SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
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FILER

HOLLYWOOD MEDIA CORP

CIK:**912544**| IRS No.: **650385686** | State of Incorp.:**FL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-14332** | Film No.: **04968403**
SIC: **5990** Retail stores, nec

Mailing Address
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STE 237 W
BOCA RATON FL 33431

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NO. 0-22908

HOLLYWOOD MEDIA CORP.
(Exact name of registrant as specified in its charter)

FLORIDA	65-0385686
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2255 GLADES ROAD, SUITE 221A BOCA RATON, FLORIDA	33431
(Address of principal executive offices)	(zip code)

(561) 998-8000
(Registrant's telephone number)

Indicate by check 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 [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

As of August 5, 2004, the number of shares outstanding of the issuer's common stock, $.01 par value, was 28,050,426.

HOLLYWOOD MEDIA CORP.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 2004 (Unaudited)	December 31, 2003
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,297,242	$ 1,867,999
Receivables, net	1,344,930	1,496,934
Inventories, net	6,619,689	5,770,289
Prepaid expenses	1,231,593	941,966
Acquisition deposit	769,000	--
Other receivables	892,850	654,141
Other current assets	73,972	10,296
Deferred advertising - CBS	--	38,807
Total current assets	20,229,276	10,780,432
RESTRICTED CASH	1,075,000	850,000
PROPERTY AND EQUIPMENT, net	2,182,509	2,236,906
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES	560,679	164,205
IDENTIFIABLE INTANGIBLE ASSETS, net	1,256,073	1,603,985
GOODWILL	41,137,461	40,813,682
OTHER ASSETS	359,919	431,811
TOTAL ASSETS	$ 66,800,917	$ 56,881,021
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,555,797	$ 2,201,431
Accrued expenses and other	4,009,208	5,178,467
Loan from shareholder/officer	200,000	600,000
Deferred revenue	8,094,268	9,063,317
Current portion of capital lease obligations	186,507	227,538
Current portion of convertible debentures, net	4,282,946	--
Total current liabilities	18,328,726	17,270,753
CAPITAL LEASE OBLIGATIONS, less current portion	142,479	178,790
DEFERRED REVENUE, less current portion	163,313	193,063
MINORITY INTEREST	7,662	21,895
OTHER DEFERRED LIABILITY	198,646	903,192
CONVERTIBLE DEBENTURES, NET, less current portion	--	4,027,629
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock, $.01 par value, 1,000,000 shares authorized; none outstanding	--	--
Common stock, $.01 par value, 100,000,000 shares authorized; 27,885,475 and 21,810,266 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively	278,855	218,103
Additional paid-in capital	295,429,466	279,087,772
Deferred compensation	--	(162,500)
Accumulated deficit	(247,748,230)	(244,857,676)
Total shareholders' equity	47,960,091	34,285,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 66,800,917	$ 56,881,021

</TABLE>

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated balance sheets

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HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30,		Three Months Ended June 30,	
	2004	2003	2004	2003
		(As Restated, See Note 2)		(As Restated, See Note 2)
<S>	<C>	<C>	<C>	<C>
NET REVENUES:				
Ticketing	$ 27,950,166	$ 25,523,288	$ 16,071,876	$ 14,003,040
Other	6,218,864	6,160,579	3,312,434	3,143,141
Total revenues	34,169,030	31,683,867	19,384,310	17,146,181
OPERATING EXPENSES:				
Cost of revenues - ticketing	24,152,323	22,495,773	14,200,783	12,457,051
Editorial, production, development and technology (exclusive of depreciation and amortization shown separately below)	2,504,927	2,437,714	1,316,906	1,277,979
Selling, general and administrative	9,615,442	9,067,195	4,637,129	4,357,757
Amortization of CBS advertising	38,807	506,729	38,807	316,706
Depreciation and amortization	1,042,351	1,254,393	512,234	614,517
Total operating expenses	37,353,850	35,761,804	20,705,859	19,024,010
Operating loss	(3,184,820)	(4,077,937)	(1,321,549)	(1,877,829)
EQUITY IN EARNINGS OF INVESTEE	588,086	806,126	583,392	801,721
OTHER INCOME (EXPENSE):				
Interest, net	(785,501)	(664,040)	(367,546)	(323,672)
Other, net	727,673	8,894	37,112	57,985
Loss before minority interest	(2,654,562)	(3,926,957)	(1,068,591)	(1,341,795)
MINORITY INTEREST IN EARNINGS OF SUBSIDIARY	(235,992)	(399,588)	(165,500)	(179,015)
Net loss	$ (2,890,554)	$ (4,326,545)	$ (1,234,091)	$ (1,520,810)
Basic and diluted loss per common share	$ (0.11)	$ (0.21)	$ (0.04)	$ (0.07)
Weighted average common and common equivalent shares outstanding - basic and diluted	26,308,112	20,510,680	27,717,948	20,618,978

</TABLE>

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated statements.

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited)

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-in	Deferred	Accumulated	
	Shares	Amount	Capital	Compensation	Deficit	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance - December 31, 2003	21,810,266	$ 218,103	$ 279,087,772	$ (162,500)	$(244,857,676)	$ 34,285,699
Isssuance of stock options and warrants for services rendered	85,211	500	279,438	--	--	279,938
Amortization of deferred compensation	--	--	--	162,500	--	162,500
Issuance of stock - 401 (k) employer match	52,627	526	139,461	--	--	139,987

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Interest payment to convertible debenture holders	57,095	571	155,856	--	--	156,427
Exercises of stock options and warrants	15,458	154	36,299	--	--	36,453
Warrants and beneficial conversion feature - convertible debentures	--	--	294,360	--	--	294,360
Issuance of common stock for private placement, net	5,773,355	58,086	15,113,416	--	--	15,171,502
Issuance of stock for asset acquisition	91,463	915	322,864	--	--	323,779
Net loss	--	--	--	--	(2,890,554)	(2,890,554)
Balance - June 30, 2004	27,885,475	$ 278,855	$ 295,429,466	$ --	$(247,748,230)	$ 47,960,091

</TABLE>

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated statements.

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2004	2003
		(As Restated, see Note 2)
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,890,554)	$ (4,326,545)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,042,351	1,254,393
Interest paid in stock	156,427	155,783
Amortization of discount on convertible debentures	549,677	372,020
Amortization of deferred financing costs	64,850	64,848
Equity in earnings of investee, net of return of invested capital	(396,474)	(247,850)
Issuance of stock options and warrants for services rendered	279,938	282,366
Amortization of deferred compensation	162,500	--
Provision for bad debts	83,250	124,328
Amortization of CBS advertising	38,807	506,729
Minority interest in earnings of subsidiary, net of distribution to minority owners	(14,233)	126,859
Amortization of put/call option	(719,250)	(107,000)
Changes in assets and liabilities:		
Receivables	69,707	448,931
Inventories	(849,400)	973,403
Prepaid expenses	(289,627)	(448,221)
Other receivables	(238,709)	(274,420)
Other current assets	(63,676)	(76,861)
Restricted cash	(225,000)	(250,000)
Other assets	7,043	405,461
Accounts payable	(645,634)	598,969
Accrued expenses and other	(833,214)	762,643
Deferred revenue	(998,800)	(952,343)
Other deferred liability	14,704	32,753
Net cash used in operating activities	(5,695,317)	(573,754)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(586,990)	(249,550)
Acquisition deposit	(769,000)	--
Net cash used in investing activities	(1,355,990)	(249,550)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (payment of) shareholder/officer loan	(400,000)	400,000
Net advances to third party	(196,057)	(217,762)
Proceeds from private placement warrant exercise	35,500	--
Proceeds from issuance of common stock in private placement, net of issuance costs	15,171,502	--
Payments under capital lease obligations	(130,395)	(183,472)
Net cash provided by (used in) financing activities	14,480,550	(1,234)
Net increase (decrease) in cash and cash equivalents	7,429,243	(824,538)
CASH AND CASH EQUIVALENTS, beginning of period	1,867,999	2,342,238

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CASH AND CASH EQUIVALENTS, end of period	$ 9,297,242	$ 1,517,700
SUPPLEMENTAL SCHEDULE OF CASH RELATED ACTIVITIES:		
Interest paid	$ 30,419	$ 69,960

</TABLE>

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated statements.

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared by Hollywood Media Corp. ("Hollywood Media") in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations. However, management believes that the disclosures contained herein are adequate to make the information presented not misleading. The financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly Hollywood Media's financial position and results of operations. The results of operations for the three and six months ended June 30, 2004 are not necessarily indicative of the results of operations or cash flows which may result for the remainder of 2004. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Hollywood Media's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission.

(2) RESTATEMENT:

Following the recommendation of management and the concurrence of the Audit Committee of the Board of Directors, Hollywood Media made a determination to restate the previously filed unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2003, originally included in Form 10-Q. The restatement is being made primarily to correct errors in the way Hollywood Media had previously accounted for Ticketing Business gift certificates and ticketing purchases and to make other adjustments set forth below which were identified by Hollywood Media's current auditors during the course of their audit of Hollywood Media's 2003 financial statements. The restated transactions are described in detail below and have been grouped under headings for convenience only.

Revenue

- Ticketing revenue has been increased by $143,937 or .57% in the restated condensed consolidated financial statements for the six months ended June 30, 2003 as a result of an overaccrual for Broadway Ticketing gift certificates.

- Ticketing revenue has been increased by $169,066 or 1.2% in the restated condensed consolidated financial statements for the three months ended June 30, 2003 as a result of an overaccrual for Broadway Ticketing gift certificates.

Cost of Revenues - Ticketing

- Cost of Revenues - Ticketing has been decreased by $272,379 or 1.2% in the restated condensed consolidated financial statements for the six months ended June 30, 2003 as a result of an overaccrual for Broadway Ticketing purchases.

- Cost of Revenues - Ticketing has been decreased by $163,473 or 1.3%, in the restated condensed consolidated financial statements for the three months ended June 30, 2003 as a result of an overaccrual for Broadway ticketing purchases.

Weighted Average Shares Outstanding

- The number of weighted average shares outstanding was increased by 1,525 shares for the six months ended June 30, 2003 to include vested restricted shares.

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- The number of weighted average shares outstanding was increased by 3,000 shares for the three months ended June 30, 2003 to include vested restricted shares.

The total effect of the errors was a decrease in the net loss for the six months ended June 30, 2003 of $416,316 or $.02 per share and a decrease in the net loss for the three months ended June 30, 2003 of $332,539 or $.02 per share. The following unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2003, reconcile the restated amounts to the corresponding amounts, as previously reported. Additionally, the following statement of cash flows for the six months ended June 30, 2003, reconciles the restated amounts to the previously reported amounts.

