

THEGLOBE COM INC
Form 10-Q
November 19, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2018

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 NUMBER: 0-25053

THEGLOBE.COM, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

5949 SHERRY LANE, SUITE 950, DALLAS, TX 75225
c/o Toombs Hall and Foster
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(214) 369-5695
(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.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes No

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

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: THEGLOBE COM INC - Form 10-Q

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

Yes No

The number of shares outstanding of the Registrant's Common Stock, \$.001 par value (the "Common Stock") as of September 30, 2018 was 441,480,473.

THEGLOBE.COM, INC.
FORM 10-Q

TABLE OF CONTENTS

<u>PART I - FINANCIAL INFORMATION</u>	<u>2</u>
<u>ITEM 1. FINANCIAL STATEMENTS</u>	<u>2</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS AT SEPTEMBER 30, 2018 (UNAUDITED) AND DECEMBER 31, 2017</u>	<u>2</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017</u>	<u>3</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017</u>	<u>4</u>
<u>NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>5</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>9</u>
<u>FORWARD LOOKING STATEMENTS</u>	<u>9</u>
<u>RESULTS OF OPERATIONS</u>	<u>10</u>
<u>LIQUIDITY AND CAPITAL RESOURCES</u>	<u>11</u>
<u>EFFECTS OF INFLATION</u>	<u>12</u>
<u>MANAGEMENT'S DISCUSSION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES</u>	<u>12</u>
<u>IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS</u>	<u>12</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u>	<u>12</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>12</u>
<u>PART II - OTHER INFORMATION</u>	<u>13</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>13</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>13</u>
<u>RISKS RELATING TO OUR BUSINESS GENERALLY</u>	<u>13</u>
<u>RISKS RELATING TO OUR COMMON STOCK</u>	<u>14</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>16</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>16</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>16</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>16</u>

ITEM 6.EXHIBITS

16

SIGNATURES

17

1

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THEGLOBE.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2018 (Unaudited)	DECEMBER 31, 2017
ASSETS		
Current Assets:		
Cash	\$ 936	\$ 440
Total current assets	\$ 936	\$ 440
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accrued expenses and other current liabilities	\$ 83,500	\$ 26,000
Accounts payable	60,977	—
Accrued interest due to related party	4,066	—
Notes payable due to related party	144,959	—
Total current liabilities	293,502	26,000
Stockholders' Deficit:		
Common stock, \$0.001 par value, 500,000,000 shares authorized, 441,480,473 issued and outstanding at September 30, 2018 and December 31, 2017	441,480	441,480
Additional paid-in capital	296,594,042	296,594,042
Accumulated deficit	(297,328,088)	(297,061,082)
Total stockholders' deficit	(292,566)	(25,560)
Total liabilities and stockholders' deficit	\$ 936	\$ 440

See notes to unaudited condensed consolidated financial statements.

THEGLOBE.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(UNAUDITED)		(UNAUDITED)	
Net Revenue	\$—	\$—	\$—	\$—
Operating Expenses:				
General and administrative	68,896	32,995	202,939	74,040
Related party fees	—	60,000	60,000	180,000
	68,896	92,995	262,939	254,040
Operating Loss from Continuing Operations	(68,896)	(92,995)	(262,939)	(254,040)
Other Expense:				
Related party interest expense	2,430	16,384	4,066	47,425
Loss from Continuing Operations Before Income Tax	(71,326)	(109,379)	(267,005)	(301,465)
Income Tax Provision	—	—	—	—
Loss from Continuing Operations	(71,326)	(109,379)	(267,005)	(301,465)
Discontinued Operations, net of tax:	—	—	—	(375)
Net Loss	\$(71,326)	\$(109,379)	\$(267,005)	\$(301,840)
Loss Per Share:				
Basic and Diluted:				
Continuing Operations	\$—	\$—	\$—	\$—
Discontinued Operations	\$—	\$—	\$—	\$—
Weighted Average Common Shares Outstanding	441,480,473	441,480,473	441,480,473	441,480,473

See notes to unaudited condensed consolidated financial statements.

