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THEGLOBE COM INC  
Form SB-2/A  
May 07, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY \_\_\_\_, 2004

Registration No. 333-114556

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

AMENDMENT NO. 1 TO FORM SB-2

REGISTRATION STATEMENT  
UNDER THE  
SECURITIES ACT OF 1933

THEGLOBE.COM, INC.  
(Name of small business issuer in its charter)

110 EAST BROWARD BLVD, SUITE 1400  
FT. LAUDERDALE, FL 33301  
(954) 769-5900  
(Address and telephone number of principal executive offices)

Name, address and telephone number of agent for service:	Copies of all communications to:
EDWARD A. CESPEDES, PRESIDENT 110 EAST BROWARD BOULEVARD SUITE 1400 FT. LAUDERDALE, FLORIDA 33301 (954) 769-5900	DONALD E. THOMPSON, II, ESQ. PROSKAUER ROSE LLP 2255 GLADES ROAD, SUITE 340W BOCA RATON, FLORIDA 33431 TEL (561) 241-7400 - FAX (561) 241-7145

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

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Security (2)	Proposed Maximum Aggregate Offering Price
Common stock, par \$.001 (3)	100,598,406	\$.92	\$ 92,550,534
Common stock, par \$.001 (4)	26,798,534	\$.92	24,654,651
Common stock, par \$.001 (5)	3,000,000	\$.92	2,760,000
	----- 130,396,940 =====		----- \$119,965,185 =====

- (1) This registration statement covers any additional shares of common stock of theglobe.com, inc. that become issuable by reason of (i) any stock dividend, stock split, recapitalization or any other similar transaction without receipt of consideration that results in an increase in the number of shares of our outstanding common stock or (ii) any changes in the exercise price of certain warrants in accordance with the terms thereof.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, as amended, based on the average of the bid and asked price for our common stock on the OTC Bulletin Board on April 14, 2004.
- (3) Represents shares of common stock held by the Selling Stockholders.
- (4) Represents shares of common stock issuable upon the exercise of outstanding warrants and other rights.
- (5) Represents shares of common stock which may be issuable to a certain Selling Stockholder upon the achievement of various earn-out requirements.
- (6) \$16,301 was previously paid in connection with the initial filing of the registration statement on April 16, 2004. The Registrant added an additional 3,000,000 shares to the registration statement issuable under the circumstances set forth in footnote (5) above and removed from registration an aggregate of 12,445,644 shares which could have been issuable to certain of the Selling Stockholders whom acquired securities in the Company's March 2004 private offering, in the event the Registrant does not satisfy its registration obligations to such Stockholders, for a net reduction of 9,445,644 shares.

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

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SUBJECT TO COMPLETION MAY \_\_\_\_\_, 2004

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

PROSPECTUS

[THEGLOBE.COM LOGO]

Up to 130,396,940 Shares of Common Stock

This offering relates to the resale of an aggregate of up to 130,396,940 shares of the common stock, \$.001 par value (the "Common Stock"), of theglobe.com, inc. by persons who are referred to in this prospectus as "Selling Stockholders". The shares that may be resold pursuant to this prospectus include 100,598,406 shares of Common Stock owned by the Selling Stockholders, 26,798,534 shares of Common Stock issuable upon the exercise of warrants owned by the Selling Stockholders and 3,000,000 shares of Common Stock which may be issued to one of our Selling Stockholders upon the attainment of certain business goals. Our filing of the registration statement of which this prospectus is a part is intended to satisfy our obligations to certain of the Selling Stockholders to register for resale the shares issued to them and the shares issuable upon exercise of the warrants issued to them.

We are not offering or selling any shares of our Common Stock pursuant to this prospectus. We will not receive any proceeds from the sale of the shares by the Selling Stockholders. We will, however, receive proceeds if Selling Stockholders pay cash to exercise some or all of the warrants owned by the Selling Stockholders. We will bear the expenses of the offering of the shares, except that the Selling Stockholders will pay any applicable underwriting discounts, brokerage fees or commissions and transfer taxes, as well as fees and disbursements of their counsel and advisors.

Our Common Stock is quoted on the over-the-counter or OTC Bulletin Board under the trading symbol "TGLO.OB." On April 14, 2004, the average of the bid and asked price of our Common Stock was \$.92. The Selling Stockholders may sell the shares from time to time in public or private transactions occurring on or off the OTC Bulletin Board, at prevailing market prices or at negotiated prices. Sales may be made directly to purchasers or through brokers or to dealers, who are expected to receive customary commissions or discounts.

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission. You should read both this prospectus and any related prospectus supplement together with additional information described under "Where You Can Find More Information".

All references in this prospectus to "theglobe", "the Registrant", "the Company," "we," "us," or "our" mean theglobe.com, inc. and, as the context requires, its subsidiaries.

YOU SHOULD CAREFULLY CONSIDER THE "RISK FACTORS" BEGINNING ON PAGE 2 BEFORE MAKING A DECISION TO PURCHASE SHARES OF OUR COMMON STOCK.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is May \_\_\_\_, 2004.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that which is contained in this prospectus. This prospectus may be used only where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of securities.

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## PROSPECTUS SUMMARY

This summary highlights key aspects of the information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our securities. You should read this entire prospectus carefully, especially the risks of investing in our securities discussed under "Risk Factors."

References to "we," "us," "our company" and "theglobe" refer to theglobe.com, inc. together with its subsidiaries.

### OUR BUSINESS

As of December 31, 2003, we managed two primary lines of business. One line consists of our historical network of three wholly-owned businesses, each of which specializes in the games business by delivering games information and selling games in the United States and abroad. These businesses are: our print publication Computer Games Magazine; our Computer Games Online website (www.cgonline.com), which is the online counterpart to Computer Games Magazine; and our Chips & Bits, Inc. (www.chipsbits.com) games distribution company. Management of the Company continues to actively explore a number of strategic alternatives for our online and offline game properties, including continuing these operations or selling some or all of these properties.

The second line of business, which we recently began, is our VoIP telephony services and includes voiceglo Holdings, Inc., a wholly-owned subsidiary, that offers VoIP-based phone service. The term "VoIP", which means "Voice over the Internet Protocol", refers to a category of hardware and software that enables people to use the Internet to make phone calls.

As of December 31, 2003, our revenue sources were principally from the sale of print advertising in our Computer Games magazine; the sale of video games and related products through Chips & Bits, Inc., our games distribution business; and the sale of our Computer Games magazine through newsstands and subscriptions. Management's intent, going forward, is to devote substantial monetary, management and human resources to our "voiceglo" VoIP business.

Described below are certain significant transactions and events regarding our company which occurred in the last two years.

On June 1, 2002, Chairman Michael S. Egan and Director Edward A. Cespedes became our Chief Executive Officer and President, respectively.

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On November 14, 2002, we acquired certain VoIP assets from Brian Fowler (now our Chief Technology Officer) and we are now pursuing opportunities related to this acquisition under the brand name "voiceglo".

On May 28, 2003, we acquired Direct Partner Telecom, Inc. ("DPT"). DPT was a specialized international communications carrier providing VoIP communications services to emerging countries. We acquired all of the physical assets and intellectual property of DPT and originally planned to continue to operate the company as a subsidiary and engage in the provision of VoIP services to other telephony businesses on a wholesale transactional basis. In the first quarter of 2004 we decided to suspend further wholesale telephony business in DPT and to dedicate the DPT physical and intellectual assets to our developing retail VoIP business.

In March 2004, we completed a private offering of 333,816 units for a purchase price of \$85 per unit (the "PIPE Offering"). Each unit consisted of 100 shares of the Company's Common Stock, and warrants to acquire 50 shares of the Common Stock at an exercise price of \$.001 per share. The aggregate number of shares of Common Stock issued in the PIPE Offering was 33,381,647 shares for an aggregate consideration of \$28,374,400, or approximately \$0.57 per share assuming the exercise of the 16,690,824 warrants. The purpose of the PIPE Offering was to raise funds for use primarily in our developing voiceglo business, including the deployment of networks, website development, marketing, and capital infrastructure expenditures and working capital. We were obligated to file the registration statement, of which the prospectus is a part, pursuant to the terms of PIPE Offering.

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Our executive offices are located at 110 East Broward Blvd., Suite 1400, Fort Lauderdale, Florida 33301. Our telephone number is (954) 769-5900.

### THE OFFERING:

Common stock offered by Selling Stockholders	100,598,406 shares
Common stock issuable upon exercise of outstanding warrants	26,798,534 shares
Common stock issuable upon attainment of certain business goals	3,000,000 shares
Common stock outstanding:	
Prior to the offering (1)	132,040,349 shares
After the offering (2)(3)	161,838,883 shares

-----  
(1) As of April 5, 2004.

(2) Assumes that all outstanding warrants and rights are earned and exercised.

(3) Assumes that all 3,000,000 shares which are subject to issuance upon attainment of certain business goals are earned and issued

RISK FACTORS

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This offering and an investment in our securities involves a high degree of risk. Investors should consider each of the risks and uncertainties described in this section and all of the other information in this prospectus before deciding to invest in our common stock. Our business, financial condition and results of operations could be severely harmed by any of the following risks. The trading price of our common stock could decline if any of these risks and uncertainties develop into actual events. Investors may lose all or part of the money paid to buy our common stock.

### RISKS RELATING TO OUR BUSINESS GENERALLY

WE HAVE A HISTORY OF OPERATING LOSSES AND EXPECT TO CONTINUE TO INCUR LOSSES.

Since our inception, we have incurred net losses in each quarter, except the fourth quarter of 2002 where we had net income of approximately \$17,000. We expect that we will continue to incur net losses for the foreseeable future. We had net losses of approximately \$11 million and \$2.6 million for the years ended December 31, 2003 and 2002, respectively. The principal causes of our losses are likely to continue to be:

- o costs resulting from the operation of our businesses;
- o costs relating to entering new business lines;
- o failure to generate sufficient revenue; and
- o general and administrative expenses.

Although we have restructured our businesses, we still expect to continue to incur losses as we develop our VoIP telephony services business and while we explore a number of strategic alternatives for our online and offline games properties, including continuing to operate the properties, acquisition or development of additional businesses or complementary products, selling some or all of the properties or other changes to our business.