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
Six Months Ended June 30, 2003
(Unaudited)

<TABLE>
<CAPTION>

	As previously reported	Restatement adjustments	Restated
<S>	<C>	<C>	<C>
NET REVENUES			
Ticketing	$ 25,379,351	$ 143,937	$ 25,523,288
Other	6,160,579	--	6,160,579
Total revenues	31,539,930	143,937	31,683,867
OPERATING EXPENSES			
Cost of revenues - ticketing	22,768,152	(272,379)	22,495,773
Editorial, production, development and technology (exclusive of depreciation and amortization shown separately below)	2,437,714	--	2,437,714
Selling, general and administrative	9,067,195	--	9,067,195
Amortization of CBS advertising	506,729	--	506,729
Depreciation and amortization	1,254,393	--	1,254,393
Total operating expenses	36,034,183	(272,379)	35,761,804
Operating loss	(4,494,253)	416,316	(4,077,937)
EQUITY IN EARNINGS OF INVESTEE	806,126	--	806,126
OTHER INCOME (EXPENSE):			
Interest, net	(664,040)	--	(664,040)
Other, net	8,894	--	8,894
Loss before minority interest	(4,343,273)	416,316	(3,926,957)
MINORITY INTEREST IN EARNINGS OF SUBSIDIARY	(399,588)	--	(399,588)
Net loss	$ (4,742,861)	$ 416,316	$ (4,326,545)
Basic and diluted loss per common share	$ (0.23)	$ 0.02	$ (0.21)
Weighted average common and common equivalent shares outstanding - basic and diluted	20,509,155	1,525	20,510,680

</TABLE>

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
Three Months Ended June 30, 2003
(Unaudited)

<TABLE>
<CAPTION>

	As previously reported	Restatement adjustments	Restated
<S>	<C>	<C>	<C>

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NET REVENUES			
Ticketing	$ 13,833,974	$ 169,066	$ 14,003,040
Other	3,143,141	--	3,143,141
Total revenues	16,977,115	169,066	17,146,181
OPERATING EXPENSES			
Cost of revenues - ticketing	12,620,524	(163,473)	12,457,051
Editorial, production, development and technology (exclusive of depreciation and amortization shown separately below)	1,277,979	--	1,277,979
Selling, general and administrative	4,357,757	--	4,357,757
Amortization of CBS advertising	316,706	--	316,706
Depreciation and amortization	614,517	--	614,517
Total operating expenses	19,187,483	(163,473)	19,024,010
Operating loss	(2,210,368)	332,539	(1,877,829)
EQUITY IN EARNINGS OF INVESTEE	801,721	--	801,721
OTHER INCOME (EXPENSE):			
Interest, net	(323,672)	--	(323,672)
Other, net	57,985	--	57,985
Loss before minority interest	(1,674,334)	332,539	(1,341,795)
MINORITY INTEREST IN EARNINGS OF SUBSIDIARY	(179,015)	--	(179,015)
Net loss	$ (1,853,349)	$ 332,539	$ (1,520,810)
Basic and diluted loss per common share	$ (0.09)	$ 0.02	$ (0.07)
Weighted average common and common equivalent shares outstanding - basic and diluted	20,615,978	3,000	20,618,978

</TABLE>

HOLLYWOOD MEDIA CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2003
(Unaudited)

<TABLE>
<CAPTION>

	As previously reported	Restatement adjustments	Restated
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$(4,742,861)	$ 416,316	$(4,326,545)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,254,393	--	1,254,393
Interest paid in stock	155,783	--	155,783
Amortization of discount on convertible debentures	372,020	--	372,020
Amortization of deferred financing costs	64,848	--	64,848
Equity in earnings of investee, net of return of invested capital	(247,850)	--	(247,850)
Issuance of compensatory stock, stock options and warrants for services rendered	282,366	--	282,366
Provision for bad debts	124,328	--	124,328
Amortization of CBS advertising	506,729	--	506,729
Minority interest in earnings of subsidiary, net of distribution to minority owners	126,859	--	126,859
Amortization of put/call option	(107,000)	--	(107,000)
Changes in assets and liabilities:			
Receivables	448,931	--	448,931
Inventories	973,403	--	973,403
Prepaid expenses	(448,221)	--	(448,221)
Other receivables	(274,420)	--	(274,420)
Other current assets	(76,861)	--	(76,861)
Restricted cash	(250,000)	--	(250,000)
Other assets	405,461	--	405,461
Accounts payable	598,969	--	598,969
Accrued expenses and other	1,035,022	(272,379)	762,643

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Deferred revenue	(808,406)	(143,937)	(952,343)
Other deferred liability	32,753	--	32,753
Net cash used in operating activities	(573,754)	--	(573,754)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(249,550)	--	(249,550)
Net cash used in investing activities	(249,550)	--	(249,550)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from shareholder/officer loan	400,000	--	400,000
Net advances to third party	(217,762)	--	(217,762)
Proceeds from private placement warrant exercise	--	--	--
Proceeds from issuance of common stock in private placement, net of issuance costs	--	--	--
Payments under capital lease obligations	(183,472)	--	(183,472)
Net cash provided (used in) by financing activities	(1,234)	--	(1,234)
Net increase (decrease) in cash and cash equivalents	(824,538)	--	(824,538)
CASH AND CASH EQUIVALENTS, beginning of period	2,342,238	--	2,342,238
CASH AND CASH EQUIVALENTS, end of period	$ 1,517,700	$ --	$ 1,517,700
SUPPLEMENTAL SCHEDULE OF CASH RELATED ACTIVITIES:			
Interest paid	$ 69,960	$ --	$ 69,960

</TABLE>

(3) STOCK-BASED COMPENSATION:

As permitted under Statement of Financial Accounting Standard (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS No. 123" ("SFAS No. 148"), which amended SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), Hollywood Media has elected to account for grants to employees under its Stock Plan under the intrinsic value method as allowed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations. Under APB No. 25, because the exercise price of Hollywood Media's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense was recorded. SFAS No. 148 requires disclosure of the estimated fair value of employee stock options granted and pro forma financial information assuming compensation expense was recorded using these fair values.

In accordance with SFAS 123 and SFAS 148, the following table presents reported and adjusted information for the three and six months ended June 30, 2004 and 2003 regarding net loss and net loss per share as if the Company had accounted for all of its employee stock options under the fair value method of SFAS 123:

<TABLE>
<CAPTION>

	Six months ended June 30, (unaudited)		Three months ended June 30, (unaudited)	
	2004	Restated 2003	2004	Restated 2003
<S>	<C>	<C>	<C>	<C>
Reported net loss	$ (2,890,554)	$ (4,326,545)	$ (1,234,091)	$ (1,520,810)
Stock-based employee compensation expense under the fair value method	(910,413)	(1,145,178)	(477,327)	(559,900)
Adjusted net loss	$ (3,800,967)	$ (5,471,723)	$ (1,711,418)	$ (2,080,710)
Reported net loss basic and diluted per share	$ (0.11)	$ (0.21)	$ (0.04)	$ (0.07)
Adjusted net loss basic and diluted per share	$ (0.14)	$ (0.27)	$ (0.06)	$ (0.10)
Number of ordinary shares used in computation basic and diluted	26,308,112	20,510,680	27,717,948	20,618,978

</TABLE>

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The fair value of each option grant was determined using the Black-Scholes option-pricing model. The Black-Scholes model was not developed for use in valuing employee stock options, but was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, it requires the use of subjective assumptions including expectations of future dividends and stock price volatility. Such assumptions are only used for making the required fair value estimate and should not be considered as indicators of future dividend policy or stock price appreciation. Because changes in the subjective assumptions can materially affect the fair value estimate and because employee stock options have characteristics significantly different from those of traded options, the use of the Black-Scholes option-pricing model may not provide a reliable estimate of the fair value of employee stock options.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Per Share Amounts

Basic loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Restricted shares are not included in the basic calculation until vesting occurs. As of June 30, 2004, there were no unvested restricted shares of Hollywood Media common stock. There were 6,002,847 and 4,668,004 options and warrants to purchase common shares outstanding at June 30, 2004 and 2003, respectively, that could potentially dilute earnings per share in the future. In addition, the convertible debentures (Note 6) are convertible into 1,727,399 shares of common stock at a conversion price of $3.30 per share. The potential shares underlying the unvested, restricted shares, options, warrants and convertible debentures have been excluded from the weighted average number of common shares outstanding for the three and six months ended June 30, 2004 and 2003 because they are antidilutive for all periods presented.

Accounting Estimates

The preparation of the condensed consolidated 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates and assumptions embodied in the accompanying unaudited condensed consolidated financial statements include the adequacy of allowances relating to accounts receivables and litigation matters and Hollywood Media's ability to realize the carrying value of goodwill, intangible assets, investments in less than majority owned companies and other long-lived assets.

Receivables

Receivables consist of amounts due from customers who (i) have advertised on Hollywood Media's web sites, (ii) have licensed data from Hollywood Media's syndication businesses, (iii) have purchased live theater tickets, and (iv) publishers relating to signed contracts, to the extent that the earnings process is complete and amounts are realizable. Receivables are net of an allowance for doubtful accounts of $306,757 and $259,109 at June 30, 2004 and December 31, 2003, respectively.

During 2001, Hollywood Media entered into an agreement with a third party whereby a certain portion of its accounts receivable was monetized. Hollywood Media receives an initial advance of 85% of the invoice amount, with the remaining 15%, less fees, transferred to Hollywood Media upon payment by the customer to the third party. At June 30, 2004 and December 31, 2003, included in "accrued expenses and other" in the accompanying condensed consolidated balance sheets is a liability of $0 and $196,057, respectively, which was recorded for advances that had been paid to Hollywood Media but remain payable by Hollywood Media's customers to the third party. In April 2004, Hollywood Media terminated the agreement.

Recent Accounting Pronouncements

In March 2004, FASB issued its Exposure Draft, Share Based Payment, which is a proposed amendment to FASB Statement No. 123, Accounting for Stock-Based Compensation. The exposure draft covers a wide range of equity-based compensation arrangements. Under the FASB's proposal, all forms of share-based payments to employees, including employee stock options, would be recognized as compensation expense. The expense of the award would generally be measured at the fair value at the grant date. Currently, the final standard is expected to be issued in late 2004 and adoption will be required in 2005. If the provisions

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of this exposure draft become required, it may have an impact on the Company's condensed consolidated financial statements.

In December 2003, the FASB issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51", ("FIN 46R"). FIN 46R requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, or receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently entities are generally consolidated by an enterprise when it has a controlling financial interest through ownership of a majority voting interest in the entity. The provisions of FIN 46R are generally effective for existing (prior to February 1, 2003) variable interest relationships of a public entity no later than the end of the first reporting period that ends after March 15, 2004. However, prior to the required application of this interpretation a public entity that is not a small business issuer shall apply FIN 46R to those entities that are considered to be special-purpose entities no later than the end of the first reporting period that ends after December 15, 2003. The Company currently has no contractual relationship or other business relationships with a variable interest entity and therefore the adoption of FIN 46R as of March 31, 2004 did not have a material effect on its unaudited condensed consolidated financial position, results of operations or cash flows.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which revises the existing revenue recognition SAB in Topic 13, "Revenue Recognition" in order for the interpretive guidance to be consistent with current accounting guidance, primarily EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." The impact of adoption was not material.

(5) ACQUISITIONS AND OTHER CAPITAL TRANSACTIONS:

On January 14, 2002, Fountainhead Media Services ("FMS") acquired a 20% equity interest in a subsidiary that owns Baseline, Inc., a wholly owned subsidiary of Hollywood Media. Consideration consisted of a $2 million promissory note payable to Hollywood Media and the contribution by Fountainhead Media of its FilmTracker database, intellectual property rights, all existing contracts and content management system with a stated value of $2 million. The Baseline service was integrated with FilmTracker's content management system and interface. On January 7, 2004, Hollywood Media exchanged the promissory note for the 20% equity interest owned by Fountainhead, and Hollywood Media now owns 100% of a subsidiary that owns Baseline. In conjunction with the exchange of the promissory note, the liability of $719,250 on a put and call option obtained by FMS was relieved through earnings during the first quarter of 2004, and is included in other, net in the accompanying unaudited condensed consolidated statement of operations for the six months ended June 30, 2004.

On June 18, 2004, Hollywood Media acquired the assets of Front Row Marketing (FRM), a provider of opt-in emails of movie showtimes services for certain movie theater exhibitors in the United States. In exchange for the assets of Front Row Marketing, Hollywood Media issued $323,779 in Hollywood Media common stock, of which 15,243 shares have been escrowed for 90 days to cover potential price adjustment and indemnity by seller. Front Row Marketing will be integrated into Hollywood Media's AdSource business unit which is part of Hollywood Media's Data Business. Hollywood Media will detail the purchase accounting in subsequent periods as assets must be valued by a third party valuation expert which has not been performed as of the filing of this Form 10-Q.