THEGLOBE.COM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2018	2017
	(UNAUDITED)	(UNAUDITED)
Cash Flows from Operating Activities		
Net Loss	\$ (267,005)	\$ (301,840)
Add back: loss from discontinued operations	—	375
Net loss from continued operations	(267,005)	(301,465)
Adjustments to reconcile net loss from continuing operations to net cash flows used in operating activities		
Changes in operating assets and liabilities		
Prepaid and other current assets	—	(666)
Accounts payable to related parties	—	180,000
Accounts payable	60,977	(100)
Accrued expenses and other current liabilities	57,500	(5,500)
Accrued interest due to related party	4,066	47,424
Net cash flows used in operating activities of continued operations	(144,462)	(80,307)
Net cash flows used in operating activities of discontinued operations	—	(375)
Net cash flows used in operating activities	(144,462)	(80,682)
Cash Flows from Financing Activities		
Borrowings on notes payable	144,959	50,000
Net cash flows provided by financing activities	144,959	50,000
Net Increase/(Decrease) in Cash	496	(30,682)
Cash at beginning of period	440	31,285
Cash at end of period	\$ 936	\$ 603

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,” “theglobe,” “we” or “us”) was incorporated on May 1, 1995 and commenced operations on that date. Originally, we were an online community with registered members and users in the United States and abroad. On September 29, 2008, we consummated the sale of the business and substantially all of the assets of our subsidiary, Tralliance Corporation (“Tralliance”), to Tralliance Registry Management Company, LLC (“Tralliance Registry Management”), an entity controlled by Michael S. Egan, our former Chairman and Chief Executive Officer. As a result of and on the effective date of the sale of our Tralliance business, which was our last remaining operating business, we became a “shell company,” as that term is defined in Rule 12b-2 of the Exchange Act, with no material operations or assets.

On December 20, 2017, Delfin Midstream LLC (“Delfin”) entered into a Common Stock Purchase Agreement with certain of our stockholders for the purchase of a total of 312,825,952 shares of our Common Stock, par value \$0.001 per share (“Common Stock”), representing approximately 70.9% of our Common Stock. On December 31, 2017 (the “Closing Date”), Mr. Egan, Edward A. Cespedes and Robin S. Lebowitz resigned from their respective positions as officers and directors of the Company. William “Rusty” Nichols was appointed the sole member of our Board and our sole executive officer. Effective June 29, 2018, our Board appointed Mr. Frederick Jones as President, Chief Executive Officer, Chief Financial Officer, and Director of the Company, and Mr. Nichols resigned from his positions of President, Chief Executive Officer, Chief Financial Officer, Director, and any other directorships, offices or other positions with the Company.

As a shell company, our operating expenses have consisted primarily of, and we expect them to continue to consist primarily of, customary public company expenses, including personnel, accounting, financial reporting, legal, audit and other related public company costs.

As of September 30, 2018, as reflected in our accompanying Consolidated Balance Sheet, our current liabilities exceed our total assets. Additionally, we received a report from our independent registered public accountants, relating

to our December 31, 2017 audited financial statements, containing an explanatory paragraph regarding our ability to continue as a going concern. We prefer to avoid filing for protection under the U.S. Bankruptcy Code. However, unless we are successful in raising additional funds through the offering of debt or equity securities, we may not be able to continue to operate as a going concern for any significant length of time in the future. Notwithstanding the above, we currently intend to continue operating as a public company and making all the requisite filings under the Exchange Act.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company. 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 at September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017 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, 2018 and the results of its operations and its cash flows for the three and nine months ended September 30, 2018 and 2017. The results of operations and cash flows 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 the Company 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.

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 (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:

	2018	2017
Options to purchase common stock	—	—

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.

(2) LIQUIDITY AND GOING CONCERN CONSIDERATIONS

The accompanying 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 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 will be adequate to fund its limited overhead and other cash requirements beyond a short period of time. These reasons raise substantial doubt about the Company's ability to continue as a going concern, for a period within a year after the date the financial statements are issued.