OUR RECENT ACQUISITIONS, AS WELL AS POTENTIAL FUTURE ACQUISITIONS, JOINT VENTURES OR STRATEGIC TRANSACTIONS ENTAIL NUMEROUS RISKS AND UNCERTAINTIES. WE MAY ENTER ADDITIONAL LINES OF BUSINESS.

We have entered into a new business line, VoIP telephony services. In November 2002, we acquired certain VoIP assets from an entrepreneur in exchange for 1,750,000 warrants to purchase our common stock. On May 28, 2003, we acquired DPT, an international licensed telecommunications carrier engaged in the purchase and resale of telecommunication services over the Internet. We may also enter into new or different lines of business, as determined by management and our Board of Directors. The acquisitions of VoIP assets and of DPT, as well as any future acquisitions or joint ventures could result, and in some instances have resulted (particularly as it pertains to DPT), in numerous risks and uncertainties, including:

- o potentially dilutive issuances of equity securities, which may be issued at the time of the transaction or in the future if certain performance or other criteria are met or not met, as the case may be. These securities may be freely tradable in the public market or subject to registration rights which could require us to publicly register a large amount of Common Stock, which could have a material adverse effect on our stock price;
- o diversion of management's attention and resources from our existing businesses;
- o significant write-offs if we determine that the business acquisition

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does not fit or perform up to expectations;

- o the incurrence of debt and contingent liabilities or impairment charges related to goodwill and other intangible assets;
- o difficulties in the assimilation of operations, personnel, technologies, products and information systems of the acquired companies;

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- o the risks of entering a new or different line of business;
- o regulatory and tax risks relating to the new or acquired business;
- o the risks of entering geographic and business markets in which we have no or limited prior experience; and
- o the risk that the acquired business will not perform as expected.

WE DEPEND ON THE CONTINUED GROWTH IN THE USE AND COMMERCIAL VIABILITY OF THE INTERNET.

Our VoIP telephony services business and games properties are substantially dependent upon the continued growth in the general use of the Internet. Internet and electronic commerce growth may be inhibited for a number of reasons, including:

- o inadequate network infrastructure;
- o security and authentication concerns;
- o inconsistent quality of service;
- o inadequate availability of cost-effective, high-speed service; and
- o inadequate bandwidth availability.

As web usage grows, the Internet infrastructure may not be able to support the demands placed on it by this growth or its performance and reliability may decline. Websites have experienced interruptions in their service as a result of outages and other delays occurring throughout the Internet network infrastructure. If these outages or delays frequently occur in the future, web usage, as well as usage of our services, could grow more slowly or decline. Also, the Internet's commercial viability may be significantly hampered due to:

- o delays in the development or adoption of new operating and technical standards and performance improvements required to handle increased levels of activity;
- o increased government regulation;
- o potential governmental taxation of such services; and

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- o insufficient availability of telecommunications services which could result in slower response times and adversely affect usage of the Internet.

WE MAY FACE INCREASED GOVERNMENT REGULATION, TAXATION AND LEGAL UNCERTAINTIES IN OUR INDUSTRY, WHICH COULD HARM OUR BUSINESS.

There are an increasing number of federal, state, local and foreign laws and regulations pertaining to the Internet and telecommunications. In addition, a number of federal, state, local and foreign legislative and regulatory proposals are under consideration. Laws or regulations may be adopted with respect to the Internet relating to, among other things, fees and taxation of VoIP telephony services, liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy and quality of products and services. Changes in tax laws relating to electronic commerce could materially affect our business, prospects and financial condition. Moreover, the applicability to the Internet of existing laws governing issues such as intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment and personal privacy is uncertain and developing. Any new legislation or regulation, or the application or interpretation of existing laws or regulations, may decrease the growth in the use of the Internet or VoIP telephony services, may impose additional burdens on electronic commerce or may alter how we do business. This could decrease the demand for our existing or proposed services, increase our cost of doing business, increase the costs of products sold through the Internet or otherwise have a material adverse effect on our business, plans, prospects, results of operations and financial condition.

Our ability to offer VoIP services outside the U.S. is also subject to the local regulatory environment, which may be complicated and often uncertain. Regulatory treatment of Internet telephony outside the United States varies from country to country.

WE RELY ON INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS.

We regard substantial elements of our websites and underlying technology, as well as certain assets relating to our VoIP business and other opportunities we are investigating, as proprietary and attempt to protect them by relying on intellectual property laws and restrictions on disclosure. We also generally enter into confidentiality agreements with our employees and consultants. In connection with our license agreements with third parties, we generally seek to control access to and distribution of our technology and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our proprietary information without authorization or to develop similar technology independently. Thus, we cannot assure you that the steps taken by us will prevent misappropriation or infringement of our proprietary information, which could have an adverse effect on our business. In addition, our competitors may independently develop similar technology, duplicate our products, or design around our intellectual property rights.

We pursue the registration of our trademarks in the United States and internationally. We are also seeking patent protection for certain VoIP assets which we acquired or which we have developed. However, effective intellectual property protection may not be available in every country in which our services are distributed or made available through the Internet. Policing unauthorized use of our proprietary information is difficult. Legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet-related businesses are also uncertain and still evolving. We cannot assure you about the future viability or value of any of our proprietary rights.

Litigation may be necessary in the future to enforce our intellectual property

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rights or to determine the validity and scope of the proprietary rights of others. However, we may not have sufficient funds or personnel to adequately litigate or otherwise protect our rights. Furthermore, we cannot assure you that our business activities will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us, including claims related to providing hyperlinks to websites operated by third parties or providing advertising on a keyword basis that links a specific search term entered by a user to the appearance of a particular advertisement. Moreover, from time to time, third parties may assert claims of alleged infringement by us of their intellectual property rights. Any litigation claims or counterclaims could impair our business because they could:

- o be time-consuming;

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- o result in significant costs;
- o subject us to significant liability for damages;
- o result in invalidation of our proprietary rights;
- o divert management's attention;
- o cause product release delays; or
- o require us to redesign our products or require us to enter into royalty or licensing agreements that may not be available on terms acceptable to us, or at all.

We license from third parties various technologies incorporated into our sites. We cannot assure you that these third-party technology licenses will continue to be available to us on commercially reasonable terms. Additionally, we cannot assure you that the third parties from which we license our technology will be able to defend our proprietary rights successfully against claims of infringement. As a result, our inability to obtain any of these technology licenses could result in delays or reductions in the introduction of new services or could adversely affect the performance of our existing services until equivalent technology can be identified, licensed and integrated.

The regulation of domain names in the United States and in foreign countries may change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names, any or all of which may dilute the strength of our names. We may not acquire or maintain our domain names in all of the countries in which our websites may be accessed, or for any or all of the top-level domain names that may be introduced. The relationship between regulations governing domain names and laws protecting proprietary rights is unclear. Therefore, we may not be able to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights.

WE MAY BE UNSUCCESSFUL IN ESTABLISHING AND MAINTAINING BRAND AWARENESS; BRAND IDENTITY IS CRITICAL TO OUR COMPANY.

Our success in the Internet telephony market will depend on our ability to create and maintain brand awareness for our product offerings. This may require a significant amount of capital to allow us to market our products and establish brand recognition and customer loyalty. Many of our competitors in the Internet telephony services market are larger than us and have substantially greater

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financial resources. Additionally, many of the companies offering VoIP services have already established their brand identity within the marketplace. We can offer no assurances that we will be successful in establishing awareness of our brand allowing us to compete in the VoIP market.

If we fail to promote and maintain our various brands or our games properties' brand values are diluted, our businesses, operating results, financial condition, and our ability to attract buyers for the games properties could be materially adversely affected. The importance of brand recognition will continue to increase because low barriers of entry to the industries in which we operate may result in an increased number of direct competitors. To promote our brands, we may be required to continue to increase our financial commitment to creating and maintaining brand awareness. We may not generate a corresponding increase in revenue to justify these costs.

### OUR QUARTERLY OPERATING RESULTS FLUCTUATE.

Due to our significant change in operations, including the entry into a new line of business, our historical quarterly operating results are not necessarily reflective of future results. The factors that will cause our quarterly operating results to fluctuate in the future include:

- o acquisitions of new businesses or sales of our assets;
  - o declines in the number of sales or technical employees;
  - o the level of traffic on our websites;
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- o the overall demand for Internet telephony services, print advertising and electronic commerce;
  - o the addition or loss of VoIP customers, advertisers on our games properties and electronic commerce partners on our websites;
  - o overall usage and acceptance of the Internet;
  - o seasonal trends in advertising and electronic commerce sales and member usage in our games businesses;
  - o other costs relating to the maintenance of our operations;
  - o the restructuring of our business;
  - o failure to generate significant revenues and profit margins from new products and services; and
  - o competition from others providing services similar to those of ours.

OUR LIMITED OPERATING HISTORY MAKES FINANCIAL FORECASTING DIFFICULT. OUR INEXPERIENCE IN THE INTERNET TELEPHONY BUSINESS WILL MAKE FINANCIAL FORECASTING EVEN MORE DIFFICULT.

We have a limited operating history for you to use in evaluating our prospects and us. Our prospects should be considered in light of the risks encountered by companies operating in new and rapidly evolving markets like ours. We may not successfully address these risks. For example, we may not be able to:

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- o maintain levels of user traffic on our e-commerce websites;
- o attract customers to our VoIP telephony service;
- o maintain or increase sponsorship revenues for our games magazine;
- o adapt to meet changes in our markets and competitive developments; and
- o identify, attract, retain and motivate qualified personnel.

OUR MANAGEMENT TEAM IS INEXPERIENCED IN THE MANAGEMENT OF A PUBLIC COMPANY AND IS SMALL FOR AN OPERATING COMPANY.

Our senior management team is few in number, and other than our Chairman, President and Chief Financial Officer, have not had any previous experience managing a public company. Only our Chairman has had experience managing a large operating company. Accordingly, we cannot assure you that:

- o our key employees will be able to work together effectively as a team;
- o we will be able to retain the remaining members of our management team;
- o we will be able to hire, train and manage our employee base;
- o our systems, procedures or controls will be adequate to support our operations; and
- o our management will be able to achieve the rapid execution necessary to fully exploit the market opportunity for our products and services.

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WE DEPEND ON HIGHLY QUALIFIED TECHNICAL AND MANAGERIAL PERSONNEL.