(6) DEBT:

Promissory Notes

In connection with the Theatre Direct NY, Inc. ("TDI") acquisition on September 15, 2000, Hollywood Media signed two promissory notes payable to the former owner. The first was an interest bearing note payable with a face value of $500,000, principal payable monthly. The note bears interest at Citibank, N.A. prime plus 1% per annum. The second promissory note was a one-year non-interest bearing note with a face value of $250,000. An agreement was reached effective March 31, 2002 between Hollywood Media and the former owner of TDI that the remaining notes payable balance, plus interest, would be paid either in cash or in restricted common stock of Hollywood Media. A guaranty was granted to the former owner in connection with the sale of the former owner's shares obtained at acquisition. During the year ended December 31, 2003, the Company issued 262,000 shares valued at $353,700 to the former owner as payment for the outstanding principal and interest balance. In addition, 57,835 shares valued at $76,342 were issued to a third party as payment under the guaranty granted to the former owner. These obligations were satisfied in full during the first quarter of 2004, and there was no outstanding balance due at June 30, 2004.

CEO Commitment

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Under a commitment that expired on January 1, 2004, in the event that Hollywood Media required additional funding, Hollywood Media's Chairman of the Board and Chief Executive Officer and Hollywood Media's Vice Chairman and President, committed to provide Hollywood Media, if required, with an amount not to exceed $3.5 million through January 1, 2004, if needed to enable Hollywood Media to meet its working capital requirements; provided, however, that the commitment would be reduced dollar for dollar to the extent Hollywood Media generated cash from financings, operational cash flow or proceeds from a sale of a division or subsidiary of Hollywood Media. Advances bore interest at the prime rate plus one percent. There was $600,000 principal amount outstanding under this commitment at December 31, 2003, of which $400,000, which was loaned by a wholly-owned limited liability corporation of Hollywood Media's Chairman and President, was collateralized by Broadway Ticketing inventory and $200,000 was unsecured. As of June 30, 2004 the balance of $200,000 under this commitment was unsecured.

May 2002 Convertible Debentures

On May 22, 2002, Hollywood Media issued an aggregate of $5.7 million in principal amount of 6% Senior Convertible Debentures due May 22, 2005 (the

"Debentures") to a group of four institutional investors, including existing shareholders of Hollywood Media. Mitchell Rubenstein, the Chairman of the Board and Chief Executive Officer, and Laurie S. Silvers, the Vice Chairman and President of Hollywood Media, participated in the financing with a $500,000 cash investment upon the same terms as the other investors. The Debentures are convertible at the option of the investors at any time through May 22, 2005 into shares of Hollywood Media common stock, par value $0.01 per share, at an original conversion price of $3.46 per share which was adjusted as described below. In addition, Hollywood Media can elect at its option to convert up to 50% of the convertible debentures if the debentures are still outstanding at maturity, subject to certain conditions. Prior to conversion, the Debentures bear interest at 6% per annum, payable quarterly in common stock or cash at the option of Hollywood Media. The investors also received fully vested detachable warrants (the "Warrants") to acquire at any time through May 22, 2007 an aggregate of 576,590 shares of common stock at an exercise price of $3.78 per share. On May 22, 2003, an investor holding at least seventy-five percent of such investor's shares of common stock issued or issuable to such investor under the Debentures, had the exercise price of the warrants held by such investor decreased to $3.46 per share which equals the pre-adjustment conversion price of the Debentures. The Debentures and Warrants contain customary anti-dilution provisions as more fully described in the agreements. As a result of the private placement discussed in Note 8, the conversion price of the Debentures upon issuance of $3.46 per share was reduced to $3.30 per share, and the exercise price of the warrants was reduced to $3.34 per share, after giving effect to a weighted average anti-dilution provision per the agreements. The investors had the right to purchase an aggregate of $1 million in principal amount of additional Debentures on the same terms at any time through May 22, 2003. No investor exercised its right to purchase. A total of $389,095 in debt issuance costs were incurred for the Debentures, including $161,695 in fees paid to a placement agent (including $130,000 in cash and a warrant valued at $31,695, with substantially the same terms as the Warrants issued to the debenture holders). During the three and six months ended June 30, 2004, $32,425 and $64,850, respectively, were recognized as interest expense from the amortization of the debt issuance costs. As of June 30, 2004 and December 31, 2003, $1,417,054 and $1,672,371, respectively, of unamortized discount on the Debentures is reducing the face amount of Debentures and will be amortized to interest expense over the term of the Debentures. Interest expense of $263,840 and $549,677, respectively, consisting of stated interest plus discount amortization was recorded for the three and six months ended June 30, 2004, respectively. For the three and six months ended June 30, 2003, $192,425 and $371,810, respectively, was recorded as interest expense for the accretion of the discount.

The warrants granted to these investors were recorded at a relative fair value of $1,608,422 using the Black Scholes option valuation model. The assumptions used to calculate the value of the warrants using Black Scholes are as follows: volatility of 83.7%, 5 year expected life, exercise priced $3.78 per share, a stock price of $3.27 per share and a risk free interest rate of 4%. The value of the beneficial conversion feature of the Debenture was $1,295,416. The value of the Warrants and the beneficial conversion feature are being amortized to interest expense over 3 years, using the effective interest method. The value of the Warrants and the beneficial conversion feature of the Debenture were recorded as a discount to the convertible debenture and included in additional paid-in capital. As a result of the reduction in the conversion price discussed above, during the quarter ended March 31, 2004, the Company recorded an additional discount of $294,360, which will be amortized over the remaining term of the Debentures. The value attributable to the increase was recorded as a discount to the convertible Debentures and included in additional paid-in capital.

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CinemaSource Guaranty

In 1999, Hollywood Media loaned approximately $1.7 million to the former owner ("borrower") of CinemaSource (currently an employee of CinemaSource) so that he could pay a portion of the taxes due resulting from the sale of CinemaSource to Hollywood Media. Hollywood Media was obligated to make this loan as part of the original purchase agreement to acquire CinemaSource. Hollywood Media sold the note to an independent third party in 2000 and guaranteed payment of the note. In April 2003, Hollywood Media entered into an agreement with the holder of the note to satisfy Hollywood Media's obligations under its guaranty of the note. Pursuant to such agreement, Hollywood Media agreed to pay the holder an aggregate of $462,269 in nine monthly installments commencing April 2003. In July 2003, pursuant to an agreement with the holder, the Company had the right at its election, to pay the holder half of any monthly payment in restricted stock and during 2003, the Company issued 107,836 shares of common stock valued at $149,136 pursuant to such agreement. As a result, the Company recorded an additional expense of $89,215 for the market premium of the common stock payments, which expense charge was reversed in the fourth quarter 2003 as the Company determined to instead pay the holder in cash. The loan was repaid in full in the first quarter of 2004, and the outstanding balance of such loan at June 30, 2004 and December 31, 2003, was $0 and $138,152 respectively and is included in accrued expenses and other in the accompanying unaudited condensed consolidated balance sheets.

(7) GOODWILL AND OTHER INTANGIBLE ASSETS:

Effective January 1, 2002, Hollywood Media adopted SFAS No. 142, "Goodwill and other Intangible Assets." As prescribed by SFAS No. 142, the Company completed the transitional goodwill impairment test by the second quarter of 2002, which did not result in an impairment charge. Additionally Hollywood Media established October 1, as its annual impairment test date and conducted required testing on that date in 2002 and 2003. As of June 30, 2004, Hollywood Media is not aware of any events or changes in circumstance that would require it to evaluate goodwill for impairment prior to October 1, 2004.

(8) COMMON STOCK:

On January 20, 2004, Hollywood Media issued 32,697 shares of common stock valued at $78,641 to the holders of the Debentures for interest due for the period October 1, 2003 through December 31, 2003.

On February 4, 2004, Hollywood Media issued 52,627 shares of common stock valued at $139,987 for payment of Hollywood Media's 401(k) employer match for calendar year 2003.

On February 13, 2004, Hollywood Media issued 5,773,355 shares of common stock in a private placement valued at $16,396,327 to investors and warrants to purchase 1,443,339 shares of its common stock. Hollywood Media's net proceeds were $15,278,501 after deducting the placement agent's fee and expenses. In addition, Hollywood Media incurred $151,284 for legal, accounting and travel expenses associated with the offering. The warrants issued in the private placement have an exercise price of $2.84 per share of common stock and expire in February 2009. The warrants are callable by Hollywood Media after one year if the common stock of Hollywood Media trades at twice the exercise price for 20 trading days. In addition to the warrants issued to the investors, Hollywood

Media issued warrants to the placement agent having the same exercise price, which are exercisable to purchase up to 288,667 shares of common stock. In exchange for services related to the private placement, on May 28, 2004, Hollywood Media issued an option to purchase 35,211 shares of common stock for $50,000 to a third party consultant with a net value of $69,717.

On April 16, 2004, Hollywood Media issued 12,500 shares of common stock valued at $35,500 for an exercise of a warrant by an investor in the February 13, 2004 private placement.

On April 26, 2004, Hollywood Media issued 50,000 shares of common stock to an independent third party, pursuant to a consulting agreement providing an option to purchase the shares for $120,000, for services rendered in the 1st quarter of 2004.

On April 26, 2004, Hollywood Media issued 24,398 shares of common stock valued at $77,786 to the holders of the Debentures for interest due for the period January 1, 2004 through March 31, 2004.

On May 13, 2004, Hollywood Media issued 2,208 shares of common stock for an exercise of a warrant by an investor which was charged to consulting expense in prior periods.

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On June 18, 2004 Hollywood Media issued 91,463 shares of common stock, valued at $323,779, for the assets of Front Row Marketing.

During the three and six months ended June 30, 2004, Hollywood Media recorded $27,847 and $159,938, respectively, in consulting expenses on stock options issued to third parties for services rendered.

In July of 2003, pursuant to the employment agreements for both Hollywood Media's Chairman of the Board and Chief Executive Officer and Hollywood Media's Vice Chairman and President, Hollywood Media issued 250,000 shares of restricted common stock valued at $325,000 which is recognized quarterly as shares vest. During the quarter ended June 30, 2004, Hollywood Media amortized $82,500. As of June 30, 2004 there was no unamortized deferred compensation remaining.

(9) INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES:

Investments in and advances to equity method investees consist of the following:

	JUNE 30 2004 (UNAUDITED)	DECEMBER 31, 2003
NetCo Partners (a)	$ 565,654	$ 169,180
MovieTickets.com (b)	(4,975)	(4,975)
	$ 560,679	$ 164,205

(a) NETCO PARTNERS

Hollywood Media owns a 50% interest in a joint venture called NetCo Partners. NetCo Partners is engaged in the development and licensing of Tom Clancy's Net Force. This investment is recorded under the equity method of accounting, recognizing 50% of NetCo Partners' income or loss as Equity in Earnings of Investees. The revenues, gross profit and net income of NetCo Partners for the six and three months ended June 30, 2004 and 2003 are presented below:

	SIX MONTHS ENDED JUNE 30, (UNAUDITED)		THREE MONTHS ENDED JUNE 30, (UNAUDITED)	
	2004	2003	2004	2003
Revenues	$1,437,631	$2,030,925	$1,423,631	$2,004,222
Gross Profit	1,230,574	1,737,956	1,219,619	1,728,795
Net Income	1,176,172	1,612,252	1,166,784	1,603,443
Hollywood Media's share of net income	588,086	806,126	583,392	801,721

Hollywood Media and C.P. Group are each 50% partners in NetCo Partners. Pursuant to the terms of the NetCo Partners Joint Venture Agreement, Hollywood Media is responsible for developing, producing, manufacturing, advertising, promoting, marketing and distributing NetCo Partners' illustrated novels and related products and for advancing all costs incurred in connection therewith. All amounts advanced by Hollywood Media to fund NetCo Partners' operations are treated as capital contributions of Hollywood Media and Hollywood Media is entitled to a return of such capital contributions before distributions of profits are split equally between Hollywood Media and C.P. Group.

