ 7.00- 9.04 31,050 \$ 8.95 7.6
years 30,383 \$ 8.02 \$13.06-19.69 4,175 \$19.12 7.6 years 3,200 \$16.38 ----- 1,882,013
1,379,644 \$ 9.57 ===== Pro forma information regarding net loss per share is required by
SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair
value method of SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes
option-pricing model with the following weighted-average assumptions for June 30, 2002, 2001 and 2000: JUNE 30,
----- ASSUMPTION 2002 2001 2000 ----- Risk-free interest
rate 3.82% 4.99% 6.41% Dividend yield 0% 0% 0% Volatility factor of the
expected market price of the Company's common stock 1.060 1.223 0.900 Average life
..... 3.0 years 2.4 years 3.0 years The Black-Scholes option valuation model was developed for use
in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition,
option valuation models require the input of highly subjective assumptions including the expected stock price
volatility. Because the Company's employee stock options have characteristics significantly different from those of
traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate,
in management's F-19 opinion, the existing models do not necessarily provide a reliable single measure of the fair
value of its employee stock options. For purposes of pro forma disclosures, the estimated fair value of the options is
amortized to expense over the vesting period of the options. Had compensation cost for the 2000 Plan been
determined based upon the fair value at the grant date for awards under the Plan consistent with the methodology
prescribed under Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based
Compensation," the Company's net loss and loss per share would have been increased by approximately \$5,076,000,
or \$0.17 per share, and \$7,890,000, or \$0.27 per share, and \$2,659,000, or \$0.13 per share, for the years ended June
30, 2002, 2001 and 2000, respectively. The weighted average fair value of options granted during the years ended
June 30, 2002, 2001 and 2000 was \$0.88, \$1.49 and \$8.10, respectively. 12. COMMITMENTS AND
CONTINGENCIES LEASES The Company is obligated under capital leases for certain computer and office
equipment that expire at various dates through September 2004 with interest ranging from 2.9% to 25.0%. Future
minimum lease payments relating to office space under noncancelable operating leases and future minimum capital
lease payments as of June 30, 2002 are as follows (in thousands): CAPITAL OPERATING LEASES LEASES
----- 2003 \$ 204 \$2,368 2004
..... 72 1,507 2005 43 1,058 2006
..... 36 563 2007 15 1
----- Total minimum lease payments 370 \$5,497 ===== Less
amount representing interest (35) ----- Present value of net minimum capital lease payments
..... 335 Less current installments of obligations under capital lease 184 ----- Obligations under
capital leases, net of current installments \$ 151 ===== Rent expense was approximately \$3,313,000,
\$2,524,000 and \$1,281,000 for the years ended June 30, 2002, 2001 and 2000, respectively. At June 30, 2002,
approximately \$154,000 and \$38,000 of short-term capital lease obligations and long-term capital lease obligations,
respectively, are reclassified to current and long term liabilities of discontinued operations. These capital leases relate
to obligations for which the Company is still liable, although the assets were written off as part of the discontinued
operations of sixdegrees. OTHER In April 2002 the Company entered into an agreement with Mr. Roche, the
Company's president at that time, which provided that upon closing a sale of the Company's media assets under
certain conditions, he would be entitled to a \$200,000 bonus. In May 2002, the Company entered into an agreement
with Libra Securities, LLC to act as its and NETS's exclusive financial advisor and agent will respect to any
repurchase of the YSTM note or the NET Notes, in exchange for an advisory fee equal to 50% of any discount
realized by the Company or NET upon closing of the repurchase, plus reasonable costs and expenses. LITIGATION
The Company is a party to certain legal proceedings commenced against it by former employees of the Company's
subsidiaries. These actions include: (a) a litigation pending in the District Court of Travis County, Texas by a former
employee of the Company's CommonPlaces, LLC ("CP") subsidiary claiming that he is entitled to receive, without
cost, an aggregate of 215,083 shares of YouthStream common stock; (b) a litigation filed in the U.S. District Court for
the District of Massachusetts, by a former CP employee seeking damages based on claims for breach of his
employment contract, breach of implied covenants of good faith, and violation of the Massachusetts unfair and
deceptive trade practices act; and (c) an arbitration filed in New York by the Company's former President and Chief