Our future success also depends on our continuing ability to attract, retain and motivate highly qualified technical expertise and managerial personnel necessary to operate our businesses. We may need to give retention bonuses and stock incentives to certain employees to keep them, which can be costly to us. We may be unable to attract, assimilate or retain highly qualified technical and managerial personnel in the future. Wages for managerial and technical employees are increasing and are expected to continue to increase in the future. We have from time to time in the past experienced, and could continue to experience in the future if we need to hire any additional personnel, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, we may have difficulty attracting qualified employees due to our restructuring in 2000 and 2001, financial position and scaling down of operations. Also, we may have difficulty attracting qualified employees to work in the geographically remote location in Vermont of Chips & Bits, Inc. and Strategy Plus, Inc. If we were unable to attract and retain the technical and managerial personnel necessary to support and grow our businesses, our businesses would likely be materially and adversely affected.

OUR OFFICERS, INCLUDING OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND PRESIDENT HAVE OTHER INTERESTS AND TIME COMMITMENTS; WE HAVE CONFLICTS OF INTEREST WITH SOME OF OUR DIRECTORS; ALL OF OUR DIRECTORS ARE EMPLOYEES OR STOCKHOLDERS OF THE

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COMPANY OR AFFILIATES OF OUR LARGEST STOCKHOLDER.

Because our Chairman and Chief Executive Officer, Mr. Michael Egan, is an officer or director of other companies, we have to compete for his time. Mr. Egan became our Chief Executive Officer effective June 1, 2002. Mr. Egan is also the controlling investor of Dancing Bear Investments, Inc., an entity controlled by Mr. Egan, which is our largest stockholder. Mr. Egan has not committed to devote any specific percentage of his business time with us. Accordingly, we compete with Dancing Bear Investments, Inc. and Mr. Egan's other related entities for his time.

Our President and Director, Mr. Edward A. Cespedes, is also an officer or director of other companies. Accordingly, we must compete for his time. Mr. Cespedes is an officer or director of various privately held entities and is also affiliated with Dancing Bear Investments.

Our Vice President of Finance and Director, Ms. Robin Lebowitz is also affiliated with Dancing Bear Investments. She is also an officer or director of other companies or entities controlled by Mr. Egan and Mr. Cespedes.

Due to the relationships with his related entities, Mr. Egan will have an inherent conflict of interest in making any decision related to transactions between the related entities and us. We intend to review related party transactions in the future on a case-by-case basis.

WE RELY ON THIRD PARTY OUTSOURCED HOSTING FACILITIES OVER WHICH WE HAVE LIMITED CONTROL.

Our principal servers are located in Florida and New York at third party outsourced hosting facilities. Our operations depend on the ability to protect our systems against damage from unexpected events, including fire, power loss, water damage, telecommunications failures and vandalism. Any disruption in our Internet access could have a material adverse effect on us. In addition, computer viruses, electronic break-ins or other similar disruptive problems could also materially adversely affect our businesses. Our reputation, theglobe.com brand and the brands of our VoIP services business and game properties could be materially and adversely affected by any problems experienced by our sites or our supporting VoIP network. We may not have insurance to adequately compensate us for any losses that may occur due to any failures or interruptions in our systems. We do not presently have any secondary off-site systems or a formal disaster recovery plan.

HACKERS MAY ATTEMPT TO PENETRATE OUR SECURITY SYSTEM; ONLINE SECURITY BREACHES COULD HARM OUR BUSINESS.

Consumer and supplier confidence in our businesses depends on maintaining relevant security features. Substantial or ongoing security breaches on our systems or other Internet-based systems could significantly harm our business. We incur substantial expenses protecting against and remedying security breaches. Security breaches also could damage our reputation and expose us to a risk of loss or litigation. Experienced programmers or "hackers" have successfully penetrated our systems and we expect that these attempts will continue to occur from time to time. Because a hacker who is able to penetrate our network security could misappropriate proprietary information or cause interruptions in our products and services, we may have to expend significant capital and resources to protect against or to alleviate problems caused by these hackers. Additionally, we may not have a timely remedy against a hacker who is able to penetrate our network security. Such security breaches could materially adversely affect our company. In addition, the transmission of computer viruses resulting from hackers or otherwise could expose us to significant liability. Our insurance may not be adequate to reimburse us for losses caused by security breaches. We also face risks associated with security

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breaches affecting third parties with whom we have relationships.

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WE MAY BE EXPOSED TO LIABILITY FOR INFORMATION RETRIEVED FROM OR TRANSMITTED OVER THE INTERNET.

Users may access content on our websites or the websites of our distribution partners or other third parties through website links or other means, and they may download content and subsequently transmit this content to others over the Internet. This could result in claims against us based on a variety of theories, including defamation, obscenity, negligence, copyright infringement, trademark infringement or the wrongful actions of third parties. Other theories may be brought based on the nature, publication and distribution of our content or based on errors or false or misleading information provided on our websites. Claims have been brought against online services in the past and we have received inquiries from third parties regarding these matters. The claims could be material in the future.

WE MAY BE EXPOSED TO LIABILITY FOR PRODUCTS OR SERVICES SOLD OVER THE INTERNET, INCLUDING PRODUCTS AND SERVICES SOLD BY OTHERS.

We enter into agreements with commerce partners and sponsors under whom we are entitled to receive a share of any revenue from the purchase of goods and services through direct links from our sites. We sell products directly to consumers which may expose us to additional legal risks, regulations by local, state, federal and foreign authorities and potential liabilities to consumers of these products and services, even if we do not ourselves provide these products or services. We cannot assure you that any indemnification that may be provided to us in some of these agreements with these parties will be adequate. Even if these claims do not result in our liability, we could incur significant costs in investigating and defending against these claims. The imposition of potential liability for information carried on or disseminated through our systems could require us to implement measures to reduce our exposure to liability. Those measures may require the expenditure of substantial resources and limit the attractiveness of our services. Additionally, our insurance policies may not cover all potential liabilities to which we are exposed.

WE ARE INVOLVED IN SECURITIES CLASS ACTION LITIGATION.

We are a party to the securities class action litigation described in Note 9 to the Consolidated Financial Statements - "Commitments and Contingencies". The defense of the litigation may increase our expenses and will occupy management's attention and resources, and an adverse outcome in this litigation could materially adversely affect us.

WE MAY HAVE TO TAKE ACTIONS TO AVOID REGISTRATION UNDER THE INVESTMENT COMPANY ACT.

Under the Investment Company Act of 1940 (the "1940 Act"), a company meeting the definition of an "investment company" is subject to various stringent legal requirements on its operations. A company can become subject to the 1940 Act if, among other reasons, it owns investment securities with a value exceeding 40 percent of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis, unless a particular exemption of safe harbor applies. Although we are not currently subject to the 1940 Act, at some point in the future the percentage of our assets which consist of investment securities may exceed 40 percent of the value of its total assets on an unconsolidated basis. Rule 3a-2 of the 1940 Act provides a temporary exemption

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from registration under the 1940 Act, for up to one year, for companies that have a bona fide intent to engage, as soon as reasonably possible, in business other than investing, reinvesting, owning, holding or trading in securities ("transient investment companies"). If, due to future sales of our assets or changes in the value of our existing assets, we become subject to the 1940 Act, we intend to take all actions that would allow reliance on the one-year exemption for "transient investment companies", including a resolution by the Board of Directors that we have bona fide intent to engage, as soon as reasonably possible, in business other than investing, reinvesting, owning, holding or trading in securities. After the one-year period, we would be required to comply with the 1940 Act unless our operations and assets result in us no longer meeting the definition of Investment Company.

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### RISKS RELATING TO OUR VOICE OVER THE INTERNET BUSINESS

THE VOIP MARKET IS SUBJECT TO RAPID TECHNOLOGICAL CHANGE AND WE WILL NEED TO DEPEND ON NEW PRODUCT INTRODUCTIONS AND INNOVATIONS IN ORDER TO ESTABLISH, MAINTAIN AND GROW OUR BUSINESS.

VoIP is an emerging market that is characterized by rapid changes in customer requirements, frequent introductions of new and enhanced products, and continuing and rapid technological advances. To enter and compete successfully in this emerging market, we must continually design, develop, manufacture, and sell new and enhanced VoIP products and services that provide increasingly higher levels of performance and reliability at lower costs. These new and enhanced products must take advantage of technological advancements and changes, and respond to new customer requirements. Our success in designing, developing and selling such products and services will depend on a variety of factors, including:

- o the identification of market demand for new products;
- o access to sufficient capital to complete our development efforts;
- o product and feature selection;
- o timely implementation of product design and development;
- o product performance;
- o cost-effectiveness of products under development;
- o securing effective manufacturing processes; and
- o success of promotional efforts.

Additionally, we may also be required to collaborate with third parties to develop our products and may not be able to do so on a timely and cost-effective basis, if at all. If we are unable, due to resource constraints or technological or other reasons, to develop and introduce new or enhanced products in a timely manner or if such new or enhanced products do not achieve sufficient market acceptance, our operating results will suffer and our business will not grow.

OUR ABILITY AND PLANS TO PROVIDE TELECOMMUNICATION SERVICES AT ATTRACTIVE RATES ARISE IN LARGE PART FROM THE FACT VOIP SERVICES ARE NOT CURRENTLY SUBJECT TO THE SAME REGULATION AS TRADITIONAL TELEPHONY.

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Because their services are not currently regulated to the same extent as traditional telephony, VoIP providers can currently avoid paying charges that traditional telephone companies must pay. Many traditional telephone operators are lobbying the Federal Communications Commission (FCC) and the states to regulate VoIP on the same or similar basis as traditional telephone services. The FCC and several states are examining this issue.

If the FCC or any state determines to regulate VoIP, they may impose surcharges, taxes or additional regulations upon providers of Internet telephony. These surcharges could include access charges payable to local exchange carriers to carry and terminate traffic, contributions to the universal service fund or other charges. Regulations requiring compliance with the Communications Assistance for Law Enforcement Act, or provision of enhanced 911 services could also place a significant financial burden on us. The imposition of any such additional fees, charges, taxes, licenses and regulations on VoIP services could materially increase our costs and may reduce or eliminate the competitive pricing advantage we seek to enjoy.

THE INTERNET TELEPHONY BUSINESS IS HIGHLY COMPETITIVE AND ALSO COMPETES WITH TRADITIONAL AND CELLULAR TELEPHONY PROVIDERS.

