THEGLOBE COM INC
Form 10-Q
November 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

OR

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

FOR THE TRANSITION PERIOD FROM _______ TO _________

COMMISSION FILE NO. 0-25053

THEGLOBE.COM, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

STATE OF DELAWARE	14-1782422
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

1500 CORDOVA ROAD, SUITE 302

FORT LAUDERDALE, FL. 33316

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(954) 769 - 5900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes x No ¨

The number of shares outstanding of the Registrant's Common Stock, $.001 par value (the "Common Stock") as of November 1, 2015 was 441,484,838.

THEGLOBE.COM, INC.

FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THEGLOBE.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2015 (UNAUDITED)	DECEMBER 31, 2014
ASSETS		
Current Assets:		
Cash	$ 46,971	$ 53
Prepaid expenses	4,552	4,997
Total current assets	$ 51,523	$ 5,050
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable to related party	$ 469,570	$ 289,570
Accrued compensation due to related parties	130,769	130,769
Accounts payable	—	225
Accrued expenses and other current liabilities	25,150	26,200
Accrued interest due to related party	360,631	323,234
Notes payable due to related party	500,000	500,000
Net liabilities of discontinued operations	—	75,935
Total current liabilities	1,486,120	1,345,933
Stockholders' Deficit:		
Common stock, $0.001 par value; 500,000,000 shares authorized; 441,484,838 issued and outstanding at September 30, 2015 and December 31, 2014	441,485	441,485
Additional paid-in capital	294,301,845	294,301,845
Accumulated deficit	(296,177,927)	(296,084,213)
Total stockholders' deficit	(1,434,597)	(1,340,883)
Total liabilities and stockholders' deficit	$ 51,523	$ 5,050

See notes to unaudited condensed consolidated financial statements.

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THEGLOBE.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(UNAUDITED)		(UNAUDITED)	
Net Revenue	$ —	$ —	$ —	$ —
Operating Expenses:				
General and administrative	22,280	28,112	66,502	71,933
Related party transactions	60,000	60,000	180,000	180,000
	82,280	88,112	246,502	251,933
Operating Loss from Continuing Operations	(82,280)	(88,112)	(246,502)	(251,933)
Other Income (Expense), net:				
Related party interest expense	(12,602)	(12,603)	(37,397)	(37,397)
Related party other income	—	106,250	149,625	318,750
	(12,602)	93,647	112,228	281,353
Income from Continuing Operations Before Income Tax	(94,882)	5,535	(134,274)	29,420
Income Tax Provision	—	—	—	—
Income from Continuing Operations	(94,882)	5,535	(134,274)	29,420
Discontinued Operations, net of tax:	—	—	40,560	(275)
Net Income	$ (94,882)	$ 5,535	$ (93,714)	$ 29,145
Income Per Share:				
Basic and Diluted:				
Continuing Operations	$ —	$ —	$ —	$ —
Discontinued Operations	$ —	$ —	$ —	$ —
Weighted Average Common Shares Outstanding	441,484,838	441,484,838	441,484,838	441,484,838

See notes to unaudited condensed consolidated financial statements.

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THEGLOBE.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2015	2014
	(UNAUDITED)	
Cash Flows from Operating Activities:		
Net income	$(93,714)	$29,145
Add back: (income) loss from discontinued operations	(40,560)	275
Net income (loss) from continuing operations	(134,274)	29,420
Adjustments to reconcile net income (loss) from continuing operations to net cash flows from operating activities		
Changes in operating assets and liabilities		
Prepaid and other current assets	445	(1,795)
Accounts payable to related party	180,000	(19,750)
Accounts payable	(225)	100
Accrued expenses and other current liabilities	(1,050)	(800)
Accrued interest due to related party	37,397	37,397
Net cash flows from operating activities of continuing operations	82,293	44,572
Net cash flows from operating activities of discontinued operations	(35,375)	(45,275)
Net cash flows from operating activities	46,918	(703)
Net Increase (Decrease) in Cash and Cash Equivalents	46,918	(703)
Cash and Cash Equivalents, at beginning of period	53	904
Cash and Cash Equivalents, at end of period	$46,971	$201

See notes to unaudited condensed consolidated financial statements.