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, the former Chairman and Chief Executive Officer and total proceeds 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 more fully discussed below), as well as the forbearance of its creditors. More recently, the Company received fundings of \$50,000 each in March 2016, November 2016 and March 2017 as well as \$10,000 in November 2017 under Promissory Notes entered into with the same entity that provided funding under the Revolving Loan Agreement (the "Promissory Notes"). In connection with the Closing with Delfin Midstream LLC the Promissory Notes have been fully satisfied.

On December 20, 2017, Michael S. Egan, our former Chief Executive Officer and majority stockholder, and certain of our other stockholders (each a “Seller” and collectively the “Sellers”) entered into a Common Stock Purchase Agreement (the “Purchase Agreement”) with Delfin. Pursuant to the terms of the Purchase Agreement, Delfin agreed to purchase from the Sellers an aggregate of 312,825,952 shares of our Common Stock, representing approximately 70.9% of the issued and outstanding shares of our Common Stock. The closing of the purchase and sale transaction occurred on December 31, 2017 (the “Closing Date”). In connection with the transaction, we terminated the Master Services Agreement we had entered into with an entity controlled by Mr. Egan and satisfied all promissory notes and other borrowings under the credit line with respect to indebtedness owed to related parties. Delfin beneficially owns approximately 70.9% of our Common Stock and continues to own such amount as of the date of this filing.

Since the Closing Date of the Purchase Agreement, Delfin has continued to fund the Company through loans to the Company. At September 30, 2018, the Company had a net working capital deficit of approximately \$293,000. Such working capital deficit included accrued expenses of approximately \$84,000, accounts payable of approximately \$61,000 and approximately \$149,000 in principal and accrued interest owed under the March 2018 Promissory Note with Delfin, the Company’s majority shareholder, which was amended and restated in May 2018 to \$150,000 and then again on November 2, 2018 to increase the principal amount to up to \$350,000 to pay certain accrued expenses, accounts payable over the last six months, and to allow the Company to have some working capital.

MANAGEMENT’S PLANS

Management anticipates continued funding from Delfin as it determines the direction of the Company.

(3) DEBT

In March 2018, the Company executed a Promissory Note with Delfin, which was amended and restated in May 2018 to \$150,000 and then again on November 2, 2018 to increase the principal amount to up to \$350,000 to pay certain accrued expenses, accounts payable over the last six months, and to allow the Company to have some working capital. Interest accrues on the unpaid principal balance at a rate of eight (8%) per annum, and is payable on the maturity date, calculated on a 365/366-day year, as applicable. The Promissory Note is due upon demand. It may be prepaid in whole or in part at any time prior to the maturity date. The Company expects continued funding from Delfin.

(4) STOCK OPTION PLANS

As of September 30, 2018, all of the Company's stock option plans have been terminated and there are no shares available for grant under these plans. Remaining stock options outstanding and exercisable expired in August 2016.

There were no stock option grants or exercises during each of the nine months ended September 30, 2018 and 2017.

(5) RELATED PARTY TRANSACTIONS

In connection with the closing of the Tralliance Purchase Transaction, the Company also entered into a Master Services Agreement ("Services Agreement") with Dancing Bear Investments, Inc. ("Dancing Bear"), an entity which was controlled by Mr. Egan, our former Chairman and CEO. Under the terms of the Services Agreement, for a fee of \$20,000 per month (\$240,000 per annum), Dancing Bear provides 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. The Services Agreement had an initial term of one year. In connection with the Delfin transaction, the Services Agreement has been terminated. Services under the Services Agreement include, without limitation, accounting, assistance with financial reporting, accounts payable, treasury/financial planning, record retention and secretarial and investor relations functions. Related party fees related to the Master Services Agreement of \$60,000 and \$180,000 was recognized in our Consolidated Statement of Operations during the three months and nine months ended September 30, 2017. Any balances owed under the Services agreement were satisfied with the Delfin transaction. There are \$60,000 in payments to a former officer in the nine months ended September 30, 2018.

In March 2018, the Company executed a Promissory Note with Delfin, which was amended and restated in May 2018 to \$150,000 and then again on November 2, 2018 to increase the principal amount to up to \$350,000 to pay certain accrued expenses, accounts payable over the last six months, and to allow the Company to have some working capital. The Company expects continued funding from Delfin. Related party interest expense associated with such debt totaling \$4,066 and \$47,425 has been recognized in our Condensed Consolidated Statement of Operations for the nine months ended September 30, 2018 and 2017, respectively. See Note 3, "Debt," for a more complete discussion of related party debt.