The long distance telephony market and the Internet telephony market are highly competitive. There are several large and numerous small competitors, and we expect to face continuing competition based on price and service offerings from existing competitors and new market entrants in the future. The principal competitive factors in our market include price, quality of service, breadth of geographic presence, customer service, reliability, network size and capacity, and the availability of enhanced communications services. Our competitors include major and emerging telecommunications carriers in the U.S. and abroad. Financial difficulties in the past several years of many telecommunications providers are rapidly altering the number, identity and competitiveness of the marketplace. Many of the competitors for our current and planned VoIP service offerings have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than we have. As a result, certain of these competitors may be able to adopt more aggressive pricing policies which could hinder our ability to market our voice services.

During the past several years, a number of companies have introduced services that make Internet telephony or voice services over the Internet available to businesses and consumers. All major telecommunications companies, including entities like AT&T, Sprint and MCI, as well as ITXC, iBasis, Net2Phone and deltathree.com either presently or potentially route traffic to destinations worldwide and compete or can compete directly with us. Other Internet telephony service providers focus on a retail customer base and compete with us. These companies may offer the kinds of voice services we currently offer or intend to offer in the future. In addition, companies currently in related markets have begun to provide voice over the Internet services or adapt their products to enable voice over the Internet services. These related companies may potentially migrate into the Internet telephony market as direct competitors. A number of cable operators have also begun to offer VoIP telephony services via cable modems which provide access to the Internet. These companies, which tend to be large entities with substantial resources, generally have large budgets available for research and development, and therefore may further enhance the quality and acceptance of the transmission of voice over the Internet. We also compete with cellular telephony providers.



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WE ARE UNABLE TO PREDICT THE VOLUME OF USAGE AND OUR CAPACITY NEEDS FOR OUR VOIP BUSINESS; DISADVANTAGEOUS CONTRACTS WOULD REDUCE OUR OPERATING MARGINS.

We have entered into a number of, and may have to enter into additional, long-term agreements (generally from one to five years) for leased communications transmission capacity with various carriers. Many of these agreements have minimum use requirements pursuant to which we are able to negotiate lower overall per minute usage rates assuming the utilization of all of such minutes. To the extent that we have overestimated (or in the future overestimate) our call volume, we are obligated to pay for more transmission capacity than we actually use, resulting in costs without corresponding revenue. Given the recent introduction of our voiceglo VoIP service offerings, our minimum commitments under existing carrier agreements presently greatly exceed our actual usage. Conversely, in the future, if we underestimate our capacity needs, we may be required to obtain additional transmission capacity through more expensive means or such capacity may not be available. As a result, our margins could be reduced and our business, financial condition and results of operations could be materially and adversely affected.

PRICING PRESSURES AND INCREASING USE OF VOIP TECHNOLOGY MAY LESSEN OUR COMPETITIVE PRICING ADVANTAGE.

One of the main competitive advantages of our current and planned VoIP service offerings is the ability to provide discounted local and long distance telephony services by taking advantage of cost savings achieved by carrying voice traffic employing VoIP technology, as compared to carrying calls over traditional networks. In recent years, the price of telephone service has fallen. The price of telephone service may continue to fall for various reasons, including the adoption of VoIP technology by other communications carriers. Many carriers have adopted pricing plans such that the rates that they charge are not always substantially higher than the rates that VoIP providers charge for similar service. In addition, other providers of long distance services are offering unlimited or nearly unlimited use of some of their services for increasingly lower monthly rates.

IF WE DO NOT DEVELOP AND MAINTAIN SUCCESSFUL PARTNERSHIPS FOR VOIP PRODUCTS, WE MAY NOT BE ABLE TO SUCCESSFULLY MARKET ANY OF OUR VOIP PRODUCTS.

We have entered into the VoIP market and our success is partly dependent on our ability to forge marketing, engineering and carrier partnerships. VoIP communication systems are extremely complex and no single company possesses all the technology components needed to build a complete end to end solution. We will likely need to enter into partnerships to augment our development programs and to assist us in marketing complete solutions to our targeted customers. We may not be able to develop such partnerships in the course of our operations and product development. Even if we do establish the necessary partnerships, we may not be able to adequately capitalize on these partnerships to aid in the success of our business.

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THE FAILURE OF VOIP NETWORKS TO MEET THE RELIABILITY AND QUALITY STANDARDS REQUIRED FOR VOICE COMMUNICATIONS COULD RENDER OUR PRODUCTS OBSOLETE.

Circuit-switched telephony networks feature very high reliability, with a guaranteed quality of service. In addition, such networks have imperceptible delay and consistently satisfactory audio quality. Emerging VoIP networks will not be a viable alternative to traditional circuit switched telephony unless they can provide reliability and quality consistent with these standards.

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ONLINE CREDIT CARD FRAUD CAN HARM OUR BUSINESS.

The sale of our products and services over the Internet exposes us to credit card fraud risks. Many of our products and services, including our voiceglo VoIP services, can be ordered or established (in the case of new voiceglo accounts) over the Internet using a major credit card for payment. As is prevalent in retail telecommunications and Internet Services industries, we are exposed to the risk that some of these credit card accounts are stolen or otherwise fraudulently obtained. In general, we are not able to recover fraudulent credit card charges from such accounts. In addition to the loss of revenue from such fraudulent credit card use, we also remain liable to third parties whose products or services are engaged by us (such as termination fees due telecommunications providers) in connection with the services which we provide.

In addition, depending upon the level of credit card fraud we experience, we may become ineligible to accept the credit cards of certain issuers. We are currently authorized to accept Discover, together with Visa and MasterCard (which are both covered by a single merchant agreement with us). Visa/MasterCard constitutes the primary credit card used by our customers. The loss of eligibility for acceptance of Visa/MasterCard could significantly and adversely affect our business. We have recently updated our fraud controls and will attempt to manage fraud risks through our internal controls and our monitoring and blocking systems. If those efforts are not successful, fraud could cause our revenue to decline significantly and our business, financial condition and results of operations to be materially and adversely affected.

RISKS RELATING TO OUR HISTORICAL BUSINESS

THE MARKET SITUATION CONTINUES TO BE A CHALLENGE FOR CHIPS & BITS DUE TO ADVANCES IN CONSOLE AND ONLINE GAMES, WHICH HAVE LOWER MARGINS AND TRADITIONALLY LESS SALES LOYALTY TO CHIPS & BITS.

Our subsidiary, Chips & Bits, Inc. depends on major releases in the Personal Computer (PC) market for the majority of sales and profits. The game industry's focus on X-Box, Playstation and GameCube has dramatically reduced the number of major PC releases, which resulted in significant declines in revenues and gross margins for Chips & Bits. Gross margins for Chips & Bits were 24% and 23% for the years ended December 31, 2003 and 2002, respectively. Because of the large installed base of personal computers, these revenue and gross margin percentages may fluctuate with changes in the PC game market. However, we are unable to predict when, if ever, there will be a turnaround in the PC game market.

In addition, many companies involved in the games market may be acquired by, receive investments from, or enter into commercial relationships with larger, well-established and well-financed companies. As a result of this highly fragmented and competitive market, consolidations and strategic ventures may continue in the future.

WE HAVE HISTORICALLY RELIED SUBSTANTIALLY ON ONLINE AND PRINT ADVERTISING REVENUES. THE ONLINE AND PRINT ADVERTISING MARKETS HAVE SIGNIFICANTLY DECLINED.

We historically derived a substantial portion of our revenues from the sale of advertisements on our website and in our magazine Computer Games Magazine. Our business model and revenues were highly dependent on the amount of traffic on our websites, our ability to properly monetize website traffic and on the print circulation of our Computer Games magazine. Print and online advertising have dramatically decreased since the middle of 2000, and may continue to decline, which could continue to have a material effect on us. Many advertisers have been experiencing financial difficulties which could materially impact our revenues and our ability to collect our receivables. For these reasons, we cannot assure you that our current advertisers will continue to purchase advertisements from our games properties.

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WE MAY BE MATERIALLY ADVERSELY AFFECTED IF ELECTRONIC COMMERCE DOES NOT BECOME A VIABLE SOURCE OF SIGNIFICANT REVENUES OR PROFITS.

In February 2000, we acquired Chips & Bits, Inc., a direct marketer of video games and related products over the Internet. However, we have limited experience in the sale of products online as compared to many of our competitors and the development of relationships with manufacturers and suppliers of these products. In addition, the closing of our community site and our small business web-hosting site adversely affected our electronic commerce due to the loss of traffic referred by those sites to the Chips & Bits website. We also face many uncertainties, which may affect our ability to generate electronic commerce revenues and profits, including:

- o our ability to obtain new customers at a reasonable cost, retain existing customers and encourage repeat purchases;

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- o the likelihood that both online and retail purchasing trends may rapidly change;
- o the level of product returns;
- o merchandise shipping costs and delivery times;
- o our ability to manage inventory levels;
- o our ability to secure and maintain relationships with vendors; and
- o the possibility that our vendors may sell their products through other sites.

If use of the Internet for electronic commerce does not continue to grow, our business and financial condition would be materially and adversely affected.

INTENSE COMPETITION FOR ELECTRONIC COMMERCE REVENUES HAS RESULTED IN DOWNWARD PRESSURE ON GROSS MARGINS.

Due to the ability of consumers to easily compare prices of similar products or services on competing websites and consumers' potential preference for competing website's user interface, gross margins for electronic commerce transactions, which are narrower than for advertising businesses, may further narrow in the future and, accordingly, our revenues and profits from electronic commerce arrangements may be materially and adversely affected.

OUR ELECTRONIC COMMERCE BUSINESS MAY RESULT IN SIGNIFICANT LIABILITY CLAIMS AGAINST US.

Consumers may sue us if any of the products that we sell are defective, fail to perform properly or injure the user. Consumers are also increasingly seeking to impose liability on game manufacturers and distributors based upon the content of the games and the alleged affect of such content on behavior. Some of our agreements with manufacturers contain provisions intended to limit our exposure to liability claims. However, these limitations may not prevent all potential claims. Liability claims could require us to spend significant time and money in litigation or to pay significant damages. As a result, any claims, whether or not successful, could seriously damage our reputation and our business.