THEGLOBE.COM, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THEGLOBE.COM

theglobe.com, inc. (the “Company” or “theglobe”) was incorporated on May 1, 1995 (inception) and commenced operations on that date. Originally, theglobe.com was an online community with registered members and users in the United States and abroad. However, due to the deterioration of the online advertising market, the Company was forced to restructure and ceased the operations of its online community on August 15, 2001. The Company then sold most of its remaining online and offline properties. The Company continued to operate its Computer Games print magazine and the associated CGOnline website, as well as the e-commerce games distribution business of Chips & Bits. On June 1, 2002, Chairman Michael S. Egan and Director Edward A. Cespedes became Chief Executive Officer and President of the Company, respectively. On November 14, 2002, the Company entered into the Voice over Internet Protocol (“VoIP”) business by acquiring certain VoIP assets.

On May 9, 2005, the Company exercised an option to acquire all of the outstanding capital stock of Tralliance Corporation (“Tralliance”), an entity which had been designated as the registry for the “.travel” top-level domain through an agreement with the Internet Corporation for Assigned Names and Numbers (“ICANN”).

As more fully discussed in Note 3, “Discontinued Operations,” in March 2007, management and the Board of Directors of the Company made the decision to (i) cease all activities related to its computer games businesses, including discontinuing the operations of its magazine publications, games distribution business and related websites; and (ii) discontinue the operating, research and development activities of its VoIP telephony services business and terminate all of the remaining employees of that business.

On September 29, 2008, the Company sold its Tralliance business and issued 229,000,000 shares of its Common Stock to a company controlled by Michael S. Egan, the Company’s Chairman and Chief Executive Officer. As a result of the sale of its Tralliance business, the Company became a shell company (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934) with no material operations or assets. Certain matters, as more fully discussed in Note 2, “Liquidity and Going Concern Considerations,” raise substantial doubt about the Company’s ability to continue as a going concern.

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from their respective dates of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements of the Company as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 included herein have been prepared in accordance with the instructions for Form 10-Q under the Securities Exchange Act of 1934, as amended, and Article 10 of Regulation S-X under the Securities Act of 1933, as amended. Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations relating to interim condensed consolidated financial statements.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company at September 30, 2015 and the results of its operations for the three and nine months ended September 30, 2015 and 2014. The results of operations for such periods are not necessarily indicative of results expected for the full year or for any future period.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions relate primarily to valuations of accounts payable and accrued expenses. Our estimates, judgments and assumptions are continually evaluated based upon available information and experience. Because of estimates inherent in the financial reporting process, actual results could differ from those estimates.

NET INCOME PER SHARE

The Company reports basic and diluted net income per common share in accordance with FASB ASC Topic 260, "Earnings Per Share." Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). Common equivalent shares are excluded from the calculation if their effect is anti-dilutive.

Due to the anti-dilutive effect of potentially dilutive securities or common stock equivalents that could be issued, such securities were excluded from the diluted net loss per common share calculation for all periods presented. Such potentially dilutive securities and common stock equivalents consisted of the following for the periods ended September 30:

	2015	2014
Options to purchase common stock	100,000	4,000,000

RECENT ACCOUNTING PRONOUNCEMENTS

Management has determined that all recently issued accounting pronouncements will not have a material impact on the Company's financial statements or do not apply to the Company's operations.

RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

(2) LIQUIDITY AND GOING CONCERN CONSIDERATIONS

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. However, for the reasons described below, Company management does not believe that cash on hand and cash flow generated internally by the Company will be adequate to fund its limited overhead and other cash requirements beyond a short period of time. These reasons raise significant doubt about the Company's ability to continue as a going concern.