NetCo Partners has signed several significant licensing agreements for Tom Clancy's NetForce. These agreements include book licensing agreements for North American rights to a series of adult and young adult books, audio book agreements and licensing agreements with various foreign publishers for rights to publish Tom Clancy's NetForce books in different languages. These contracts typically provide for payment of non-refundable advances to NetCo Partners upon achievement of specific milestones, and for additional royalties based on sales of the various products at levels in excess of the levels implicit in the non-refundable advances. NetCo Partners recognizes revenue pursuant to these contracts when the earnings process has been completed based on performance of all services and delivery of completed manuscripts.

As of June 30, 2004 and December 31, 2003, NetCo Partners had $1,471,110 and $850,731 respectively, of accounts receivable. Deferred revenues, consisting of cash advances received but not yet recognized as revenue, amounting to $201,565 as of June 30, 2004, compared to $569,333 at December 31, 2003. These accounts receivable and deferred revenue balances are not included

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in Hollywood Media's consolidated balance sheets.

Through June 30, 2004, Hollywood Media has received cumulative profit distributions from NetCo Partners since its formation totaling $9.7 million, in addition to reimbursement of substantially all amounts advanced by Hollywood Media to fund the operations of NetCo Partners.

(b) MOVIETICKETS.COM

Hollywood Media entered into a joint venture agreement on February 29, 2000 with the movie theater chains AMC Entertainment Inc. ("AMC") and National Amusements, Inc. to form MovieTickets.com. In August 2000, MovieTickets.com entered into an agreement in which the joint venture sold a five percent interest in MovieTickets.com for $25 million of advertising over 5 years to Viacom Inc. In addition to the Viacom advertising and promotion, MovieTickets.com is promoted through on-screen advertising on each participating exhibitor's movie screens. In March 2001, America Online Inc. ("AOL") purchased a non-interest bearing convertible preferred voting equity interest in MovieTickets.com for $8.5 million in cash, which converted into approximately 3% of the common stock of MovieTickets.com during 2004.

Hollywood Media owns 26.2% of the equity in MovieTickets.com at June 30, 2004, and shares in 27.1% of the income or losses generated by the joint venture. This investment is recorded under the equity method of accounting, recognizing 26.2% of MovieTickets.com income or loss as Equity in Earnings of Investees. Since the investment has been reduced to zero, Hollywood Media is currently not providing for additional losses, if any, generated by MovieTickets.com as Hollywood Media has not committed to fund future losses, if any, generated by MovieTickets.com. Hollywood Media recorded income (losses) of $0 for the six and three months ended June 30, 2004, and 2003, in its investment in MovieTickets.com.

(10) SEGMENT REPORTING:

Hollywood Media's reportable segments are Broadway Ticketing, Data Business, Internet Ad Sales, Intellectual Properties, Cable TV, and Other. The Broadway Ticketing segment sells tickets to live theater events for Broadway, Off-Broadway and London, online and offline, and to domestic and international travel professionals including travel agencies and tour operators, educational institutions and consumers. The Data Business segment licenses entertainment content and data and includes CinemaSource (which licenses movie showtimes and other movie content), EventSource (which licenses local listings of events around the country to media, wireless and Internet companies), AdSource (which creates exhibitor paid directory ads for insertion in newspapers around the country) and Baseline/StudioSystems (a flat fee and pay-per-use subscription web site geared towards businesses and professionals in the feature film and television industry). The Internet Ad Sales segment sells advertising on Hollywood.com and Broadway.com and offers independent films to subscribers over the Internet. The Intellectual Properties segment owns or controls the exclusive rights to certain intellectual properties created by best-selling authors and media celebrities, which it licenses across all media. This segment also includes a 51% interest in Tekno Books, a book development business. The Cable TV segment owns and operates two interactive cable TV networks, Totally Hollywood TV and Totally Broadway TV, that provide on-demand content and are distributed on certain cable TV systems. The Cable TV division is in the development stage and revenues since inception are minimal.

Management evaluates performance based on a comparison of actual profit or loss from operations before income taxes, depreciation, interest, and nonrecurring gains and losses to budgeted amounts. There are no material intersegment sales or transfers.

The following table illustrates financial information regarding Hollywood Media's reportable segments. Hollywood Media has included an additional segment "Cable TV", below, which was previously reported in "Other" in 2003.

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, (UNAUDITED)		THREE MONTHS ENDED JUNE 30, (UNAUDITED)	
	2004	RESTATED 2003	2004	RESTATED 2003
<S>	<C>	<C>	<C>	<C>
NET REVENUES:				
Broadway Ticketing	$ 27,950,166	$ 25,523,288	$ 16,071,876	$ 14,003,040
Data Business	3,289,528	3,496,233	1,626,730	1,747,120

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Internet Ad Sales	1,531,976	1,229,137	759,469	736,685
Intellectual Properties	1,397,360	1,433,889	926,235	658,016
Cable TV	--	1,320	--	1,320
	$ 34,169,030	$ 31,683,867	$ 19,384,310	$ 17,146,181
OPERATING INCOME (LOSS):				
Broadway Ticketing	$ 942,054	$ 72,802	$ 411,454	$ 106,334
Data Business	578,039	335,315	411,702	189,029
Internet Ad Sales (a)	(1,078,833)	(1,503,279)	(422,413)	(699,326)
Intellectual Properties	470,071	770,260	334,538	353,382
Cable TV	(437,614)	(432,830)	(208,691)	(219,946)
Other	(3,658,537)	(3,320,205)	(1,848,139)	(1,607,302)
	$ (3,184,820)	$ (4,077,937)	$ (1,321,549)	$ (1,877,829)

</TABLE>

SEGMENT ASSETS: (b)

	JUNE 30, 2004 (UNAUDITED)	DECEMBER 31, 2003
Broadway Ticketing	$12,201,332	$11,802,394
Data Business	18,021,771	18,042,947
Internet Ad Sales	23,962,215	23,713,984
Intellectual Properties	659,674	863,644
Cable TV	301,238	362,149
Other	11,654,687	2,095,903
	$66,800,917	$56,881,021

(a) Includes $38,807 in amortization of CBS advertising for the six and three months ended June 30, 2004 and, $506,729 and $316,706 for the six and three months ended June 30, 2003, respectively used to promote Hollywood.com and Broadway.com.

(b) Goodwill was originally reported in the "Other" segment through March 31, 2004. It has been allocated as follows: $3,523,856 to Broadway Ticketing, $15,852,976 to Data Business, $21,512,572 and $21,188,793 as of June 30, 2004 and December 31, 2003 respectively, to Internet Ad Sales and $248,057 to Intellectual Properties.

(11) COMMITMENTS AND CONTINGENCIES:

Litigation -

Water Garden Company LLC, as Plaintiff, v. Hollywood Media Corp., a Florida corporation; hollywood.com, Inc., a California corporation (and subsidiary of Hollywood Media Corp.); and The Tribune Company (as successor in interest to the Times Mirror Company), as Defendants; filed July 16, 2001 in the Superior Court of the State of California for the County of Los Angeles. Water Garden Company LLC filed suit against Hollywood Media, its subsidiary, hollywood.com, Inc., and The Tribune Company ("Tribune"), among others, claiming damages as a result of alleged defaults by hollywood.com, Inc. under a lease for office space entered into by hollywood.com, Inc., as lessee, and Water Garden Company LLC ("Water Garden"), as lessor. The stated lease term was from January 1999 through December 2003. Tribune guaranteed hollywood.com, Inc.'s lease obligations. Hollywood Media has certain contractual indemnification obligations to Tribune relating to Tribune's guaranty of the lease. The claims against Hollywood Media, but not hollywood.com, Inc., have been dismissed.

As previously reported, on April 29, 2003, the court in this action (the "Water Garden Lawsuit") entered a money judgment against hollywood.com, Inc. and Tribune Company, jointly and severally, in the amount of $988,549. On September 9, 2003, the court granted a motion to add certain litigation costs and attorneys fees to the judgment, such that the current principal amount of the judgment, including costs and attorneys fees, is $1,097,761. Interest accrues on the judgment at the rate of ten percent per annum until paid.

The California Court of Appeal for the Second District affirmed the judgment in May 2004, and the California Supreme Court denied hollywood.com's and Tribune's petition for review on July 28, 2004. Hollywood.com, Inc. and Tribune plan to file a petition for rehearing by August 12, 2004. If the petition for rehearing to the California Supreme Court is not successful, then the judgment will become final. In that event, added to the amount of the judgment would be the plaintiff's attorneys' fees and costs incurred in opposing the appeal. It is not possible at this time to estimate the amount of such additional attorneys' fees and costs.

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In May 2003, hollywood.com Inc. and Tribune filed with the court, in connection with their Notice of Appeal, a Notice of Filing Undertaking for Stay of Enforcement of Judgment Pursuant to Appeal in order to stop enforcement of the judgment until resolution of the appeal (this filing included an appeal bond obtained by Tribune (the "Appeal Bond") issued by a surety company in the amount of $1,482,823, which was the amount of the bond required by law to stay enforcement of the judgment). Upon the adding of certain costs and attorneys fees to the judgment, the Appeal Bond was increased to $1,646,641 on November 14, 2003.

In April 2003, Tribune and Hollywood Media agreed that Tribune would obtain the Appeal Bond in exchange for specified advance payments by Hollywood Media to Tribune as collateral to secure Hollywood Media's indemnification obligation to Tribune described above. The aggregate amount of the advance payments to Tribune through the date of this 10-Q Report is $1,075,000. The agreement allows Tribune the right to demand additional collateral, the form of which, cash or shares of Hollywood Media's common stock, to be determined by Hollywood Media in its discretion, in the approximate amount of the initial judgment. The advance payments and, if applicable, any other security, are to be returned to Hollywood Media if the appeal is successful (which would result in the bond no longer being required) or to the extent the payments ultimately

exceed Hollywood Media's indemnification obligation to Tribune. Such payments made to Tribune may be used by Hollywood Media, in its discretion, to pay the judgment or a settlement in the Water Garden Lawsuit.

The judgment in the Water Garden Lawsuit covers rent accruing through February 13, 2003, under a lease the facial termination date of which is December 31, 2003. If the appellate court's decision cannot be reversed, then, pursuant to a written stipulation between the parties to the Water Garden Lawsuit, the judgment will be modified to add rent accruing between February 13, 2003 and December 31, 2003, together with attorneys' fees and costs, subject to potential reduction for rent received by the landlord from subsequent tenants as provided in the stipulation agreement. It is not possible to determine the increase in the judgment under the stipulation until the judgment becomes final and is calculated pursuant to the stipulation.

Recognizing that the ultimate outcome of this case is uncertain, Hollywood Media has accrued as of June 30, 2004, an amount which Hollywood Media believes is adequate to account for potential liability for this matter, and will continue to evaluate the matter as the litigation process proceeds. There can be no assurance that any further appeal efforts contemplated above will be successful.

In a separate matter, in November 2002 there was an arbitration action commenced by a third party against Hollywood Media regarding a contract dispute involving claims against Tribune Company and the hollywood.com, Inc. subsidiary of Hollywood Media, which dispute was settled in October 2003. Under the settlement, Hollywood Media made a $200,000 payment in October 2003, and agreed to purchase certain advertising to advertise Hollywood Media's exhibition-related businesses in a trade publication at a cost of $14,167 per month, at prevailing rates, over a six-month period which commenced in December 2003. As of June 30, 2004, all payments have been made and there is $67,250 of advertising remaining under this agreement.

In a separate matter, a lawsuit pertaining to an insertion order was filed against Hollywood Media in May 2003, seeking damages of $161,000 plus interest and costs. Hollywood Media has asserted substantive defenses in this litigation and does not believe any monies are owed and intends to defend this case vigorously. This proceeding including discovery procedures are continuing.

In addition to the legal proceedings described above, Hollywood Media is from time to time a party to various other legal proceedings including matters arising in the ordinary course of business. Hollywood Media does not expect such other legal proceedings to have a material adverse impact on Hollywood Media's financial condition or results of operations, however, there can be no assurance that such other matters, if determined adversely, will not have a material adverse effect.