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### RISKS RELATING TO OUR COMMON STOCK AND THIS OFFERING

THE VOLUME OF SHARES BEING REGISTERED PURSUANT TO THIS PROSPECTUS FOR FUTURE SALE IN THE OPEN MARKET COULD DRIVE DOWN THE PRICE OF OUR STOCK OR KEEP OUR STOCK PRICE FROM IMPROVING, EVEN IF OUR FINANCIAL PERFORMANCE IMPROVES.

This prospectus covers approximately 131 million shares of our Common Stock, all of which will become eligible for potential resale in the open market. As of April 5, 2004, we had issued and outstanding approximately 132 million shares, of which approximately 25 million shares are freely tradeable over the public markets. There is limited trading volume in our shares and we are now traded only in the over-the-counter market. Sales of significant amounts of Common Stock in the public market in the future, the perception that sales will occur or the registration of additional shares pursuant to existing contractual obligations could materially and adversely drive down the price of our stock. In addition, such factors could adversely affect the ability of the market price of the Common Stock to increase even if our business prospects were to improve. Substantially all of our stockholders holding restricted securities, including shares issuable upon the exercise of warrants to purchase our Common Stock, are entitled to registration rights under various conditions. Most of these holders have elected to register their securities for resale as part of the registration statement of which this prospectus is a part. Also, we may issue additional shares of our common stock or other equity instruments which may be convertible into common stock at some future date, which could further adversely affect our stock price.

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In addition, as of April 5, 2004, there were outstanding options to purchase approximately 10,050,000 shares of our Common Stock, which become eligible for sale in the public market from time to time depending on vesting and the expiration of lock-up agreements. The issuance of these securities is registered under the Securities Act and consequently, subject to certain volume restrictions as to options owned by executive officers, will be freely tradable.

### OUR CHAIRMAN MAY CONTROL US.

Michael S. Egan, our Chairman and Chief Executive Officer, beneficially owns or controls, directly or indirectly, approximately 59 million shares of our Common Stock as of April 5, 2004, which in the aggregate represents approximately 43% of the outstanding shares of our Common Stock (treating as outstanding for this purpose the shares of Common Stock issuable upon exercise of the options owned by Mr. Egan or his affiliates). Accordingly, Mr. Egan would likely be able to exercise significant influence over, if not control, any stockholder vote.

DELISTING OF OUR COMMON STOCK MAKES IT MORE DIFFICULT FOR INVESTORS TO SELL SHARES. THIS MAY POTENTIALLY LEAD TO FUTURE MARKET DECLINES.

The shares of our Common Stock were delisted from the NASDAQ national market in April 2001 and are now traded in the over-the-counter market on what is commonly referred to as the electronic bulletin board or "OTCBB". As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the market value of the securities. The trading volume of our shares has dramatically declined since the delisting. In addition, we are now subject to a Rule promulgated by the Securities and Exchange Commission that, if we fail to meet criteria set forth in such Rule, various practice requirements are imposed on broker-dealers who sell securities governed by the Rule to persons other than

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established customers and accredited investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transactions prior to sale. Consequently, the Rule may have a materially adverse effect on the ability of broker-dealers to sell the securities, which may materially affect the ability of stockholders to sell the securities in the secondary market.

The delisting has made trading our shares more difficult for investors, potentially leading to further declines in share price and making it less likely our stock price will increase. It has also made it more difficult for us to raise additional capital. We may also incur additional costs under state blue-sky laws if we sell equity due to our delisting.

ANTI-TAKEOVER PROVISIONS AFFECTING US COULD PREVENT OR DELAY A CHANGE OF CONTROL.

Provisions of our charter, by-laws and stockholder rights plan and provisions of applicable Delaware law may:

- o have the effect of delaying, deferring or preventing a change in control of our company;
- o discourage bids of our Common Stock at a premium over the market price; or
- o adversely affect the market price of, and the voting and other rights of the holders of, our Common Stock.

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Certain Delaware laws could have the effect of delaying, deterring or preventing a change in control of our company. One of these laws prohibits us from engaging in a business combination with any interested stockholder for a period of three years from the date the person became an interested stockholder, unless various conditions are met. In addition, provisions of our charter and by-laws, and the significant amount of Common Stock held by our current and former executive officers, directors and affiliates, could together have the effect of discouraging potential takeover attempts or making it more difficult for stockholders to change management. In addition, the employment contracts of our Chairman, CEO and Vice President of Finance provide for substantial lump sum payments ranging from 2 (for the Vice President) to 10 times (for each of the Chairman and CEO) of their respective average combined salaries and bonuses (together with the continuation of various benefits for extended periods) in the event of their termination without cause or a termination by the executive for "good reason", which is conclusively presumed in the event of a "change-in-control" (as such terms are defined in such agreements).

OUR STOCK PRICE IS VOLATILE.

The trading price of our Common Stock has been volatile and may continue to be volatile in response to various factors, including:

- o news relating to the performance and acceptance of our new product lines
- o quarterly variations in our operating results;

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- o competitive announcements;
- o entrance into new lines of business, including acquisitions of businesses;
- o sales of any of our remaining games properties;
- o the operating and stock price performance of other companies that investors may deem comparable to us; and
- o news relating to trends in our markets.

The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies, particularly Internet-related companies, have been highly volatile. Our stock is also more volatile due to the limited trading volume.

### FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology, such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "intend," "potential" or "continue" or the negative of such terms or other comparable terminology, although not all forward-looking statements contain such terms. In addition, these forward-looking statements include, but are not limited to, statements regarding:

- o implementing our business strategy;
- o marketing and commercialization of our existing products and those products under development;
- o plans for future products and services and for enhancements of existing products and services;
- o potential governmental regulation and taxation;
- o our intellectual property;
- o our estimates of future revenue and profitability;
- o our estimates or expectations of continued losses;

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- o our expectations regarding future expenses, including research and development, sales and marketing, and general and administrative expenses;
- o difficulty or inability to raise additional financing, if needed, on terms acceptable to us;
- o our estimates regarding our capital requirements and our needs for additional financing;

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- o attracting and retaining customers and employees;
- o rapid technological changes in our industry and relevant markets;
- o sources of revenue and anticipated revenue;
- o plans for future acquisitions; and
- o competition in our market.

These statements are only predictions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not required to and do not intend to update any of the forward-looking statements after the date of this prospectus or to conform these statements to actual results. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. Actual results, levels of activity, performance, achievements and events may vary significantly from those implied by the forward-looking statements. A description of risks that could cause our results to vary appears under "Risk Factors" and elsewhere in this prospectus.

In this prospectus, we refer to information regarding our potential markets and other industry data. We believe that we have obtained this information from reliable sources that customarily are relied upon by companies in our industry, but we have not independently verified any of this information.

### USE OF PROCEEDS

We will not receive any proceeds upon the sale of shares of Common Stock by the Selling Stockholders. The Company will only receive proceeds in the event the Selling Stockholders exercise their warrants. We intend to use the proceeds from the exercise of warrants for working capital and other general corporate purposes.

### DETERMINATION OF OFFERING PRICE

The shares of Common Stock will be sold at prevailing market prices at the time of the sale or at negotiated prices by the Selling Stockholders.

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### SELLING STOCKHOLDERS

The following table sets forth certain information known to us with respect to the beneficial ownership of the Company's common stock as of April 5, 2004 by the Selling Stockholders who may sell their Common Stock pursuant to this prospectus. This information is based upon information provided by each respective Selling Stockholder and Schedules 13D and other public accounts filed with the Commission.

The shares offered by this prospectus may be offered for sale from time to time by the Selling Stockholders. Because the Selling Stockholders may offer all, some or none of the shares pursuant to this prospectus, and because there are currently no agreements, arrangements or understandings with respect to the sale of any shares, no estimate can be given as to the number of shares that will be held by the Selling Stockholders after the completion of this offering, accordingly, it is assumed that all the shares offered pursuant to this prospectus are sold. No selling stockholder has, or within the past three years has had, any position, office or other material relationship with us or any of

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our predecessors or affiliates, except as noted.

The number of shares of Common Stock beneficially owned by the Selling Stockholders includes the shares of Common Stock beneficially owned by the Selling Stockholders as of the date of this prospectus and shares of Common Stock underlying warrants held by the Selling Stockholders that are exercisable within sixty days (60) days of the date of this prospectus. Except as otherwise indicated, to our knowledge, the Selling Stockholders have sole voting and investment power with respect to all shares beneficially owned by them, or with respect to the shares underlying warrants, will have sole voting and investment power at the time such shares are sold. The percentages shown in the table below are based upon 132,040,349 shares of Common Stock outstanding as of April 5, 2004. The numbers shown in the column "Shares Being Offered" include additional shares of Common Stock that may be issued to many of the Selling Stockholders upon exercise of any warrant held by them.

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Selling Stockholder	Number of Shares Beneficially Owned Before this Offering	Number of Shares Underlying Warrants(1)	Shares Being Offered
Telstra Super Pty Ltd. ....	360,000	120,000	360,000
Wellington Management Portfolios (Dublin) - Global Smaller Companies Equity Portfolio.	202,500	67,500	202,500
New Zealand Funds Management Limited.....	300,000	100,000	300,000
SEI Institutional Investments Trust, Small Cap Fund.....	1,350,000	450,000	1,350,000
Seligman Portfolios, Inc., Seligman Global Smaller Companies Portfolio.....	33,750	11,250	33,750
Australian Retirement Fund.....	420,000	140,000	420,000
Emergency Services Superannuation Board...	285,000	95,000	285,000
Retail Employees Superannuation Trust.....	495,000	165,000	495,000
SEI Institutional Investments Trust, Small Mid Cap Equity Fund .....	255,000	85,000	255,000
Talvest Global Small Cap Fund.....	345,000	115,000	345,000
BC Telecom Pension Plan for Management and Exempt Employees.....	75,000	25,000	75,000
J B Were Global Small Companies Pooled Fund	1,425,000	475,000	1,425,000
SEI Institutional Managed Trust, Small Cap Growth Fund.....	1,575,000	525,000	1,575,000
Seligman Global Fund Series, Inc., Seligman Global Smaller Companies Fund.....	900,000	300,000	900,000
TELUS Corporation Foreign Equity Active Pool	165,000	55,000	165,000
British Columbia Investment Management Corporation.....	645,000	215,000	645,000
The Dow Chemical Employees' Retirement Plan	1,155,000	385,000	1,155,000
The Robert Wood Johnson Foundation.....	1,425,000	475,000	1,425,000
Laborers' District Council and Contractors' of Ohio Pension Fund.....	375,000	125,000	375,000
Wellington Trust Company, National Association Multiple Collective Investment Funds Trust, Emerging Companies Portfolio.	1,800,000	600,000	1,800,000
Government of Singapore Investment Company			