Since 2008, the Company was able to continue operating as a going concern due principally to funding of $500,000 received during 2008 under a Revolving Loan Agreement with an entity controlled by Michael S. Egan, its Chairman and Chief Executive Officer and a total of approximately $2,437,000 received during 2009 through the second quarter of 2015 under an Earn-out Agreement with an entity also controlled by Mr. Egan, as well as the forbearance of its creditors. The Earn-out period expired on May 5, 2015, with the final pro-rated payment of $37,000 received by the Company in May 2015.

At September 30, 2015, the Company had a net working capital deficit of approximately $1,435,000. Such working capital deficit included (i) a total of approximately $861,000 in principal and accrued interest owed under the aforementioned Revolving Loan Agreement; (ii) a total of approximately $470,000 in management service fees owed under a Master Services Agreement to an entity controlled by Mr. Egan; (iii) a total of approximately $131,000 of accrued officer compensation due primarily to Mr. Egan; and (iv) an aggregate of approximately $25,000 in unsecured accounts payable and accrued expenses owed to non-related third parties.

During the second quarter of 2015, a former VoIP telephony service vendor agreed to forgive the remaining accounts payable balance of approximately $41,000 owed by the Company to such vendor. Accordingly, such amount was written off the balance sheet and a corresponding gain on forgiveness of debt is included within Discontinued Operations for the nine month period ended September 30, 2015.

During the fourth quarter of 2014, the Company derecognized approximately $84,000 of old accrued expenses related to its former Tralliance business (including $33,000 of disputed liabilities) based upon the belief that the statute of limitations applicable to enforcement of such liabilities had lapsed. During the fourth quarter of 2013, the Company derecognized approximately $296,000 of old liabilities of its former Tralliance business, including approximately $170,000 of disputed accounts payable owed to 2 former vendors and accrued expenses totaling approximately $126,000, based upon the belief that the statute of limitations applicable to enforcement of such liabilities had lapsed. As more fully described in Note 3, "Discontinued Operations," the Company derecognized approximately $1,354,000 of old liabilities of its former VoIP telephony service business, including approximately $1,000,000 of disputed liabilities, during the fourth quarter of 2012 based upon our belief that the statute of limitations applicable to enforcement of such liabilities has lapsed. There can be no assurance that the holders of derecognized account payables will agree with our application of statutes of limitation to time bar claims related to such payables nor seek to assert a basis to toll or suspend the running of the otherwise applicable statutes of limitation.

As discussed previously, on September 29, 2008, the Company (i) sold the business and substantially all of the assets of its Tralliance Corporation subsidiary to Tralliance Registry Management, and (ii) issued 229,000,000 shares of its Common Stock (the "Shares") to Registry Management (the "Purchase Transaction"). Tralliance Registry Management and Registry Management are entities controlled by Michael S. Egan. The closing of the Purchase Transaction resulted in the cancellation of all of the Company's remaining Convertible Debt, related accrued interest and rent and accounts payable owed to entities controlled by Mr. Egan as of the date of closing (totaling approximately $6,400,000). However, the Company continues to be obligated to repay its principal borrowings totaling $500,000, plus accrued interest at the rate of 10% per annum (approximately $361,000 as of September 30, 2015), due to an entity controlled by Mr. Egan under the aforementioned Revolving Loan Agreement. All unpaid borrowings under the Revolving Loan Agreement, as amended on May 7, 2009, including accrued interest, are due and payable by the Company in one lump sum on the earlier of (i) five business days following any demand for payment, which demand can be made at any time, or (ii) the occurrence of an event of default as defined in the Revolving Loan Agreement. The Company currently has no ability to repay this loan should a demand for payment be made by the noteholder. All borrowings under the Revolving Loan Agreement are secured by a pledge of all of the assets of the Company and its subsidiaries. Immediately after giving effect to the closing of the Purchase Transaction and the issuance of the Shares thereunder, Mr. Egan beneficially owned approximately 76% of the Company's issued and outstanding Common Stock and continues to beneficially own such amount at September 30, 2015.