(6) SUBSEQUENT EVENTS

The Company's management evaluated subsequent events through the time of the filing of this report on Form 10-Q. The Company's management is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on its consolidated financial statements.

(7) REVISION OF FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2018

During the course of preparing the quarterly report on Form 10-Q for the quarter ended September 30, 2018, the Company identified an error related to certain expenses not being recorded in the second quarter of 2018 in connection with the failure to accrue a payment totaling \$60,000 to a former officer, which resulted in the understatement of its net loss for the three and six months ended June 30, 2018. The reason for the error was related to certain information not being provided to the Company's accounting staff as a result of the Company's transition of certain financial and accounting duties to a new Chief Executive Officer and a new Chief Financial Officer in the second quarter of 2018.

The following tables reconcile the prior period as reported to the as revised balances:

	June 30, 2018		
	As Reported	Adjustment	As Revised
Condensed Consolidated Balance Sheet:			
Total Current Assets	\$1,706	\$ -	\$1,706
Total Assets	\$1,706	\$ -	\$1,706
Total Current Liabilities	\$162,946	\$ 60,000	\$222,946
Total Liabilities	\$162,946	\$ 60,000	\$222,946
Total Stockholders' Equity	\$(161,240)	\$(60,000)	\$(221,240)

Edgar Filing: THEGLOBE COM INC - Form 10-Q

Condensed Consolidated Statement of Operations:	For The Three Months Ended June 30, 2018			For The Six Months Ended June 30, 2018		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
	Revenue	\$-	\$-	\$-	\$-	\$-
Operating Expenses	\$41,444	\$60,000	\$101,444	\$134,044	\$60,000	\$194,044
Loss From Continuing Operations	\$(42,803)	\$(60,000)	\$(102,803)	\$(135,680)	\$(60,000)	\$(195,680)
Net Loss	\$(42,803)	\$(60,000)	\$(102,803)	\$(135,680)	\$(60,000)	\$(195,680)
Net Loss Per Share - Basic and Diluted	\$(0.00)	\$-	\$(0.00)	\$(0.00)	\$-	\$(0.00)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	441,480,473	-	441,480,473	441,480,473	-	441,480,473

Condensed Consolidated Statement of Cash Flows:	For The Six Months Ended June 30, 2018		
	As Reported	Adjustment	As Revised
	Cash Flows From Operating Activities:		
Net Loss	\$(135,680)	\$(60,000)	\$(195,680)
Changes in accrued expenses and other liabilities	\$945	\$60,000	\$60,945
Net Cash Used In Operating Activities	\$(68,693)	\$-	\$(68,693)

In accordance with SEC Staff Accounting Bulletin No 108, the Company has evaluated this error, based on an analysis of qualitative and quantitative factors, as to whether it was material to the condensed consolidated statement of operations for the three and six months ended June 30, 2018 and if amendments of previously filed financial statements with the SEC are required. The Company has determined that quantitatively and qualitatively, the error has no material impact to the condensed consolidated statement of operations for the three and six months ended June 30, 2018 or other prior periods.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terminology, such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "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:

our need for additional equity and debt capital financing to continue as a going concern, and the sources of such capital;

our intent with respect to future dividends;

the continued forbearance of certain related parties from making demand for payment under certain contractual obligations of, and loans to, the Company; and

our estimates with respect to certain accounting and tax matters.

These forward-looking statements reflect our current view about future events and are subject to risks, uncertainties and assumptions. Unless required by law, we do not intend to update any of the forward-looking statements after the date of this Form 10-Q or to conform these statements to actual results. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. A description of risks that could cause our results to vary appears under "Risk Factors" and elsewhere in this Form 10-Q. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

our ability to raise additional and sufficient capital;

our ability to continue to receive funding from related parties; and

our ability to successfully estimate the impact of certain accounting and tax matters.

Edgar Filing: THEGLOBE COM INC - Form 10-Q

The following discussion should be read together in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes thereto and the audited consolidated financial statements and notes to those statements contained in the Annual Report on Form 10-K for the year ended December 31, 2017.