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Pte, Ltd.....	4,950,000	1,650,000	4,950,000
New York State Nurses Association Pension Plan.....	780,000	260,000	780,000
Oregon Investment Council.....	2,550,000	850,000	2,550,000
Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Emerging Companies Portfolio.....	1,950,000	650,000	1,950,000
Howard Hughes Medical Institute.....	1,275,000	425,000	1,275,000
Ohio Carpenters' Pension Fund.....	405,000	135,000	405,000
The Retirement Program Plan for Employees of Union Carbide Corporation.....	1,050,000	350,000	1,050,000
The Maritime Life Discovery Fund.....	585,000	195,000	585,000
Proximity Partners, LP.....	611,775	203,925	611,775
Proximity Fund LP.....	611,775	203,925	611,775
Gamma Opportunity Capital Partners LP.....	882,450	588,300	882,450
Enable Growth Partners.....	611,700	203,900	611,700
Capital Ventures International.....	3,058,800	1,019,600	3,058,800
SF Capital Partners, Ltd.....	3,211,800	1,070,600	3,211,800
Longview Fund, LP.....	1,764,750	588,250	1,764,750
Longview Equity Fund, LP.....	2,084,550	694,850	2,084,550
Longview International Equity Fund, LP....	694,800	231,600	694,800
Alpha Capital AG.....	1,764,750	588,250	1,764,750

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Selling Stockholder	Number of Shares Beneficially Owned Before this Offering	Number of Shares Underlying Warrants (1)	Shares Being Offered
Manuel Senderos F.....	1,588,235	529,412	1,588,235
Gruber & McBaine International.....	344,250	114,750	344,250
Jon D. Gruber & Linda W. Gruber.....	344,250	114,750	344,250
Lagunitas Partners LP.....	996,750	332,250	996,750
J. Patterson McBaine.....	150,000	50,000	150,000
Seneca Capital LP.....	520,500	173,500	520,500
Seneca Capital International Ltd.....	1,008,900	336,300	1,008,900
Sergio Rosengaus Leizgold.....	150,000	50,000	150,000
Carinthia Pte, Ltd.....	1,614,707	538,236	1,614,707
Mauricio Garduno.....	529,411	176,470	529,411
Paul Tomasi.....	432,950	117,650	352,950
Garrett Pettingell (3).....	106,618 (17)	14,706	44,118
Idlewyld, LLC.....	337,956	337,956	337,956
David Dohrmann.....	11,914	11,914	11,914
William C. Begien.....	109,489	109,489	109,489
Baruch & Shoshana Halpern, .....	540,641	540,641	540,641
Huizenga Investments Limited Partnership (4)	2,400,000	400,000	2,400,000
Berard Holdings Limited Partnership.....	600,000	100,000	600,000
Actarus Fund II, LLP (4).....	1,380,000	230,000	1,380,000
Stephan Paternot (4).....	364,957	364,957	364,957
Michael E. Maroone.....	240,000	40,000	240,000
Henry C. Duques (4).....	60,000	10,000	60,000
Robert W. and Sarah M. Tuthill, BDE.....	96,425	14,000	84,000
Robert Emmett McTigue.....	60,000	10,000	60,000
James A. Jordan, IRA.....	240,000	40,000	240,000

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Janet Jordan.....	136,000	20,000	120,000
Marjorie W. Egan.....	120,000	20,000	120,000
Susan B. Segaul (5).....	60,000	10,000	60,000
Michael G. Moore.....	245,000	40,000	240,000
Celeste V. Allen (6).....	120,000	20,000	120,000
Rosalie V. Arthur (7).....	70,002	10,000	60,000
Robert F. and Mary M. Dwors, JTROS.....	72,000	12,000	72,000
Weezor I Limited Partnership.....	60,000	10,000	60,000
Ron Castell.....	60,000	10,000	60,000
James J. and Nancy W. Blosser, JTROS.....	60,000	10,000	60,000
Ted and Carol Drum, JTROS.....	60,000	10,000	60,000
William J. Gross.....	60,400	10,000	60,000
Thomas G. Egan III (8).....	240,000	40,000	240,000
John T. Mooney (9).....	145,000	20,000	120,000
Grant J. and Eliza Egan Smith, JTROS (9)..	60,000	10,000	60,000
Kenneth and Jessica Beir, TBE (10).....	168,125	20,000	120,000
Laurent F. Sidon (11).....	381,000	40,000	240,000
Thomas First.....	120,000	20,000	120,000
Revocable Living Trust of George E. Pittinos	240,000	40,000	240,000
Jan Vitrofsky (12).....	24,000	4,000	24,000
Kenneth and Marguerite Larsen, JTROS.....	240,000	40,000	240,000
Charles P. and Linda H. Irwin, JTROS.....	60,000	10,000	60,000
Macdonald and Juliet H. Clark, JTROS.....	120,000	20,000	120,000
Daniel Walsh.....	24,000	4,000	24,000
Michael J. Kennelty (13).....	148,084	4,000	24,000
Robert Giannini.....	60,000	10,000	60,000
Stephen N. Lipton.....	170,000	20,000	120,000
John M. Pennekamp.....	72,000	12,000	72,000
Michael and Joan Sher, TROS (14).....	60,000	10,000	60,000
Jack Paltani.....	120,000	20,000	120,000
Albert R. Paonessa.....	60,000	10,000	60,000
John A. Schneider.....	240,000	40,000	240,000
Thomas W. Scott.....	240,000	40,000	240,000

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Selling Stockholder	Number of Shares Beneficially Owned Before this Offering	Number of Shares Underlying Warrants (1)	Shares Being Offered
Gregory A. McLaughlin as trustee of the Tripp, Scott, Conklin & Smith, PA Profit Sharing Plan fbo Norman D. Tripp.....	480,000	80,000	480,000
Tripperoo Family Limited Partnership Class AA Florida Limited Partnership.....	480,000	80,000	480,000
Tripp Scott P.A. Amended and Restated Profit Sharing Plan fbo Dennis Dustin Smith.....	180,000	30,000	180,000
Smith Trust.....	60,000	10,000	60,000
Tripp Scott Conklin & Smith PSP fbo Garry W. Johnson.....	65,000	10,000	60,000
Philip P. and Susan A. Smith, JTROS.....	240,000	40,000	240,000

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The Nantucket Irrevocable Trust (15).....	2,400,000	400,000	2,400,000
David A. Mitchell.....	276,000	46,000	276,000
Frank Fowler.....	96,000	16,000	96,000
Charles A. Hinnant.....	120,000	20,000	120,000
R.F. Decosimo.....	70,000	10,000	60,000
Eloise D. Robbins.....	230,000	30,000	180,000
Barbara N. and Walter D. Moore, Jr., JTWROS	60,000	10,000	60,000
J. Melville Armstrong.....	60,000	10,000	60,000
Joseph F. Decosimo.....	510,000	80,000	480,000
Rita F. Kerr.....	84,000	14,000	84,000
W.A. Bryan Patten .....	1,325,000	200,000	1,200,000
Michael F. McGauley.....	250,000	20,000	120,000
Judith F. Stone.....	60,000	10,000	60,000
Brenda G. McKenzie.....	240,000	40,000	240,000
Creel Medical Service, Inc. Profit Sharing Trust.....	60,000	10,000	60,000
Joy W. Jones.....	60,000	10,000	60,000
Lawrence Partners, LP.....	70,000	10,000	60,000
Lesslie W. Lee, IRA.....	60,000	10,000	60,000
Brent S. Mills.....	60,000	10,000	60,000
Stan Martynski Rollover IRA	65,000	10,000	60,000
Brent L. Norris, M.D.....	60,000	10,000	60,000
Thomas R. Northcott, IRA.....	60,000	10,000	60,000
Patten & Patten, Inc. Profit Sharing Plan.	120,000	20,000	120,000
Patten & Patten, Inc. Profit Sharing fbo			
Frank M. Robbins, III.....	180,000	30,000	180,000
Jack Stocker.....	70,000	10,000	60,000
R. Alan Winger.....	60,000	10,000	60,000
James L. Wolford.....	240,000	40,000	240,000
Lawrence I. Young, M.D. IRA Rollover.....	60,000	10,000	60,000
711 East Company.....	360,000	60,000	360,000
Suntrust Bank, Chattanooga Trustee for Miller & Martin Profit Sharing Plan - James M. Haley IV.....	60,000	10,000	60,000
Suntrust Bank, Chattanooga Trustee for Miller & Martin Profit Sharing Plan - Lowry F. Kline, DIA.....	60,000	10,000	60,000
Suntrust Bank, Chattanooga Trustee for Miller & Martin Project Sharing Plan - Howard Levine.....	60,000	10,000	60,000
A-OK Supply Co. Employee Profit Sharing Plan	60,000	10,000	60,000
Charlie H. Armstrong & Barbara Mayer Armstrong, JTWROS.....	70,000	10,000	60,000
Jean R. Bowden.....	60,000	10,000	60,000
James L. Caldwell, Jr.....	60,000	10,000	60,000
Malcolm B. Daniell and Zella C. Daniell JTWROS.....	120,000	20,000	120,000