As additional consideration under the Purchase Transaction, Tralliance Registry Management was obligated to pay an earn-out to theglobe equal to 10% (subject to certain minimums) of Tralliance Registry Management's net revenue (as defined) derived from ".travel" names registered by Tralliance Registry Management from September 29, 2008 through May 5, 2015 (the "Earn-out"). The minimum Earn-out payable by Tralliance Registry Management to theglobe was $300,000 in the first year, increasing by $25,000 in each subsequent year (pro-rated for the final year of the Earn-out). As discussed earlier, the final Earn-out payment of approximately $37,000 was made in May 2015 and the Earn-out Agreement has now expired.

In connection with the closing of the Purchase Transaction, the Company also entered into a Master Services Agreement with an entity controlled by Mr. Egan whereby for a fee of $20,000 per month ($240,000 per annum) such entity will provide personnel and services to the Company so as to enable it to continue its existence as a public company without the necessity of any full-time employees of its own. Additionally, commensurate with the closing of the Purchase Transaction, Termination Agreements with each of its current executive officers, which terminated their previous and then existing employment agreements, were executed. Notwithstanding the termination of these employment agreements, each of our current executive officers and directors remain as executive officers and directors of the Company.

Immediately following the closing of the Purchase Transaction, theglobe became a shell company with no material operations or assets, and no source of revenue other than under the Earn-out. It is expected that theglobe's future operating expenses as a public shell company will consist primarily of expenses incurred under the aforementioned Master Services Agreement and other customary public company expenses, including legal, audit and other miscellaneous public company costs.

MANAGEMENT'S PLANS

On a short term liquidity basis, the Company must receive the continued indulgence of its primary creditor, Mr. Egan, including the continued forebearance of Mr. Egan and related entities in making demand for payment for amounts outstanding under the Revolving Loan Agreement and the Master Services Agreement, in order to continue as a going concern.

It is the Company's preference to avoid filing for protection under the U.S. Bankruptcy Code. However, based upon the Company's current financial condition as discussed above and recognizing that the Earn-out Agreement with Tralliance Registry Management terminated on May 5, 2015, management believes that additional debt or equity capital will need to be raised in order for theglobe to continue to operate as a going concern on a long-term basis. Any such capital would likely come from Mr. Egan, as the Company currently has no access to credit facilities and has traditionally relied on borrowings from related parties to meet short-term liquidity needs. Any such capital would likely result in very substantial dilution in the number of outstanding shares of the Company's Common Stock. Given theglobe's current financial condition, it has no intent to seek to acquire or start any new businesses. Management is exploring options related to the future of theglobe at the present time.

(3) DISCONTINUED OPERATIONS

In March 2007, management and the Board of Directors of the Company decided to discontinue the operating, research and development activities of its VoIP telephony services business and terminate all of the remaining employees of the business. The Company's decision to discontinue the operations of its VoIP telephony services business was based primarily on the historical losses sustained by this business, management's expectations of continued losses for the foreseeable future and estimates of the amount of capital required to successfully monetize this business. All elements of its VoIP telephony services business shutdown plan were completed by the Company in 2007 except for the resolution of certain disputed vendor accounts payables, totaling approximately $1,000,000, and the payment of remaining non-disputed accounts payable. The disputed accounts payables related primarily to telecommunications network service fees charged by various former telecommunication vendors during the period from 2004 to 2007. These charges were disputed by the Company primarily due to such items as incorrect quantities, rates, in-service dates, regulatory fees/charges, late fees and contract termination charges.

During the fourth quarter of 2012, the Company re-evaluated all remaining liabilities of its VoIP telephony services business in light of the passage of time and applicable state statute of limitation laws. Based upon this re-evaluation, the Company derecognized accounts payable liabilities related to six (6) former telecommunication vendors totaling approximately $1,354,000, including the disputed liabilities of approximately $1,000,000 discussed earlier, from its balance sheet at December 31, 2012. As discussed earlier in Note 2, “Liquidity and Going Concern Considerations,” a former telephony services business vendor agreed to forgive its remaining account balance of approximately $41,000 during the second quarter of 2015. Accordingly, there are no Discontinued Operations liabilities at September 30, 2015.

(4) STOCK OPTION PLANS