(12) RECLASSIFICATION:

Certain amounts in the 2003 financial statements have been reclassified to conform with the 2004 presentation.

(13) SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

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For The Six Months Ended June 30, 2004:

- 12,500 shares of Hollywood Media common stock were issued, valued at $35,500 were issued for an exercise of a warrant by an investor in the February 13, 2004 private placement.

- 50,000 shares of Hollywood Media common stock were issued to an independent third party, pursuant to a consulting agreement providing an option to purchase the shares for $120,000, were issued for services rendered in the 1st quarter of 2004.

- 2,208 shares of Hollywood Media common stock were issued pursuant to an exercise of a warrant by an investor, which had been previously valued under the Black-Scholes method and charged to consulting expense in previous periods.

- 35,211 shares of common stock were issued to an independent third party for services rendered in conjunction with the handling of the private placement consummated in the 1st quarter of 2004 valued at $69,717.

- 91,463 shares of Hollywood Media common stock were issued, valued at $323,779, for the assets of Front Row Marketing.

- 52,627 shares of Hollywood Media common stock, valued at $139,987 were issued as payment of Hollywood Media's 401(k) employee match for calendar year 2003.

- 57,095 shares of Hollywood Media common stock, valued at $156,427 for interest due to the holders of the debentures.

- Options valued at $159,938 under Black Scholes, were granted for services rendered.

- Hollywood Media issued 5,773,355 shares of common stock in a private placement valued at $16,396,327 to investors, and warrants to purchase 1,443,339 shares of its common stock. Hollywood Media's net proceeds were $15,278,501 after deducting the placement agent's fee and expenses. In addition, Hollywood Media incurred $151,284 for legal, accounting and travel expenses associated with the offering. The warrants issued in the private placement have an exercise price of $2.84 per share of common stock and expire in February 2009. The warrants are callable by Hollywood Media after one year if the common stock of Hollywood Media trades at twice the exercise price for 20 trading days. In addition to the warrants issued to the investors, Hollywood Media issued warrants to the placement agent having the same exercise price, which are exercisable to purchase up to 288,667 shares of common stock. In addition, Hollywood Media issued an option to purchase 35,211 shares of common stock for $50,000 to a third party consultant, valued at $69,717 under Black Scholes.

- An adjustment of the beneficial conversion feature of the Debentures in the amount of $294,360 was made pursuant to certain anti-dilution provisions.

For The Six Months Ended June 30, 2003:

- 155,783 shares of Hollywood Media common stock valued at $155,783 were issued as payment of Hollywood Media's 401(k) employer match for calendar year 2002.

- Hollywood Media issued 192,898 shares of common stock, valued at $155,573 for interest due to the holders of the convertible debentures.

- Options and warrants valued at $123,583, under Black Scholes, were granted for services rendered.

- Hollywood Media issued 28,571 shares of common stock valued at $39,714 under terms of an earn-out provision in accordance with the acquisition of BroadwayTheater.com.

(14) SUBSEQUENT EVENTS

On July 1, 2004 Hollywood Media consummated its acquisition of Studio Systems, Inc., pursuant to a definitive purchase agreement. As a result of the acquisition, Studio Systems, Inc. became a subsidiary of Hollywood Media and its business will be integrated with Hollywood Media's Baseline/Filmtracker subsidiary now known as Baseline/StudioSystems. In closing the acquisition, Hollywood Media made cash payments aggregating $3,950,000 (of which $769,000 was paid as a deposit during the period and is recorded as "acquisition deposit" in the accompanying condensed consolidated balance sheet as of June 30, 2004), issued 73,249 shares of its common stock, and agreed to make 12 monthly payments of $42,500 each. A portion of the cash paid at closing was deposited in escrow

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to cover potential post-closing adjustments and indemnities. Hollywood Media funded the closing payments with cash on hand.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Item 2, or elsewhere in this Form 10-Q, or that are otherwise made by us, or on our behalf, about our financial condition, results of operations and business constitute "forward-looking statements," within the meaning of federal securities laws. Hollywood Media Corp. ("Hollywood Media") cautions readers that certain important factors may affect Hollywood Media's actual results, levels of activity, performance or achievements and could cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements anticipated, expressed or implied by any forward-looking statements that may be deemed to have been made in this Form 10-Q or that are otherwise made by or on behalf of Hollywood Media. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, "forward-looking statements" are typically phrased using words such as "may," "will," "should," "expect," "plans," "believe," "anticipate," "intend," "could," "estimate," "pro forma" or "continue" or the negative variations thereof or similar expressions or comparable terminology. Factors that may affect Hollywood Media's results and the market price of our common stock include, but are not limited to:

- our continuing operating losses,
- negative cash flows from operations and accumulated deficit,
- the need to manage our growth and integrate new businesses into Hollywood Media,
- our ability to develop strategic relationships,
- our ability to compete with other Internet companies and other competitors,
- the need for additional capital to finance our growth or operations,
- technology risks and the general risk of doing business over the Internet,
- future government regulation,
- dependence on our founders, and
- the volatility of our stock price.

Hollywood Media is also subject to other risks detailed herein or detailed in our Annual Report on Form 10-K for the year ended December 31, 2003 and in other filings made by Hollywood Media with the Securities and Exchange Commission.

Because these forward-looking statements are subject to risks and uncertainties, we caution you not to place undue reliance on these statements, which speak only as of the date of this Form 10-Q. We do not undertake any responsibility to review or confirm analysts' expectations or estimates or to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this Form 10-Q. As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity or achievements and neither us nor any other person assumes responsibility for the accuracy and completeness of such statements.

OVERVIEW

Hollywood Media is a provider of information, data and other content, and ticketing to consumers and businesses covering the entertainment, Internet and media industries. We manage a number of business units focused on the entertainment and media industries. Hollywood Media derives a diverse stream of revenues from this array of business units, including revenue from individual and group Broadway ticket sales, data syndication, subscription fees, content licensing fees, advertising, and book development.

DATA SYNDICATION DIVISIONS

Hollywood Media's Data Business is a provider of integrated database information and complementary data services to the entertainment and media industries. The Data Business consists of two divisions, the Source Business and Baseline/StudioSystems (formerly known as Baseline/FilmTracker).

The Source Business comprises three related lines of business: CinemaSource, EventSource and AdSource.

CinemaSource. CinemaSource is the largest supplier of movie showtimes

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as measured by market share in the United States and Canada, and compiles movie showtimes data for approximately 40,000 movie screens. Since its start in 1995, CinemaSource has substantially increased its operations and currently provides movie showtime listings to more than 250 newspapers, wireless companies, Internet sites, and other media outlets, including, The New York Times and The Washington Post; wireless companies including Sprint PCS, AT&T Wireless, Cingular Wireless, Verizon and Vindigo; Internet companies including AOL's Moviefone and Digital City, MSN, Yahoo! and Lycos; and other media outlets. CinemaSource also syndicates entertainment news, movie reviews, and celebrity biographies. CinemaSource's data is displayed by its customers in local newspapers, on websites and through cell phone services, to provide moviegoers with information for finding and choosing movies, theaters and showtimes. CinemaSource collects a majority of these movie listings through electronic mediums such as real-time direct connections to many exhibitor point-of-sale systems, email and FTP files, and collects additional listings through traditional mediums such as faxes and phone calls. Through annual and multi-year contracts, CinemaSource generates recurring revenue from licensing fees paid by its customers.

EventSource. Hollywood Media launched the EventSource business in 1999 as an expansion of the operations of CinemaSource. EventSource compiles and syndicates detailed information on community events in cities around the country, including concerts and live music, sporting events, festivals, fairs and shows, touring companies, community playhouses and dinner theaters throughout North America. The EventSource database contains detailed information for thousands of venues, and the EventSource services are monitored by individual city editors specializing in their respective markets. Hollywood Media believes that EventSource is the largest (based on market share), and the only national, compiler and syndicator of detailed information on community and cultural events in North America. EventSource's information is a content source for AOL's Digital City, as to which EventSource entered into an agreement in April 2000 to provide event listings for 200 cities nationwide. In addition to Digital City, other EventSource customers include The New York Times, Vindigo, Earthlink, VoltDelta and Cox Communications. Through annual and multi-year contracts, EventSource generates recurring revenues from licensing fees.

AdSource. Hollywood Media launched AdSource during the first quarter of 2002 as yet another expansion of the CinemaSource operations. AdSource leverages the movie theater showtimes from the CinemaSource data collection systems and our relationships with various movie exhibitors, to provide mission critical data services to our movie-exhibitor customers. The services include: 1) movie showtimes directory advertising creation for insertion in newspapers around the country, 2) Turn-key weekly movie showtimes and loyalty promotional e-mail services to theatre patrons, and 3) Weekly in-theatre movie showtimes brochure creation and printing. In June 2004, AdSource acquired Front Row Marketing which is the industry leader in weekly showtime email data services to movie exhibitors. AdSource has more than 60 exhibitor customers including AMC Theatres, Consolidated Theatres, Pacific Theatres, Crown Theatres, Harkins Theatres, GKC Theatres, Jack Loeks Theatres, Krikorian Theatres, Wallace Theatres, Key Cinemas and Rave Motion Pictures.

Baseline/StudioSystems ("Baseline"). Baseline is a comprehensive entertainment database, research service, and application service provider offering information to movie studios, production companies, movie and TV distributors, entertainment agents, managers, producers, screenwriters, news organizations, and financial analysts covering the entertainment industry. Baseline's film and television database contains over 14,000 celebrity biographies, credits for over 130,000 released feature films, television series, miniseries, TV movies and specials dating back nearly 100 years, over 15,000 film and television projects in every stage of development and production, over 1,900 movie reviews, box office grosses dating back nearly 20 years, revenue and cost estimates for over 5,000 released feature films, over 18,000 company rosters and representation/contact information for over 50,000 entertainment professionals. Baseline provides applications that allow entertainment professionals to streamline workflow, increase efficiency, and expand market awareness. Baseline offers its data and application modules on an annual subscription basis, syndicates data to a number of leading information aggregators and publications, and also provides data on a pay-per-use basis. Baseline's customer base includes the seven major U.S. movie studios, numerous production companies, law firms, investment banks, news agencies, magazines, advertising agencies, consulting firms and other professionals in the entertainment industry. Baseline/StudioSystem's customers include MGM, Disney, Sony, Fox, DreamWorks, Universal Studios, Paramount, Viacom, Bloomberg, People Magazine, Lexis-Nexis, Showtime, HBO, Viacom, the Directors Guild of America, Miramax Films, Warner Brothers and many more.

In July 2004, Baseline's business and assets were substantially increased as a result of the closing of Hollywood Media's acquisition of Studio Systems, Inc., one of the leading entertainment industry database and information services providers. As a result of the acquisition, Studio Systems, Inc. became a subsidiary of Hollywood Media Corp. and its business is being integrated with Hollywood Media's Baseline/Filmtracker subsidiary. The combined

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business is now known as Baseline/StudioSystems.

BROADWAY TICKETING DIVISION

Broadway Ticketing: Theatre Direct International ("TDI"); Broadway.com and 1-800-BROADWAY (collectively called "Broadway Ticketing").

TDI. We acquired TDI as of September 15, 2000. Founded in 1990, TDI is a live theater ticketing wholesaler that provides groups and individuals with access to theater tickets and knowledgeable service, covering shows on Broadway, Off-Broadway, and in London's West End.

TDI sells tickets directly to group buyers including travel agents and tour groups. TDI also manages a marketing cooperative that represents participating Broadway shows to the travel industry around the world. Recent Broadway shows marketed by this cooperative include Aida, Avenue Q, Beauty and the Beast, Bombay Dreams, Chicago, Dracula, Fame, 42nd Street, Hairspray, Little Shop of Horrors, Rent, The Lion King, The Phantom of the Opera and The Producers. In addition, TDI's education division, Broadway Classroom, markets group tickets along with educational programs to schools across the country.