OVERVIEW

theglobe.com, inc. (the “Company,” “theglobe,” “we” or “us”) was incorporated on May 1, 1995 and commenced operations on that date. Originally, we were an online community with registered members and users in the United States and abroad. On September 29, 2008, we consummated the sale of the business and substantially all of the assets of our subsidiary, Tralliance Corporation (“Tralliance”), to Tralliance Registry Management Company, LLC, an entity controlled by Michael S. Egan, our former Chairman and Chief Executive Officer. As a result of and on the effective date of the sale of our Tralliance business, which was our last remaining operating business, we became a “shell company,” as that term is defined in Rule 12b-2 of the Exchange Act, with no material operations or assets. We currently have no material operations or assets.

On December 20, 2017, our former Chief Executive Officer and majority stockholder, Mr. Egan entered into the Purchase Agreement with Delfin for the purchase by Delfin of shares owned by Mr. Egan representing approximately 70.9% of our Common Stock. On the Closing Date, Mr. Egan, Mr. Cespedes and Ms. Lebowitz resigned from their respective positions as officers and directors of the Company. Mr. Nichols was appointed the sole member of our Board and our sole executive officer. Effective June 29, 2018, our Board appointed Mr. Frederick Jones as President, Chief Executive Officer, Chief Financial Officer, and Director of the Company, and Mr. Nichols resigned from his positions of President, Chief Executive Officer, Chief Financial Officer, Director, and any other directorships, offices or other positions with the Company.

As a shell company, our operating expenses have consisted primarily of, and we expect them to continue to consist primarily of, customary public company expenses, including personnel, accounting, financial reporting, legal, audit and other related public company costs.

As of September 30, 2018, as reflected in our accompanying Consolidated Balance Sheet, our current liabilities exceed our total assets.

BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS; GOING CONCERN

We received a report from our independent registered public accountants, relating to our December 31, 2017 audited consolidated financial statements, containing an explanatory paragraph regarding our ability to continue as a going concern. As a shell company, our management believes that we will not be able to generate operating cash flows sufficient to fund our operations and pay our existing current liabilities in the foreseeable future. Based upon our current limited cash resources and without the infusion of additional capital and/or the continued forbearance of our

creditors, our management does not believe we can operate as a going concern beyond a short period of time. See “Future and Critical Need for Capital” section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations for further details.

Our 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, our condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2018 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2017 CONTINUING OPERATIONS

NET REVENUE. Commensurate with the sale of our Tralliance business on September 29, 2008, we became a shell company. As a result, net revenue for both the three months ended September 30, 2018 and 2017 was \$0.

GENERAL AND ADMINISTRATIVE. General and administrative expenses include only customary public company expenses, including accounting, legal, audit, insurance and other related public company costs. General and administrative expenses totaled approximately \$69,000 in the third quarter of 2018 as compared to approximately \$33,000 for the same quarter of the prior year, primarily arising from increased accounting and legal expenses.

RELATED PARTY TRANSACTIONS. Related party fees totaled \$0 for the three months ended September 30, 2018 as compared to approximately \$60,000 for the same quarter of the prior year relating to management services fees payable to Dancing Bear for accounting, finance, administrative and managerial support.

RELATED PARTY INTEREST EXPENSE. Related party interest expense for the three months ended September 30, 2018 totaled \$2,430 compared to approximately \$16,000 for the three months ended September 30, 2017 and consisted of interest due and payable to Delfin in 2018 and Dancing Bear in 2017.

**NINE MONTHS ENDED SEPTEMBER 30, 2018 COMPARED TO
THE NINE MONTHS ENDED SEPTEMBER 30, 2017
CONTINUING OPERATIONS**

NET REVENUE. Net revenue totaled \$0 for both the nine months ended September 30, 2018 and 2017.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses include only customary public company expenses, including accounting, legal, audit, insurance and other related public company costs. General and administrative expenses totaled approximately \$203,000 for the first nine months of 2018 as compared to approximately \$74,000 for the same period of 2017, primarily arising from increased accounting and legal expenses.