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Selling Stockholder	Number of Shares Beneficially Owned Before this Offering	Number of Shares Underlying Warrants (1)	Shares Being Offered
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Eliot Family Limited Partnership.....	120,000	20,000	120,000
George I. Haigler.....	48,000	8,000	48,000
Julia Elizabeth Haigler-Baker.....	12,000	2,000	12,000
Margaret Susan Haigler.....	12,000	2,000	12,000
Ruth A. Liu.....	60,000	10,000	60,000
T.E. Mynatt, Jr.....	60,000	10,000	60,000
Kathleen Cartter Patten.....	157,500	20,000	120,000
William Allen Bryan Patten.....	160,000	20,000	120,000
Fred Robinson.....	60,000	10,000	60,000
Sarah Caldwell Patten.....	157,500	20,000	120,000
Michael A. Stoker.....	60,000	10,000	60,000
W.A. Bryan Patten and Z. Cartter Patten, III Trustees U/WZ. Cartter Patten, Jr. - Sons Trust.....	340,000	40,000	240,000
Wayne E. Tipps.....	60,000	10,000	60,000
Charles R. Adcock.....	60,000	10,000	60,000
Douglas W. Curtis, IRA.....	60,000	10,000	60,000
Fletcher Bright.....	240,000	40,000	240,000
Robert W. Jones.....	60,000	10,000	60,000
J. Nelson and Deanne W. Irvine, JTWROS....	60,000	10,000	60,000
Joel B. Clements, MD Rollover IRA.....	60,000	10,000	60,000
C. Robert Clark Rollover IRA.....	60,000	10,000	60,000
Donald A. Bodley Rollover IRA.....	60,000	10,000	60,000
Richard E. Cormier Rollover IRA.....	60,000	10,000	60,000
Linda T. Collins Rollover IRA.....	60,000	10,000	60,000
John W. Moore, IRA.....	60,000	10,000	60,000
John A. Kosik, IRA.....	84,000	14,000	84,000
John A. Hewgley, IRA.....	60,000	10,000	60,000
Paul E. Henson, Jr. M.D. Rollover IRA.....	70,000	10,000	60,000
A.R. Fortune, II Rollover IRA.....	60,000	10,000	60,000
Charles P. Driver Rollover IRA.....	60,000	10,000	60,000
Henry Crumbliss Rollover IRA.....	60,000	10,000	60,000
Robert T. Spalding Rollover IRA.....	60,000	10,000	60,000
Robert L. Raitz, M.D. Rollover IRA.....	60,000	10,000	60,000
Earl T. McGhee Rollover IRA.....	60,000	10,000	60,000
Bonnie G. McBride Rollover IRA.....	60,000	10,000	60,000
Steve A. McKenzie.....	240,000	40,000	240,000
Frank J.B. Varallo.....	240,000	40,000	240,000
Kevin Lancey.....	80,000 (16)	55,000	80,000
Jeffrey S. Roschman.....	1,760,000 (16)	1,210,000	1,760,000
Robert J. Roschman.....	1,760,000 (16)	1,210,000	1,760,000
James L. Magruder (18).....	660,000 (16)	275,000	525,000
Todd Krizelman (19).....	709,976	272,521	272,521
Brian Fowler (20).....	1,815,000	1,750,000	1,750,000
Michael S. Egan (21).....	58,943,274 (22)	204,082	48,979,991
S. Jacqueline Egan (23).....	3,745,419 (24)	204,082	3,731,419
E&C Capital Partners LLLP (25).....	32,469,012	0	32,469,012
Dancing Bear Investments, Inc. (26).....	8,303,148	0	2,779,560
The Michael S. Egan Grantor Retained Annuity Trust F/B/O Sarah Egan Mooney (27).....	2,007,000	0	2,000,000
The Michael S. Egan Grantor Retained Annuity Trust F/B/O Eliza Shenners Egan (27).....	2,007,000	0	2,000,000
The Michael S. Egan Grantor Retained Annuity Trust F/B/O Catherine Lewis Egan (27).....	2,014,000	0	2,000,000

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Selling Stockholder	Number of Shares Beneficially Owned Before this Offering	Number of Shares Underlying Warrants (1)	Shares Being Offered
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The Michael S. Egan Grantor Retained Annuity Trust F/B/O Teague Michael Thomas Egan (27).....	2,014,000	0	2,000,000
The Michael S. Egan Grantor Retained Annuity Trust F/B/O Riles Martin Michael Egan (27).....	2,014,000	0	2,000,000
Neopets, Inc.(28)	3,000,000	0	3,000,000
-----			
TOTAL	142,182,214**	26,798,534**	130,396,940**

\* less than 1%

\*\* Does not count more than once shares which are beneficially owned by more than one person.

(1) Pursuant to Rule 13d-3 of the Exchange Act, as used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the disposition of, a security and a person is deemed to have "beneficial ownership" of any security that the person has the right to acquire within 60 days of April 5, 2004. Without limiting the generality of the foregoing, includes all of the underlying shares of common stock in the column labeled "Number of Shares Underlying Warrants".

(2) Assumes the sale by the Selling Stockholders of all shares registered hereby.

(3) Mr. Pettingell is our Chief Financial Officer.

(4) A former director (or a company controlled by such a former director) of ours who resigned or whose term ended in June 2001.

(5) Mother of Robin Lebowitz, one of our executive officers.

(6) President of Certified Vacations, a company controlled by our Chairman, Michael Egan.

(7) One of our former board members who resigned in November 2001.

(8) Brother of our Chairman, Michael Egan.

(9) Son-in-law or daughter of our Chairman, Michael Egan.

(10) Brother-in-law of our Chairman, Michael Egan.

(11) Son-in-law of our Chairman, Michael Egan. A company controlled by Laurent Sidon also provides services to us. See "Certain Relationships and Related Transactions".

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- (12) Serves as the President of Thomas Street Logistics LLC, a company controlled by our Chairman, Michael Egan. Thomas Street Logistics provides services to the Company. See "Certain Relationships and Related Transactions".
  - (13) One of our full-time employees.
  - (14) Parents-in-law of our President, Edward Cespedes.
  - (15) Trust for the benefit of the children of our Chairman, Michael Egan.
  - (16) Includes shares underlying certain earn-out warrants, which have not yet been earned as follows: (i) Lancey, 45,000 warrants; (ii) J. Roschman, 990,000 warrants; (iii) R. Roschman, 990,000 warrants; and (iv) Magruder, 225,000 warrants. J. Roschman has agreed, when and if such warrants are earned, to transfer 500,000 of such warrants to Izor Investments.
  - (17) His beneficial ownership includes 50,000 shares of our common stock issueable upon exercise of options that are currently exercisable, and 12,500 shares of our common stock issueable upon exercise of options that are exercisable within 60 days of April 5, 2004.
  - (18) Mr. Magruder is the Director of Carrier Relations of our subsidiary, Direct Partner Telecom.
  - (19) One of our former directors who did not seek reelection in June 2002.
  - (20) Mr. Fowler is our Chief Technology Officer.
  - (21) Mr. Egan is our Chairman and Chief Executive Officer.
  - (22) Includes the shares that Mr. Egan is deemed to beneficially own as the controlling investor of Dancing Bear Investments, Inc. and E&C Capital Partners, LLLP and as the Trustee of each of the Michael S. Egan Grantor Retained Annuity Trusts for the benefit of his children. Also includes (i) 3,838,269 shares of our common stock issueable upon exercise of options that are currently exercisable and 971 shares of our common stock issueable upon exercise of options that are exercisable within 60 days of April 5, 2004; (ii) 3,541,337 shares of our common stock held by Mr. Egan's wife, as to which he disclaims beneficial ownership; and (iii) 204,082 shares of our common stock issueable upon exercise of warrants at \$1.22 per share owned by Mr. Egan and his wife.
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- (23) Ms. Egan is the spouse of Mr. Egan, our Chairman and Chief Executive Officer.
  - (24) Includes 204,082 shares of our common stock issueable upon exercise of warrants owned jointly by Mr. and Mrs. Egan.
  - (25) E&C Capital Partners, LLLP is a privately held investment vehicle controlled by our Chairman, Michael S. Egan. Our President, Edward A. Cespedes, has a minority, non-controlling interest in E&C Capital Partners, LLLP.

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- (26) Dancing Bear Investments, Inc., is controlled by our Chairman, Michael Egan.
- (27) Each of these Trusts is for the benefit of one of the children of our Chairman, Michael Egan.
- (28) NeoPets, Inc. is a party to an agreement with us relating to advertising and marketing. All 3,000,000 of such shares are issuable in various stages subject to meeting certain business criteria set forth in the agreement.

### PLAN OF DISTRIBUTION

The Selling Stockholders, or by their pledgees, transferees or other successors in interest, may sell the shares of Common Stock from time to time in public or private transactions occurring on or off the OTC Bulletin Board, at prevailing market prices or at negotiated prices. Sales may be made directly to purchasers or through brokers or to dealers, who are expected to receive customary commissions or discounts. To this end, the Selling Stockholders may offer their shares for sale in one or more of the following transactions listed and described below:

- o In the over-the-counter market, including the OTC Bulletin Board;
- o Through the facilities of any national securities exchange or U.S. automated inter-dealer quotation system of a registered national securities association on which any of the shares of Common Stock are then listed, admitted to unlisted trading privileges or included for quotation in privately negotiated transactions;
- o In transactions other than on such exchanges or in the over-the-counter market;
- o In connection with short sales of our common stock;
- o In ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- o In block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- o In purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- o In privately negotiated transactions;
- o Broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- o In a combination of any such methods of sale; and
- o Any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

If the Selling Stockholders sell their shares directly, or indirectly through underwriters, broker-dealers or agents acting on their behalf, in connection

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with such sales, the broker-dealers or agents may receive compensation in the form of commissions, concessions, allowances or discounts from the Selling Stockholders and/or the purchasers of the shares for whom they may act as agent or to whom they sell the shares as principal or both. Such commissions, concessions, allowances or discounts might be in excess of customary amounts. To comply with the securities laws of certain jurisdictions, the securities offered in this prospectus will be offered or sold in those jurisdictions only through registered or licensed broker/dealers. In addition, in certain jurisdictions the securities offered in this prospectus may not be offered or sold unless they have been registered or qualified for sale in those jurisdictions, or unless an exemption from registration or qualification is available and is complied with. We are not aware of any definitive selling arrangement at the date of this prospectus between any Selling Stockholder and any broker-dealer or agent. We will not receive any of the proceeds from the sale of the shares by the Selling Stockholders, but may receive certain funds upon the exercise of warrants as described under "Use of Proceeds."

In connection with the distribution of their shares, certain of the Selling Stockholders may enter into hedging transactions with broker-dealers. In connection with such transactions, broker-dealers may engage in short sales of the shares in the course of hedging the positions they assume with the Selling Stockholders.

The Selling Stockholders may also sell the shares short and redeliver the shares of Common Stock to close out the short positions.

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The Selling Stockholders may also enter into option or other transactions with broker-dealers, which require the delivery of the shares to the broker-dealer.