Broadway.com and 1-800-BROADWAY. We launched Broadway.com on May 1, 2000. Broadway.com offers the ability to purchase Broadway, Off-Broadway and London's West End theater tickets online. In addition, the site provides a wide variety of editorial content about the theater business, feature stories, opening nights, star profiles, photo opportunities and a critical roundup of reviews. Our 1-800-BROADWAY toll-free number, acquired in October 2001, features the ability to purchase Broadway, Off-Broadway and London's West End theater tickets over the phone and complements the online ticketing and information services available through Broadway.com.

The combined businesses provide theater ticketing and related content for over 100 venues in multiple markets to consumer households and thousands of travel agencies, tour operators, corporations, educational institutions and affiliated websites. Our Broadway Ticketing division employs a knowledgeable sales force that offers ticket buyers a concierge-style service that includes show recommendations, hotel packages and dinner choices. We obtain tickets to sell through our arrangements with theater box offices and we also maintain our own inventory of tickets for sale.

INTERNET DIVISIONS

Hollywood.com. Hollywood.com is a comprehensive destination for movie event and TV content and information. Hollywood.com generates revenue by selling advertising on its website. Hollywood.com features in-depth movie information, including movie descriptions and reviews, movie showtimes listings, entertainment news and an extensive multimedia library containing hundreds of hours of celebrity interviews, premier coverage and behind-the-scenes footage. Hollywood.com provides premier content and online ticketing services for movies creating a "one-stop destination" for movie information. Some of the largest advertisers who have advertised on Hollywood.com include Walt Disney Studios, New Line Cinema, Sony Studios, General Motors, Universal Studios, Visa, Colgate, HBO, A&E, British Airways, MGM, US Army, AT&T, Chase, Ford, Kodak, Fox and Warner Bros.

As a result of its relationship with Hollywood Media's Data Business (CinemaSource and Baseline), Hollywood.com has access to a constantly updated database of information related to movies and entertainment. We believe these sources of content provide Hollywood.com with a competitive advantage over other entertainment-related websites that incur significant costs to create content of comparable quality and scope.

Hollywood.com has further established its presence in the wireless arena. Through agreements with wireless carriers (AT&T, Cingular, Sprint, and Verizon), Hollywood.com provides a movie and entertainment destination on a variety of mobile phones.

Broadway.com. We launched Broadway.com on May 1, 2000. Broadway.com features: the ability to purchase Broadway, off-Broadway and London's West End theater tickets online; theater showtimes; the latest theater news; interviews with stage actors and playwrights; opening-night coverage; original theater reviews; and video excerpts from selected shows. Broadway.com also offers current box office results, show synopses, cast and crew credits and biographies, digitized show previews, digitized showtunes, and an in-depth Tony Awards(R) area. Broadway.com generates revenue from the sale of both tickets and advertising, with its principal business purpose being to generate ticket sales.

CABLE TV DIVISION

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Cable TV Network Initiatives. To further leverage our base of proprietary content, Hollywood Media launched two interactive cable television channels in 2002: "Totally Hollywood TV" and "Totally Broadway TV." Both cable channels utilize existing Hollywood Media content and are designed for distribution on digital tiers of cable TV systems. The cable TV channels complement Hollywood Media's existing business units. Totally Hollywood TV and Totally Broadway TV offer audiences interactive entertainment and information, with on-demand video content including premiers, movie previews, reviews, behind-the-scenes footage, interviews and more, as well as up-to-date showtimes for the latest movies and current Broadway shows. Totally Hollywood TV, which is in the process of changing its name to Hollywood.com Television, is pursuing a national roll-out strategy and is currently available on certain cable TV systems of Cablevision Systems Corporation, Cox Communications, Comcast, Media Com, and Insight Communications. Totally Broadway TV, which is in the process of changing its name to Broadway.com TV is distributed on Cablevision Systems' New York area systems. To date, only $1,320 has been generated from advertising on these cable networks in test with various advertisers, and Hollywood Media expects future revenue to be derived from ad sales as their subscriber distribution grows.

INTELLECTUAL PROPERTIES BUSINESS

Book Development and Book Licensing. Our Intellectual Properties division includes a book development and book licensing business owned and operated by our 51% owned subsidiary, Tekno Books, which develops and executes book projects, typically with best-selling authors. Tekno Books has worked with more than 60 New York Times best-selling authors, including Isaac Asimov, Tom Clancy, Tony Hillerman, John Jakes, Jonathan Kellerman, Dean Koontz, Robert Ludlum, Nora Roberts and Scott Turow, and numerous media celebrities, including Louis Rukeyser and Leonard Nimoy. Our intellectual properties division has licensed books for publication with more than 100 domestic book publishers, including Random House (Bertelsmann), Penguin Publishing Group (Pearson), Simon & Schuster (Viacom), HarperCollins (News Corp.), St. Martin's Press (Holtzbrink of Germany), Warner Books (Time Warner) and the publishing division of Barnes & Noble. Tekno Books has also produced numerous books under license from such entertainment companies as Universal Studios, New Line Cinema, CBS Television, DC Comics (Time Warner), and MGM Studios. Since 1980, Tekno Books has developed over 1,588 books that have been published. Another 3,370 foreign, audio, paperback, electronic, and other editions of these books have been sold to hundreds of publishers around the world, and published in 33 languages. Tekno's books have been finalists for, or winners of, more than 100 awards, including The Edgar Allan Poe Award, The Agatha Christie Award (Mystery), The Hugo Award (Science Fiction), The Nebula Award (Fantasy), The International Horror Guild Award (Horror) and The Sapphire Award (Romance). Tekno Books' current

backlog and anticipated books for future publishing include more than 300 books under contract or in final negotiations, including more than 50 books by New York Times best-selling authors. We are expanding into one of the largest areas of publishing, which is romance fiction, and one of the fastest growing areas of publishing, which is the Christian book market. In January 2003, Tekno Books was engaged to create two new spin-off series based on the best-selling Left Behind series. The Chief Executive Officer and founder of Tekno Books, Dr. Martin H. Greenberg, is the owner of the remaining 49% interest in Tekno Books.

Intellectual Properties. Our Intellectual Properties division also owns the exclusive rights to intellectual properties that are complete stories and ideas for stories, created by best-selling authors and media celebrities. Some examples of our intellectual properties are Issac Asimov's I-Bots, Anne McCaffrey's Acorna the Unicorn Girl, Leonard Nimoy's Primortals, and Mickey Spillane's Mike Danger. We license rights to our intellectual properties for use by licensees in developing projects in various media forms. We generally obtain the exclusive rights to the intellectual properties and the right to use the creator's name in the titles of the intellectual properties (e.g., Mickey Spillane's Mike Danger and Leonard Nimoy's Primortals).

NetCo Partners. In June 1995, Hollywood Media and C.P. Group Inc. ("C.P. Group"), entered into an agreement to form NetCo Partners. NetCo Partners owns Tom Clancy's NetForce. Hollywood Media and C.P. Group are each 50% partners in NetCo Partners. Tom Clancy is a shareholder of C.P. Group. At the inception of the partnership, C.P. Group contributed to NetCo Partners all rights to Tom Clancy's NetForce, and Hollywood Media contributed to NetCo Partners all rights to Tad Williams' MirrorWorld, Arthur C. Clarke's Worlds of Alexander, Neil Gaiman's Lifers, and Anne McCaffrey's Saraband. In 1997, NetCo Partners licensed to Putnam Berkley the rights to publish the first six Tom Clancy's NetForce books in North America for advance payments of $14 million. This agreement was subsequently renewed in December 2001 for four more books with guaranteed advances for North American book rights, which provide for advances to NetCo Partners of $2 million per book for the first two books and $1 million per book for the second two books against a percentage of the cover price. The first book in the series was adapted as a four-hour mini-series on ABC. NetForce books have so far been published in mass market paperback format. NetCo owns all rights in

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all media to the NetForce property, including film, television, video and games. NetCo licenses NetForce book rights to publishers in various foreign countries. Through its interest in NetCo, Hollywood Media receives distributions of its share of proceeds generated from the rights to the NetForce series.

For additional information about Netco Partners, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Equity in Earnings of Investments, and Note 9 -- Investments In And Advances To Equity Method Investees, of the unaudited Notes to Hollywood Media's Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

MOVIETICKETS.COM, INC.

MovieTickets.com is one of the two leading destinations for the purchase of movie tickets through the Internet; its principal competitor (other than some theaters that may conduct their own Internet ticket sales) is Fandango. The MovieTickets.com web site allows users to purchase movie tickets and retrieve them at "will call" windows or kiosks at theaters. The web site also features bar coded tickets that can be printed at home and presented directly to the ticket taker at participating theaters. The web site contains movie content from Hollywood Media's various divisions for all current and

future release movies, movie reviews and synopses, digitized movie trailers and photos, and box office results. The web site generates revenues from service fees charged to users for the purchase of tickets and the sale of advertising, which includes ads on the "print-at-home" ticket. MovieTickets.com has been selected by AOL's Moviefone, MSN Network, Lycos Entertainment, Real Networks, and several other premier online destinations as the exclusive provider for online movie ticketing services.

Hollywood Media launched the MovieTickets.com web site in May 2000 with several major theater exhibitors. Hollywood Media currently owns 26.2% of the equity of MovieTickets.com, Inc. See "Equity in Earnings of Investees" below, for additional information about our equity interest in MovieTickets.com, Inc. MovieTickets.com, Inc. entered into an agreement with Viacom Inc. effective August 2000 whereby Viacom Inc. acquired a 5% interest (now 4.1%) in MovieTickets.com, Inc. for $25 million of advertising and promotion over five years. In addition to the Viacom advertising and promotion, MovieTickets.com is promoted through on-screen advertising in most participating exhibitors' theaters. In March 2001, AOL purchased a non-interest bearing convertible preferred equity voting interest in MovieTickets.com, Inc. for $8.5 million in cash, which was convertible into common stock of MovieTickets.com, Inc. In connection with the 2001 transaction with AOL, MovieTickets.com's ticket inventory began to be promoted throughout America Online's interactive properties and ticket inventory of AOL's Moviefone became available through MovieTickets.com. Through an agreement announced in August 2004 between MovieTickets.com and America Online's Moviefone, MovieTickets.com is assuming the ticketing agreements that Moviefone had with its movie theater exhibitors, bringing the number of exhibitors MovieTickets.com will directly ticket for to 32. The Moviefone exhibitor agreements assumed by MovieTickets.com include agreements with Clearview Cinemas, Landmark Theatres and Mann Theatres.

Without taking into account the exhibitor agreements being assumed from Moviefone, MovieTickets.com, Inc.'s current participating exhibitors include AMC Entertainment Inc., National Amusements, Inc., Famous Players Inc., Hoyts Cinemas, Marcus Theatres, Consolidated Theatres, Consolidated Theatres Hawaii, Crown Theatres, Krikorian Premiere Theatres, Metropolitan Theatres, Northeast Cinemas, Pacific Theatres, Rave Motion Pictures, Ritz Theatres and Spotlight Theatres. Sayville Theatres, Baederwood Movie Theatre Co., Bryn Mawr Movie Theatre Co., the Narberth Theatre, and Cinemagic Movies have recently joined MovieTickets.com. MovieTickets.com exhibitors operate theaters located in all of the top 20 markets and approximately 70% of the top 50 markets in the United States and Canada, and represent approximately 50% of the top 50 and top 100 grossing theaters in North America. Additionally, MovieTickets.com launched in the United Kingdom in July of 2003.

The following discussion and analysis should be read in conjunction with Hollywood Media's Unaudited Condensed Consolidated Financial Statements and the notes thereto included in Item 1 of Part I of this report.