RELATED PARTY TRANSACTIONS. Related party fees totaled \$60,000 for the nine months ended September 30, 2018 as compared to approximately \$180,000 for the nine months ended September 30, 2017 relating to management services fees payable to Dancing Bear for accounting, finance, administrative and managerial support in 2017 and payments to a former officer in 2018.

RELATED PARTY INTEREST EXPENSE. Related party interest expense for the nine months ended September 30, 2018 and 2017 was approximately \$4,000 and \$47,000, respectively, and consisted of interest due and payable to Delfin in 2018 and Dancing Bear in 2017.

INCOME TAXES. No tax benefit was recorded for the losses incurred during the first nine months of 2018 or the first nine months of 2017 as we recorded a 100% valuation allowance against our otherwise recognizable deferred tax assets due to the uncertainty surrounding the timing or ultimate realization of the benefits of our net operating loss carryforwards in future periods.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW ITEMS

As of September 30, 2018, we had \$936 in cash as compared to \$440 as of December 31, 2017. Net cash flows used in operating activities of continuing operations totaled approximately \$144,000 for the nine months ended September 30, 2018 compared to net cash flows used in operating activities of continuing operations of \$80,000 for the nine months ended September 30, 2017.

FUTURE AND CRITICAL NEED FOR CAPITAL

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

Since 2008, we have been 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 Mr. Egan, our former Chairman and Chief Executive Officer, and total proceeds 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 more fully discussed below), as well as the forbearance of our creditors. More recently, we received funding of \$50,000 each in March 2016, November 2016 and March 2017 as well as \$10,000 in November 2017 under Promissory Notes entered into with the same entity that provided funding under the Revolving Loan Agreement. In connection with the closing of the purchase of Common Stock by Delfin, the Promissory Notes were fully satisfied.

In March 2018, the Company executed a Promissory Note with Delfin, which was amended and restated in May 2018 to \$150,000 and then again on November 2, 2018 to increase the principal amount to up to \$350,000 to pay certain accrued expenses, accounts payable over the last six months, and to allow the Company to have some working capital. Interest accrues on the unpaid principal balance at a rate of eight (8%) per annum, and is payable on the maturity date, calculated on a 365/366 day year, as applicable. The Promissory Note is due upon demand. It may be prepaid in whole or in any part at any time prior to the maturity date. Management anticipates continued funding from Delfin as it determines the direction of the Company.

At September 30, 2018, we had a net working capital deficit of approximately \$293,000. This deficit included accrued expenses of approximately \$84,000, accounts payable of approximately \$61,000 and approximately \$149,000 in principal and accrued interest owed under the Promissory Note with Delfin, the Company's majority shareholder.

EFFECTS OF INFLATION

Management believes that inflation has not had a significant effect on our results of operations during 2018 and 2017.

MANAGEMENT'S DISCUSSION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Certain of our accounting policies require higher degrees of judgment than others in their application. Primarily, these include valuation of accounts payable and accrued expenses.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable to smaller reporting companies such as the Company.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure (1) that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms, and (2) that this information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2018. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information regarding us (including our consolidated subsidiaries) that is required to be included in our periodic reports to the SEC.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated any change in our internal control over financial reporting that occurred during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, and have determined there to be no reportable changes.

PART II - OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

None.

ITEM 1A.

RISK FACTORS

In addition to the other information in this report, the following factors should be carefully considered in evaluating our business and prospects.

RISKS RELATING TO OUR BUSINESS GENERALLY

We may not be able to continue as a going concern.

The accompanying 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 consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. However, for the reasons described below, we

do not believe that cash on hand and cash flow generated internally by us will be adequate to fund our limited overhead and other cash requirements beyond a short period of time. These reasons raise significant doubt about our ability to continue as a going concern. In addition, our independent registered public accounting firm has issued a report that included an explanatory paragraph referring to our significant net losses, accumulated deficit of approximately \$297 million as of December 31, 2017 and the previous sale of our last remaining operating business, which as it noted raised substantial doubt about our ability to continue as a going concern.