The Selling Stockholders may also loan or pledge their shares to a broker-dealer. The broker-dealer may then sell the loaned shares or, upon a default, may sell the pledged shares.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledges or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The Selling Stockholders and any dealer acting in connection with the offering or any broker executing a sell order on behalf of a selling stockholder may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). In that case, any profit on the sale of shares by a selling stockholder and any commissions or discounts received by any such broker or dealer may be deemed to be underwriting compensation under the Securities Act. Any such broker or dealer may be required to deliver a copy of this prospectus to any person who purchases any of the shares from or through such broker or dealer. These shares may later be distributed, sold, pledged, hypothecated or otherwise transferred. In addition to any other applicable laws or regulations, Selling Stockholders must comply with regulations relating to distributions by Selling Stockholders, including Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

LEGAL PROCEEDINGS



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On and after August 3, 2001 and as of the date of this filing, six putative stockholder class action lawsuits were filed against the Company, certain of its current and former officers and directors, and several investment banks that were the underwriters of the Company's November 23, 1998 initial public offering and its May 19, 1999 secondary offering. The lawsuits were filed in the United States District Court for the Southern District of New York. The complaints against the Company have been consolidated into a single action and a Consolidated Amended Complaint, which is now the operative complaint, was filed on April 19, 2002.

The lawsuit purports to be a class action filed on behalf of purchasers of the stock of the Company during the period from November 12, 1998 through December 6, 2000. Plaintiffs allege that the underwriter defendants agreed to allocate stock in the Company's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the Prospectus for the Company's initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount.

The action is being coordinated with approximately 300 other nearly identical actions filed against other companies. On July 15, 2002, the Company moved to dismiss all claims against it and the Individual Defendants. On October 9, 2002, the Court dismissed the Individual Defendants from the case without prejudice based on stipulations of dismissal filed by the plaintiffs and the Individual Defendants. On February 19, 2003, the Court denied the motion to dismiss the complaint against the Company. The Company has approved a Memorandum of Understanding ("MOU") and related agreements which set forth the terms of a settlement between the Company, the plaintiff class and the vast majority of the other approximately 300 issuer defendants. Among other provisions, the settlement contemplated by the MOU provides for a release of the Company and the individual defendants for the conduct alleged in the action to be wrongful. The Company would agree to undertake certain responsibilities, including agreeing to assign away, not assert, or release certain potential claims the Company may have against its underwriters. It is anticipated that any potential financial obligation of the Company to plaintiffs pursuant to the terms of the MOU and related agreements will be covered by existing insurance. Therefore, the Company does not expect that the settlement will involve any payment by the Company. The MOU and related agreements are subject to a number of contingencies, including the negotiation of a settlement agreement and its approval by the Court. We cannot opine as to whether or when a settlement will occur or be finalized and, consequently, are unable at this time to determine whether the outcome of the litigation will have a material impact on our results of operations or financial condition in any future period.

On July 3, 2003, an action was commenced against one of the Company's subsidiaries, Direct Partner Telecom, Inc. ("DPT"). Global Communications Consulting Corp. v. Michelle Nelson, Jason White, VLAN, Inc., Geoffrey Amend, James Magruder, Direct Partner Telecom, Inc., et al. was filed in the Superior Court of New Jersey, Monmouth County, and removed to the United States District Court for the District of New Jersey on September 16, 2003. Plaintiff is the former employer of Michelle Nelson, a consultant of DPT. Plaintiff alleges that while Nelson was its employee, she provided plaintiff's confidential and proprietary trade secret information, to among others, DPT and certain employees, and diverted corporate opportunities from plaintiff to DPT and the

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other named defendants. Plaintiff asserts claims against Nelson including breach of fiduciary duty, breach of the duty of loyalty and tortious interference with contract. Plaintiff also asserts claims against Nelson and DPT, among others, for contractual interference, tortious interference with prospective economic advantage and misappropriation of proprietary information and trade secrets. Plaintiff seeks injunctive relief and damages in an unspecified amount, including punitive damages.

The Answer to the Complaint, with counterclaims, was served on October 20, 2003, denying plaintiff's allegations of improper and unlawful conduct in their entirety. The parties recently reached an amicable resolution of this matter, including a mutual release of all claims, and a Stipulation of Dismissal was filed with the Court in April 2004.

The Company is currently a party to certain other legal proceedings, claims, disputes and litigation arising in the ordinary course of business, including those noted above. The Company currently believes that the ultimate outcome of these other proceedings, individually and in the aggregate, will not have a material adverse affect on the Company's financial position, results of operations or cash flows. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be unfavorable, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

### MANAGEMENT

The following table sets forth the names, ages and current positions with the Company held by our Directors and Executive Officers. There is no immediate family relationship between or among any of the Directors or Executive Officers, and the Company is not aware of any arrangement or understanding between any Director or Executive Officer and any other person pursuant to which he was elected to his current position.

NAME	AGE	POSITION OR OFFICE WITH THE COMPANY
Michael Egan	64	Chairman and Chief Executive officer
Edward A. Cespedes	38	President and Director
Garrett Pettingell	45	Chief Financial Officer
Robin Lebowitz	39	Vice President of Finance and Director

Michael S. Egan. Michael Egan has served as theglobe.com's Chairman since 1997 and as its Chief Executive Officer since June 1, 2002. Since 1996, Mr. Egan has been the controlling investor of Dancing Bear Investments, a privately held investment company. Mr. Egan is also Chairman of Certified Vacations, a privately held wholesale travel company which was founded in 1980. Certified Vacations specializes in designing, marketing and delivering vacation packages. Mr. Egan is a member of the Board of Directors of Boca Resorts, Inc. (NYSE: RST) (formerly Florida Panthers Holdings, Inc.) and a member of the Board of Directors of the Horatio Alger Association. Mr. Egan spent over 30 years in the rental car business. He began with Alamo Rent-A-Car in 1973, became an owner in 1979, and became Chairman and majority owner from January 1986 until November 1996 when he sold the company to AutoNation. In 2000, AutoNation spun off the

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rental division, ANC Rental (Other OTC: ANCXZ.PK), and Mr. Egan served as Chairman until October 2003. Prior to acquiring Alamo, he held various administration positions at Yale University and taught at the University of Massachusetts at Amherst. Mr. Egan is a graduate of Cornell University where he received his Bachelor's degree in Hotel Administration.

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Edward A. Cespedes. Edward Cespedes has served as a director of theglobe.com since 1997 and as President of theglobe.com since June 1, 2002. Mr. Cespedes is also the Chairman of EKC Ventures, LLC, a privately held investment company. Mr. Cespedes served as the Vice Chairman of Prime Ventures, LLC, from May 2000 to February 2002. From August 2000 to August 2001, Mr. Cespedes served as the President of the Dr. Koop Lifecare Corporation and was a member of the Company's Board of Directors from January 2001 to December 2001. From 1996 to 2000, Mr. Cespedes was a Managing Director of Dancing Bear Investments. Concurrent with his position at Dancing Bear Investments, from 1998 to 2000, Mr. Cespedes also served as Vice President for corporate development for theglobe.com where he had primary responsibility for all mergers, acquisitions, and capital markets activities. In 1996, prior to joining Dancing Bear Investments, Mr. Cespedes was the Director of Corporate Finance for Alamo Rent-A-Car. From 1988 to 1996, Mr. Cespedes worked in the Investment Banking Division of J.P. Morgan and Company, where he most recently focused on mergers and acquisitions. In his capacity as a venture capitalist, Mr. Cespedes has served as a member of the board of directors of various portfolio companies. Mr. Cespedes is the founder of the Columbia University Hamilton Associates, a foundation for university academic endowments. In 1988 Mr. Cespedes received a Bachelor's degree in International Relations from Columbia University.

Garrett Pettingell. Garrett Pettingell was appointed Chief Financial Officer of theglobe.com on February 23, 2004. From January 2000 to September 2002, Mr. Pettingell was CFO of TeleComputing, Inc. a Norwegian application services provider (ASP) and Apptix, Inc., a Norwegian ASP which was spun off from TeleComputing. Before joining TeleComputing, Mr. Pettingell worked for Bank Austria as Head of Corporate Banking in their Moscow, Russia subsidiary from January 1997 to January 1999 and for Sequoia International Hotels as Director of Finance from February 1999 to January 2000. Mr. Pettingell has his MBA in Finance from The Wharton School, as well as a Master of International Studies from the Lauder Institute of the University of Pennsylvania. During 2003, Mr. Pettingell attended Nova Southeastern University, where he obtained a Master of Accounting.

Robin S. Lebowitz. Robin Lebowitz has served as a director of theglobe.com since December 2001, as Secretary of theglobe.com since June 1, 2002, and as Vice President of Finance of theglobe.com since February 23, 2004. Ms. Lebowitz also served as Treasurer of theglobe.com from June 1, 2002 until February 23, 2004 and as Chief Financial Officer of theglobe.com from July 1, 2002 until February 23, 2004. Ms. Lebowitz has worked in various capacities for the Company's Chairman, Michael Egan, for ten years. She is the Controller/Managing Director of Dancing Bear Investments, Mr. Egan's privately held investment management and holding company. Previously, Ms. Lebowitz served on the Board of Directors of theglobe.com from August 1997 to October 1998. At Alamo Rent-A-Car, she served as Financial Assistant to the Chairman (Mr. Egan). Prior to joining Alamo, Ms. Lebowitz was the Corporate Tax Manager at Blockbuster Entertainment Group where she worked from 1991 to 1994. From 1986 to 1989, Ms. Lebowitz worked in the audit and tax departments of Arthur Andersen & Co. Ms. Lebowitz received a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania; a Masters in Business Administration from the University of Miami and is a Certified Public Accountant.

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INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Michael Egan, theglobe.com's Chairman and CEO, was Chairman of ANC Rental Corporation from late 2000 until October 2003 and was Chief Executive Officer of ANC Rental Corporation from late 2000 until April 4, 2002. In November 2001, ANC Rental Corporation filed voluntary petitions for relief under Chapter 11 or Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (Case No. 01-11200).

Edward Cespedes, a director and the President of theglobe, was also a director of Dr. Koop Lifecare Corporation from January 2001 to December 2001. In December 2001, Dr. Koop Lifecare Corporation filed petitions seeking relief under Chapter 7 of the United States Bankruptcy Code.

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EXECUTIVE COMPENSATION

The following table sets forth information concerning compensation for services in all capacities awarded to, earned by or paid by us to our those persons serving as the chief executive officer at any time during the last year and our two other most highly compensated executive officers (collectively, the "Named Executive Officers"):

	Long-Term Compensation (1)
Annual Compensation	-----
	Number of Securities