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Executive Officer seeking damages for alleged breach of his employment agreement, among other things. The Company is currently defending these actions and has asserted counterclaims against the plaintiffs in two of these actions. F-20 In addition, certain creditors of the Company and its subsidiaries and certain holders of the Company's and its NET subsidiary's debt have asserted or have threatened claims against the Company and its subsidiaries, which are the result of the Company's failure to pay certain debts and liabilities as they came due. In addition, certain landlords of stores which Beyond the Wall has vacated or failed to pay rent when due have commenced litigation against Beyond the Wall. Given the Company's current financial situation, the costs of defending these proceedings, diversion of management's attention to these matters, or the outcome of such proceedings could have a material adverse effect on the Company's financial condition or operating results, including its ability to restructure its debts without seeking bankruptcy protection or being the subject of an involuntary bankruptcy petition, or its ability to continue as a going concern.

13. 401(k) PLAN During 1997, the Company established a 401(k) Plan (the "Plan") for the benefit of all eligible employees. Eligible participants under this Plan are defined as all full-time employees with one year of service. All eligible participants may elect to contribute a portion of their compensation to the Plan subject to Internal Revenue Service limitations. The Company may make discretionary matching contributions to the Plan, subject to board approval. For the years ended June 30, 2002, 2001 and 2000, the amount of this matching expense was approximately \$51,000, \$163,000 and \$74,000, respectively.

14. SEGMENT INFORMATION The Company operates in two segments -media and retail. The media segment represents the Company's media, marketing and promotional services provided to advertisers by NET, American Passage, Campus Voice and Beyond the Wall. The retail segment consists of on-campus and retail store poster sales provided by Trent.

YEAR ENDED YEAR ENDED YEAR ENDED JUNE 30, 2002 JUNE 30, 2001 JUNE 30, 2001

											Media Retail Total	Media Retail
Total Media Retail Total	\$ 18,116	\$ 14,960	\$ 33,076	\$ 15,848	\$ 10,027	\$ 25,875	\$ 20,560	\$ 7,661	\$ 28,221		Net	
revenues	2,162	569	2,731	3,131	683	3,814	2,930	570	3,500			Depreciation and
amortization	(7,977)	(17,988)	(21,685)	(3,121)	(24,806)	(6,761)	(560)	(7,321)			Loss from operations	(10,011)

Capital expenditures 505 903 1,408 1,097 698 1,795 1,968 1,270 3,238

JUNE 30, 2002 JUNE 30, 2001 -----

Media Retail Corp Total Media Retail Corp Total

-----	Identifiable assets	\$ 10,284	\$
5,222	\$ 4,481	\$ 19,987	\$ 20,497
\$ 10,827	\$ 17,382	\$48,706	F-21
15. QUARTERLY RESULTS (UNAUDITED) The following is a summary of the quarterly results of operations for the two years ended June 30, 2002 (in thousands except per share data): June 30, March 31, December 31, September 30, 2002 2002 2001 2001			
-----	Net revenues	\$ 5,053	\$ 7,313
12,684	Income (loss) from operations	(13,033)	(3,650)
		(2,421)	1,116
	Income (loss) before provision for income taxes	(13,819)	(4,270)
		(3,055)	526
	Loss from continuing operations	(13,826)	(4,402)
		(3,093)	519
	Income (loss) from discontinued operations	79	--
		(365)	(301)
	Income (loss) on disposal of discontinued operations	864	303
		(348)	58