Since 2008, we were 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 Mr. Egan, our former Chairman and Chief Executive Officer, and total proceeds of approximately \$2.437 million received during 2009 through the second quarter of 2015 under an Earn-out Agreement with an entity also controlled by Mr. Egan (as more fully discussed below), as well as the forbearance of our creditors. More recently, we received funding of \$50,000 each in March 2016, November 2016 and March 2017 as well as \$10,000 in November 2017 under promissory notes entered into with the same entity that provided funding under the Revolving Loan Agreement. In connection with the closing of the purchase of Common Stock by Delfin, the promissory notes were fully satisfied.

At September 30, 2018, we had a net working capital deficit of approximately \$293,000. This deficit included accrued expenses of approximately \$84,000, accounts payable of approximately \$61,000 and approximately \$149,000 in principal and accrued interest owed under the Promissory Note with Delfin, the Company's majority shareholder.

On a short-term liquidity basis, we must receive capital contributions or loans from Delfin or its affiliates in order to continue as a going concern. We prefer to avoid filing for protection under the U.S. Bankruptcy Code. However, based upon our current financial condition as discussed above, we believe that we will need to raise additional debt or equity capital in order for us to continue to operate as a going concern on a long-term basis. Any such capital would likely come from Delfin, as we currently have no access to credit facilities and have traditionally relied on borrowings from related parties to meet short-term liquidity needs. Any equity capital raised would likely result in substantial dilution in the number of outstanding shares of our Common Stock. We intend to use the proceeds from the 2018 Promissory Note and seek other loans from Delfin and related entities, if necessary, to fund our public company operating costs while we explore our options related to the future of theglobe.

In 2018, we can borrow up to \$350,000 under an amended and restated promissory note from Delfin.

Our management may have other interests that may conflict with the interests of our stockholders.

Mr. Jones became our Chief Executive Officer effective June 29, 2018. Mr. Jones previously served as the Chief Executive Officer of Fairwood, which is the parent of Delfin, our controlling stockholder. Mr. Jones also maintains directorships with other companies and entities, including those that may be involved in the gas and/or energy business. Due to the relationships with such entities, Mr. Jones will have an inherent conflict of interest in making any decision related to transactions between the related entities and us. Furthermore, since Mr. Jones is also the sole member of our Board of Directors, our Board presently is not “independent.” We intend to review related party transactions in the future on a case-by-case basis.

We currently have no business operations and are a shell company.

Immediately following the closing of the Tralliance Purchase Transaction, we became a shell company with no material operations or assets, and no source of revenue other than under the “net revenue” earn-out arrangement with Tralliance Registry Management. We expect that our future operating expenses as a public shell company will consist primarily of customary public company expenses, including legal, audit and other miscellaneous public company costs which will need to be paid by Delfin. In addition, our lack of operations, assets and current prospects makes it difficult for investors to evaluate our future performance.

We may suffer adverse consequences if we are deemed an investment company (defined below) and we may incur significant costs to avoid investment company status.

We believe that we are not an investment company as defined by the Investment Company Act of 1940. If the Commission or a court were to disagree with us, we could be required to register as an investment company. This would negatively affect our ability to consummate a potential acquisition of an operating company, subjecting us to disclosure and accounting guidance geared toward investment, rather than operating companies; limiting our liability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and requiring us to undertake significant costs and expenses to meet disclosure and regulatory requirements to which we would be subject as a registered investment company.

RISKS RELATING TO OUR COMMON STOCK

We are controlled by our majority stockholder, which may limit the ability of our other stockholders to influence future corporate action.

In connection with the Purchase Agreement, as described above, Delfin purchased an aggregate of 312,825,952 shares of our Common Stock, representing approximately 70.9% of the issued and outstanding shares of our Common Stock. Accordingly, Delfin continues to be in a position to control the vote on all corporate actions in the future.

The delisting of our Common Stock makes it more difficult for investors to sell shares.

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, if at all. The delisting has made trading our shares more difficult for investors. 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.

We do not currently intend to pay dividends on our Common Stock and, consequently, the ability of our stockholders to achieve a return on their investment in our Common Stock will depend on appreciation in the price of our Common Stock.