RESULTS OF OPERATIONS

The following table summarizes Hollywood Media's revenues, operating expenses and operating income (loss) by reportable segment for the six months ended June 30, 2004 ("Y2-04") and 2003 ("Y2-03"), and the three months ended June 30, 2004 ("Q2-04") and 2003 ("Q2-03") respectively:

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	BROADWAY	DATA	INTERNET	INTELLECTUAL	CABLE

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	TICKETING	BUSINESS	AD SALES	PROPERTIES(a)	TV	OTHER	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Y2-04							
Net Revenues	$27,950,166	$3,289,528	$ 1,531,976	$1,397,360	$ --	$ --	$ 34,169,030
Operating Expenses	27,008,112	2,711,489	2,610,809	927,289	437,614	3,658,537	37,353,850
Operating Income (loss)	$ 942,054	$ 578,039	$(1,078,833)	$ 470,071	$(437,614)	$(3,658,537)	$ (3,184,820)
% of Net Revenues	82%	10%	4%	4%	--	--	100%
Y2-03 (RESTATED)							
Net Revenues	$25,523,288	$3,496,233	$ 1,229,137	$1,433,889	$ 1,320	$ --	$ 31,683,867
Operating Expenses	25,450,486	3,160,918	2,732,416	663,629	434,150	3,320,205	35,761,804
Operating Income (loss)	$ 72,802	$ 335,315	$(1,503,279)	$ 770,260	$(432,830)	$(3,320,205)	$ (4,077,937)
% of Net Revenues	81%	11%	4%	4%	--	--	100%

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	BROADWAY TICKETING	DATA BUSINESS	INTERNET AD SALES	INTELLECTUAL PROPERTIES(a)	CABLE TV	OTHER(a)	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Q2-04							
Net Revenues	$16,071,876	$1,626,730	$ 759,469	$ 926,235	$ --	$ --	$ 19,384,310
Operating Expenses	15,660,422	1,215,028	1,181,882	591,697	208,691	1,848,139	20,705,859
Operating Income (loss)	$ 411,454	$ 411,702	$ (422,413)	$ 334,538	$(208,691)	$(1,848,139)	$ (1,321,549)
% of Net Revenues	83%	8%	4%	5%	--	--	100%
Q2-03 (RESTATED)							
Net Revenues	$14,003,040	$1,747,120	$ 736,685	$ 658,016	$ 1,320	$ --	$ 17,146,181
Operating Expenses	13,896,706	1,558,091	1,436,011	304,634	221,266	1,607,302	19,024,010
Operating Income (loss)	$ 106,334	$ 189,029	$ (699,326)	$ 353,382	$(219,946)	$(1,607,302)	$ (1,877,829)
% of Net Revenues	82%	10%	4%	4%	--	--	100%

</TABLE>

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a. Hollywood Media's 50% interest in NetCo Partners, which is accounted for under the equity method of accounting, is reported as equity in earnings of investees below "Operating income (loss)" on the condensed consolidated statement of operations.

COMPOSITION OF OUR SEGMENTS IS AS FOLLOWS:

- BROADWAY TICKETING - Includes our TDI ticketing business as well as our Broadway.com online ticketing operations and ticket sales through 1-800-BROADWAY.
- DATA BUSINESS - Includes our CinemaSource, EventSource, AdSource and Baseline/FilmTracker operations.
- INTERNET AD SALES - Includes advertising sold on the web sites Hollywood.com, Broadway.com and Movietickets.com, and the AlwaysI subscription service which offers films to subscribers over the Internet. Hollywood Media earns a proprietary commission on monies collected for advertising sold on Movietickets.com's website.
- INTELLECTUAL PROPERTIES - Includes our book development and book licensing operation through our 51% owned subsidiary Tekno Books. This segment does not include our 50% interest in NetCo Partners.
- CABLE TV - Includes two interactive cable television channels, "Totally Hollywood TV" and "Totally Broadway TV".

NET REVENUES

Total net revenues were $34,169,030 for Y2-04 as compared to $31,683,867 for Y2-03, an increase of $2,485,163 or 8% and $19,384,310 for Q2-04 as compared to $17,146,181 for Q2-03, an increase of $2,238,129 or 13%. The increase in revenue from Y2-03 to Y2-04 was primarily due to a 10% increase in Broadway Ticketing and a 25% increase in Internet Ad Sales, which was offset by a 3% decrease in Intellectual Properties and a 6% decrease in Data Business revenue. The increase in revenue from Q2-03 to Q2-04 was primarily due to a 15% increase in Broadway Ticketing, 41% increase in Intellectual Properties and a 3%

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increase in Internet Ad Sales which was offset by a 7% decrease in Data Business.

Broadway Ticketing revenues were $27,950,166 and $25,523,288 for Y2-04 and Y2-03, respectively, an increase of $2,426,878 or 10% and $16,071,876 for Q2-04 compared to $14,003,040 for Q2-03, respectively, an increase of $2,068,836 or 15%. Broadway Ticketing revenues increased due to a 23% increase in individual ticket sales primarily on Broadway.com, which was partially offset by a 2% decrease in wholesale group ticket sales. Broadway Ticketing revenue is generated from the sale of live theater tickets for Broadway, off-Broadway and London based live theater performances and hotel packages through Broadway.com and the 1-800-BROADWAY telephone number, and to domestic and international travel professionals, traveling consumers, business organizations, schools and New York area theater patrons. Broadway Ticketing revenue is recognized on the date of performance of the show. The first quarter is generally seasonally slow in our Broadway Ticketing division due to a relatively low-level of tourism in New York City in that period. There was also unusually cold weather in New York in Q1-04 compared to the previous year, which management believes may have negatively impacted Broadway Ticketing revenues in Q1-04. Ticket sales collected in advance of the date of performance are recorded as deferred revenues on our balance sheet and recognized as income upon performance date.

Data Business revenues (which includes our Source businesses [CinemaSource, EventSource and AdSource], and Baseline/FilmTracker which changed its name on July 1, 2004 to Baseline/StudioSystems to reflect our acquisition of Studio Systems, Inc.) were $3,289,528 for Y2-04 as compared to $3,496,233 for Y2-03, a decrease of $206,705 or 6% and $1,626,730 for Q2-04 as compared to $1,747,120 for Q2-03, a decrease of $120,390 or 7%. Although such revenues declined, the operating income for the Data Business increased $242,724 in Y2-04 over Y2-03, and $222,673 from Q2-03 to Q2-04 due in part to the cost adjustments referenced below. The decrease in Data Business revenues was attributable in large part to a decrease in Source Business revenue of $346,744 in Y2-04 as compared to Y2-03 and $178,730 in Q2-04 as compared to Q2-03 following a measured reduction in the level of event coverage in some smaller geographic markets. We determined that the collection of data in these smaller markets was not cost efficient and, in reducing these costs, there was a revenue decrease as most customers pay fees based on the total number of venues covered. The customer pipeline remains strong and the customer base is continuing to increase. Our Baseline business revenues increased $140,039 in Y2-04 as compared to Y2-03 and increased $58,340 in Q2-04 as compared to Q2-03 due to a high retainage of Baseline's current customers and continued expansion of Baseline's customer base. Revenue for CinemaSource and EventSource is generated by the licensing of movie, event and theater showtimes and other information to other media outlets and Internet companies including newspapers such as The New York Times and The Washington Post, Internet companies including AOL's Digital City, Yahoo!, MSN, and Lycos and wireless providers such as AT&T Wireless, Sprint PCS and Verizon. Revenue for AdSource is primarily generated by creating exhibitor paid directory ads for insertion in newspapers around the country. Baseline is a film and television database, licensing its data to businesses and professionals in the entertainment industry and generates revenues from the syndication of its data as well as subscription revenue.

Internet Ad Sales revenue was $1,531,976 for Y2-04 as compared to $1,229,137 for Y2-03, an increase of $302,839 or 25%. The increase in revenues was attributable to an increase in national movie studio and other Internet advertising on Hollywood.com and commissions in connection with sales of advertising for Movietickets.com. Internet Ad Sales revenue was $759,469 and $736,685 for Q2-04 and Q2-03, respectively, an increase of $22,784 or 3%. The increase was minimal due to the launch of Phase I of the Hollywood.com redesign, which launched in June of 2004 and will undergo two more phases before year end. Internet Ad Sales revenue is primarily generated from the sale of sponsorships and banner advertisements on Hollywood.com and Broadway.com.

Revenue from our Intellectual Properties division was $1,397,360 for Y2-04 as compared to $1,433,889 for Y2-03 a decrease of $36,529 or 3% and $926,235 and $658,016 for Q2-04 and Q2-03 respectively, an increase of $268,219 or 41%. The increase in revenues was attributable to the timing of the delivery of manuscripts resulting in more manuscripts delivered in Q2-04 as compared to Q2-03. The Intellectual Properties division generates revenues from several different activities including book development and licensing and intellectual property licensing. Revenues vary quarter to quarter dependent on the timing of the delivery of the manuscripts to the publishers. Revenues are recognized when the earnings process is complete and ultimate collection of such revenues is no longer subject to contingencies. The Intellectual Properties division revenue does not include our 50% interest in NetCo Partners, which is accounted for under the equity method of accounting and under which, Hollywood Media's share of the income (loss) is reported as equity in earnings of investees.

EQUITY IN EARNINGS OF INVESTEES

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Equity in earnings of investees consisted of the following:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2004	2003	2004	2003
NetCo Partners (a)	$588,086	$806,126	$583,392	$801,721
MovieTickets.com (b)	--	--	--	--
	$588,086	$806,126	$583,392	$801,721

(a) NetCo Partners

NetCo Partners owns Tom Clancy's NetForce and is primarily engaged in the development and licensing of Tom Clancy's NetForce. NetCo Partners recognizes revenues when the earnings process has been completed based on the terms of the various agreements, generally upon the delivery of the manuscript to the publisher and at the point where ultimate collection is substantially assured. When advances are received prior to completion of the earnings process, NetCo Partners defers recognition of revenue until the earnings process has been completed. Hollywood Media owns 50% of NetCo Partners and accounts for its investment under the equity method of accounting. Hollywood Media's 50% share of earnings was $583,392 for Q2-04 as compared to $801,721 for Q2-03, and $588,086 for Y2-04 as compared to $806,126 for Y2-03. Revenues vary quarter-to-quarter dependent on timing of deliveries of various manuscripts to the publisher although, notwithstanding the timing of manuscript deliveries, one NetForce book is typically published each year in North America.

(b) MovieTickets.com

Hollywood Media owned 26.2% of the total equity in MovieTickets.com, Inc. joint venture at June 30, 2004. Hollywood Media records its investment in MovieTickets.com, Inc. under the equity method of accounting, recognizing its percentage of ownership of MovieTickets.com income or loss as equity in earnings of investees. Hollywood Media shares in 26.2% of the losses or income generated by the joint venture. Since the investment had been reduced to zero, Hollywood Media is currently not providing for additional losses, if any, generated by MovieTickets.com as Hollywood Media had not guaranteed to fund future losses, if any, generated by MovieTickets.com. As a result, we have not recorded any share of the joint venture's results of operations in Y2-04 and Y2-03 related to our investment in MovieTickets.com. The web site generates revenues from service fees charged to users for the purchase of tickets and the sale of advertising.

OPERATING EXPENSES

COST OF REVENUE - TICKETING. Cost of revenue - ticketing was $24,152,323 for Y2-04 as compared to $22,495,773 for Y2-03 for an increase of $1,656,550 or 7%. The cost of revenue for Q2-04 was $14,200,783 compared to $12,457,051 for Q2-03 for an increase of $1,743,732 or 14%. Cost of revenue consists primarily of the cost of tickets and credit card fees for the Broadway Ticketing segment. As a percentage of ticketing revenue, cost of revenue - ticketing was 86% and 88% for Y2-04 and Y2-03 and 88% and 89% for Q2-04 and

Q2-03 respectively. The reduction in cost of revenue as a percentage of ticketing revenue in Y2-04 compared to Y2-03 was due in part to a greater proportion of higher margin consumer ticket sales in Y2-04 and an increase in higher margin hotel packages sales.