	Net income (loss)	\$ (12,883)	\$ (4,099)
		\$ (3,806)	\$ 276

	2014	2013	2012	2011	Per share of common stock basic
and diluted Income (loss) from continuing operations	\$ (0.45)	\$ (0.14)	\$ (0.10)	\$ 0.01	Loss from discontinued
operations	--	(0.02)	--	--	Income (loss) on disposal of discontinued operations
	0.03	0.01	(0.01)	--	\$
					Net income (loss)
	(0.42)	\$ (0.13)	\$ (0.13)	\$ 0.01	\$
Weighted average basic shares outstanding	30,969	30,505	30,270	29,992	

=====	Weighted average diluted shares			
outstanding	30,969	30,505	30,270	30,027

===== June 30, March 31, December
31, September 30, 2001 2001 2000 2000 ----- Net revenues

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..... \$ 3,031 \$ 5,560 \$ 6,968 \$ 10,316 Loss from operations (14,985)
 (4,251) (3,711) (1,859) Loss before provision for income taxes (15,363) (4,616) (3,969) (1,883) Loss from
 continuing operations (15,217) (4,737) (4,041) (2,111) Loss from discontinued operations
 (4,652) (1,025) (16,966) (25,101) Income (loss) on disposal of discontinued operations
 1,018 -- (164,971) -- ----- Net loss \$
 (18,851) \$ (5,762) \$ (185,978) \$ (27,212)

===== Per share of common stock basic
 and diluted Loss from continuing operations \$ (0.52) \$ (0.16) \$ (0.14) \$ (0.07) Loss from discontinued
 operations (0.15) (0.04) (0.58) (0.86) Loss on disposal of discontinued operations ... \$ 0.03 -- (5.66) --
 ----- Net Loss \$ (0.64) \$ (0.20) \$ (6.38) \$
 (0.93) ===== Weighted average basic
 and diluted shares outstanding 29,438 29,481 29,172 28,897 =====

===== F-22 SIGNATURES In accordance with Section 13
 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto
 duly authorized. YOUTHSTREAM MEDIA NETWORKS, INC. By: /s/ Jonathan Diamond -----
 Jonathan Diamond Interim Chief Executive Officer Date: September 30, 2002 In accordance with the Exchange Act,
 this report has been signed below by the following persons on behalf of this registrant and in the capacities and on the
 dates indicated. Signature Title Date ----- /s/ JONATHAN DIAMOND ----- Interim
 Chief Executive Officer and September 27, 2002 JONATHAN DIAMOND Director (Principal Executive Officer) /s/
 WESLEY RAMJEET ----- Acting Chief Financial Officer September 27, 2002 WESLEY
 RAMJEET (Principal Financial & Accounting Officer) /s/ HARLAN D. PELTZ ----- Chairman
 September 27, 2002 HARLAN D. PELTZ /s/ HOWARD KLEIN ----- Director September 27,
 2002 HOWARD KLEIN /s/ METIN NEGRIN ----- Director September 27, 2002 METIN
 NEGRIN /s/ SIDNEY I. LIRTZMAN ----- Director September 27, 2002 SIDNEY I. LIRTZMAN
 ----- Director September 27, 2002 JAMES G. LUCCHESI /s/ G. KELLY O'DEA
 ----- Director September 27, 2002 G. KELLY O'DEA ----- Director September
 27, 2002 BRUCE SLOVIN S-1 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS YouthStream
 Media Networks, Inc. Additions Additions Charged to Balance at Charged to Other Balance Beginning of Costs and
 Accounts- Deductions- at End of Description Period Expenses Describe Describe Period

----- Year ended
 June 30, 2002 Reserves and allowances deducted from asset accounts: Allowance for uncollectible accounts
 \$171 \$131 \$126 \$176 Year ended June 30, 2001 Reserves and allowances deducted from asset accounts: Allowance
 for uncollectible accounts \$404 -- -- \$233 \$171 Year ended June 30, 2000 Reserves and allowances deducted
 from asset accounts: Allowance for uncollectible accounts \$158 \$246 -- -- \$404 S-2