We do not expect to pay cash dividends on our Common Stock. Any future dividend payment are within the absolute discretion of our Board of Directors and will depend on, among other things, our results of operations, working capital requirements, capital expenditure requirements, financial condition, contractual restrictions, business opportunities, anticipated cash needs, provisions of applicable law and other factors that our Board of Directors may deem relevant. We may not generate sufficient cash from operations in the future to pay dividends on our Common Stock. As a result, the success of an investment in our Common Stock will depend on future appreciation in its value. The price of our Common Stock may not appreciate in value or even maintain the price at which our stockholders purchased shares. If our Common Stock does not appreciate in value, investors could suffer losses in their investment in our Common Stock.

Our Common Stock is subject to certain “penny stock” rules which may make it a less attractive investment.

Since the trading price of our Common Stock is less than \$5.00 per share and our net tangible assets are less than \$2.0 million, trading in our Common Stock is subject to the requirements of Rule 15g-9 of the Exchange Act. Under Rule 15g-9, brokers who recommend penny stocks to persons who are not established customers and accredited investors, as defined in the Exchange Act, must satisfy special sales practice requirements, including requirements that they make an individualized written suitability determination for the purchaser; and receive the purchaser’s written consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 also requires additional disclosures in connection with any trades involving a penny stock, including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated with that market. Such requirements may severely limit the market liquidity of our Common Stock and the ability of purchasers of our equity securities to sell their securities in the secondary market. For all of these reasons, an investment in our equity securities may not be attractive to our potential investors.

As a shell company, we are subject to more stringent reporting requirements.

We have no or nominal operations and assets, and pursuant to Rule 405 and Exchange Act Rule 12b-2, we are a shell company. Applicable securities rules prohibit shell companies from using a Form S-8 to register securities pursuant to employee compensation plans. However, the rules do not prevent us from registering securities pursuant to certain other registration statements. Additionally, Form 8-K requires shell companies to provide more detailed disclosure upon completion of a transaction that causes it to cease being a shell company. To the extent we acquire a business in the future, we must file a current report on Form 8-K containing the information required in a registration statement on Form 10, within four business days following completion of the transaction together with financial information of

the private operating company. In order to assist the SEC in the identification of shell companies, we are also required to check a box on Form 10-Q and Form 10-K indicating that we are a shell company. To the extent that we are required to comply with additional disclosure because we are a shell company, we may be delayed in executing any mergers or acquiring other assets that would cause us to cease being a shell company.

Rule 144 is not generally available to holders of our Common Stock which makes it difficult to resell shares in the future.

With limited exceptions related to restrictive securities acquired before we became a “shell company”, holders of our restricted securities are limited in their ability to resell their securities pursuant to Rule 144. Preclusion from the use of the resale exemption from registration afforded by Rule 144 may make it more difficult for us to sell equity securities in the future, and for stockholders to resell their restricted securities.

Our need for capital will create additional risks and create dilution to existing stockholders.

As mentioned above, we will need to raise additional capital in the future, which may be funded from unrelated third-party sources, including the incurring of debt and/or the sale of additional equity securities. In addition, we may require additional financing to fund working capital and operating losses in the future should the need arise. The incurrence of debt creates additional financial leverage and therefore an increase in the financial risk of our operations. The sale of additional equity securities will be dilutive to the interests of our current stockholders. In addition, there can be no assurance that such additional financing, whether debt or equity, will be available to us or that it will be available on acceptable commercial terms. Any inability to secure such additional financing on acceptable terms could have a materially adverse impact on our business, financial condition and operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sales of Equity Securities.

None.

(b) Use of Proceeds From Sales of Registered Securities.

Not applicable.

(c) Repurchases.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

- 10.25 Amended and Restated Promissory Note, November 2, 2018.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

101.1NS XBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definitions Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 19, 2018 theglobe.com, inc.

*By: /s/ Frederick Jones
Frederick Jones
Chief Executive Officer
and Chief Financial
Officer
(Principal Executive
Officer)*

EXHIBIT INDEX

- 10.25 Amended and Restated Promissory Note, November 2, 2018.
 - 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a).
 - 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a).
 - 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
 - 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
- 101.1NS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CALXBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definitions Linkbase Document
- 101.LABXBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document