The reduction in cost of revenue as a percentage of ticketing revenue in Q2-04 compared to Q2-03 was due to sales of higher margin hotel packages in Q2-04 that did not exist in Q2-03.

EDITORIAL, PRODUCTION, DEVELOPMENT AND TECHNOLOGY. Editorial, production, development and technology costs consist of payroll and related expenses for the editorial and production staff responsible for creating content and developing products for our Internet Ad Sales, Data Business, Intellectual Properties and Cable TV segments. Internet access and computer related expenses for the support and delivery of the Company's services and fees and royalties paid to authors and co-editors for the intellectual properties segments are also included. Editorial, production, development and technology costs for Y2-04 were $2,504,927 compared to $2,437,714 for Y2-03 for an increase of $67,213 or 3%. Q2-04 costs were $1,316,906 compared to $1,277,979 for Q2-03, an increase of $38,927 or 3%. As a percentage of revenues from our Internet Ad Sales, Data Business, Intellectual Properties and Cable TV segments, these costs were 40% for Y2-04 and Y2-03 and 40% and 41% for Q2-04 and Q2-03 respectively.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses consist of occupancy costs, production costs, human

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resources and administrative functions as well as professional and consulting service fees, telecommunications costs, provision for doubtful accounts receivable, general insurance costs, selling and marketing costs (such as commission due to advertising, marketing, promotional, business development, public relations, and commission due to advertising agencies, ad rep firms and other parties) and salaries and benefits. Selling, general and administrative expenses for Y2-04 were $9,615,442 compared to $9,067,195 for Y2-03 for an increase of $548,247 or 6%. The increase is primarily due to an accrual for the Water Garden litigation along with an increase in advertising for Broadway.com offset partially by a decrease in accounting/legal expenses. The SG&A costs for Q2-04 were $4,637,129 compared to $4,357,757 for Q2-03, an increase of $279,372 or 6%. As a percentage of net revenues, selling, general and administrative expenses were 28% and 29% for Y2-04 and Y2-03 respectively and 24% and 25% for Q2-04 and Q2-03 respectively. The increase in Q2-04 as compared to Q2-03 is due primarily to an increase in advertising costs, accrual for the Water Garden litigation along with a slight increase in travel expense, all which were offset partially by a decrease in insurance and legal expenses (See Note 11 of Unaudited Condensed Consolidated Financial Statements).

AMORTIZATION OF CBS ADVERTISING. Amortization of CBS advertising relating to our agreements with Viacom was $38,807 and $506,729 for Y2-04 and Y2-03 and $38,807 for Q2-04 compared to $316,706 for Q2-03. Under our agreement with Viacom, Hollywood Media issued shares of common stock and warrants in exchange for cash and CBS's advertising and promotional efforts over seven years across its full range of media properties. The fair value of the common stock and warrants issued to Viacom was recorded in the balance sheet as deferred advertising and amortized as the advertising was used each related contract year. As of June 30, 2004, the deferred advertising is zero.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense consists of depreciation of property and equipment, furniture and fixtures, website development, leasehold improvements, capital leases and amortization of goodwill and intangibles. Depreciation and amortization expense was $1,042,351 for Y2-04 as compared to $1,254,393 for Y2-03 for a decrease of $212,042 or 17%.

Q2-04 depreciation and amortization expense was $512,234 compared to $614,517 for Q2-03, a decrease of $102,283 or 17%. The decrease was primarily attributable to certain tangible assets that became fully amortized during 2003.

INTEREST, NET. Interest, net was $785,501 for Y2-04 as compared to $664,040 for Y2-03 and $367,546 for Q2-04, as compared to $323,672 for Q2-03. The increase of $121,461 in interest, net in Y2-04 over Y2-03, was primarily attributable to interest charges and an increase in the amortization of the beneficial conversion feature related to the convertible debentures of $294,360 due to an anti-dilution provision in the Debentures. (See Note 6 of Unaudited Condensed Consolidated Financial statements).

OTHER INCOME (EXPENSE), NET. Other, net was $727,673 for Y2-04 as compared to $8,894 for Y2-03 and $37,112 for Q2-04 as compared to $57,985 for Q2-03. The increase of $718,779 in other income (expense) for Y2-04 to Y2-03, net was primarily attributable to a gain recognized upon termination of a put-call option held by a former minority shareholder of Baseline. (See Note 5 of Unaudited Condensed Consolidated Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, we had cash and cash equivalents of $9,297,242 compared to cash and cash equivalents of $1,867,999 at December 31, 2003. Our net working capital surplus (current assets less current liabilities) at June 30, 2004 was $1,900,550 as compared to a working capital deficit of $6,490,321 at December 31, 2003. During the six months ended June 30, 2004, net cash used in operating activities was $5,695,317, which cash usage included $1,191,215 to purchase Broadway ticketing inventory to be held for sale during 2004 offset by $998,800 of deferred costs associated with Broadway ticket sales, payment of $1,478,848 on various outstanding payables and other current liabilities, and $225,000 expended for the Water Garden bond deposit; net cash provided by investing activities was $1,355,990; and net cash provided by financing activities was $14,480,550, comprised primarily of net proceeds resulting from the private placement of common stock during the first quarter of 2004 (see Note 8 to the Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q report). As a result of the above, cash and cash equivalents increased by $7,429,243 for the six months ended June 30, 2004. In comparison, during the six months ended June 30, 2003, net cash used in operating activities was $573,754, net cash used in investing activities was $249,550, and net cash used in financing activities was $1,234.

On May 22, 2002, Hollywood Media issued an aggregate of $5.7 million in principal amount of 6% Senior Convertible Debentures due May 22, 2005 (the "Debentures") to a group of four institutional investors, including existing shareholders of Hollywood Media. Mitchell Rubenstein, the Chairman of the Board and Chief Executive Officer, and Laurie S. Silvers, the Vice Chairman and

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President of Hollywood Media, participated in the financing with a $500,000 cash investment upon the same terms as the other investors. The Debentures are convertible at the option of the investors at any time through May 22, 2005 into shares of Hollywood Media common stock, par value $0.01 per share, at a conversion price which was $3.46 per share until adjusted as described below. In addition, Hollywood Media can elect at its option to convert up to 50% of the Debentures if the Debentures are still outstanding at maturity, subject to certain conditions. Prior to conversion, the Debentures bear interest at 6% per annum, payable quarterly in common stock or cash at the option of Hollywood Media. The investors also received fully vested detachable warrants (the "Warrants") to acquire at any time through May 22, 2007 an aggregate of 576,590 shares of common stock at an exercise price of $3.78 per share. On May 22, 2003, provided an investor had held at least seventy-five percent of such investor's shares of common stock issued or issuable to such investor under the Debentures,

the exercise price of the warrants held by such investor decreased to $3.46 per share which equals the pre-adjustment conversion price of the Debentures. The Debentures and Warrants contain customary anti-dilution provisions as more fully described in the agreements. As a result of the private placement referenced above, the conversion price of $3.46 per share was reduced to $3.30 per share, and the exercise price of the Warrants was reduced to $3.34 per share, after giving effect to a weighted average anti-dilution provision contained in the agreement.

In 2001, Hollywood Media entered into an agreement with a third party whereby we monetized a certain portion of our accounts receivable. Hollywood Media receives an initial advance of 85% of the invoice amount, with the remaining 15%, less fees, transferred to Hollywood Media upon payment by the customer to the third party. As of June 30, 2004, there was no liability remaining since the agreement was terminated in April 2004.

As of the date of this Form 10-Q report, we currently anticipate capital expenditures during the remainder of 2004 of approximately $300,000, for various systems and equipment upgrades (which expenditures do not include potential business acquisitions, and do not include costs being incurred (as described below) in connection with our review of internal controls and upgrading of information systems in preparation for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 regarding internal controls). At this time we are unable to accurately estimate the full amount of the costs that Hollywood Media will incur during 2004 in connection with preparations for compliance with Section 404 of the Sarbanes-Oxley Act of 2002, however, such costs are currently anticipated to include at least $250,000 for consulting expertise with such process. Additional costs will be incurred in connection with Section 404 compliance preparations but have not been quantified at this time.

CRITICAL ACCOUNTING POLICIES

In response to the Security and Exchange Commission (SEC) Release Number 33-8040 "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" and SEC Release Number 33-8056, "Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations," we have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of the consolidated financial statements. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires that we make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we will evaluate our estimates, including those related to asset impairment, accruals for compensation and related benefits, revenue recognition, allowance for doubtful accounts, and contingencies and litigation. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions. For additional information on our significant accounting policies, including the critical accounting policies discussed below, see Note 4 to the consolidated financial statements included in our Form 10-K for the year ended December 31, 2003.

Ticketing Revenue Recognition

Ticket revenue is derived from the sale of live theater tickets for Broadway, off-Broadway and London shows to individuals, groups, travel agencies, tour groups and educational facilities. Revenue recognition is deferred on ticket sales until performance has taken place. Ticket revenue and cost of revenue are recorded on a gross basis.

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Advertising Costs

Hollywood Media expenses the cost of advertising as incurred or when such advertising initially takes place. In the first quarter of 2000, Hollywood Media issued common stock and warrants to CBS with a fair value of approximately $137 million in exchange for approximately $105 million of advertising on CBS properties to be received over a period of seven years. Hollywood Media was entitled to utilize a specified portion of this advertising each contract year. The deferred advertising is carried on Hollywood Media's balance sheet as a deferred asset and is being amortized over the contract period as the advertising is utilized. Advertising expense recorded related to CBS advertising for the six months ended June 30, 2004 and 2003 was $38,807 and $506,729 respectively. This is separately reported in the accompanying unaudited condensed consolidated statements of operations under the caption "Amortization of CBS Advertising."

Stock Based Compensation

As permitted under Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transaction and Disclosure - an amendment of FAS 123" ("SFAS No. 148"), which amended Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation ("SFAS No. 123"), we have chosen to account for our Stock Plan under the intrinsic value method as allowed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations. Under APB No. 25, because the exercise price of our employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. FSAS No. 148 requires disclosure of the estimated fair value of our employee stock options granted and pro forma financial information assuming compensation expense was recorded using these fair values.

Impairment of Long-Lived Assets

Effective December 31, 2001, Hollywood Media adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 superseded SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS No. 121") and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," ("APB No. 30") for the disposal of a segment of a business. Consistent with SFAS No. 121, SFAS No. 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

We evaluate the recoverability of long-lived assets not held for sale by comparing the carrying amount of the assets to the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not

sufficient to recover the carrying values of such assets, the assets are adjusted to their fair values. We determined fair value as the net present value of future cash flows.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." ("SFAS No. 142"). Under SFAS No. 142, goodwill and intangible assets acquired after June 30, 2001 were no longer subject to amortization. Goodwill and intangibles with indefinite lives acquired prior to June 30, 2001 ceased to be amortized beginning January 1, 2002. In addition, SFAS 142 changed the way we evaluated goodwill and intangibles for impairment. Beginning January 1, 2002, goodwill and certain intangibles are no longer amortized; however, they are subject to evaluation for impairment at least annually using a fair value based test. The fair value based test is a two-step test. The first step involved comparing the fair value of each of our reporting units to the carrying value of those reporting units. If the carrying value of a reporting unit exceeds the fair value of the reporting unit, we are required to proceed to the second step. In the second step, the fair value of the reporting unit would be allocated to the assets (including unrecognized intangibles) and liabilities of the reporting unit, with any residual representing the implied fair value of goodwill. An impairment loss would be recognized if and to the extent that the carrying value of goodwill exceeded the implied value.

As prescribed by SFAS No. 142, Hollywood Media completed the transitional goodwill impairment test by the second quarter of 2002 which did not result in an impairment charge. Additionally, Hollywood Media established October 1, as its annual impairment charge. Additionally, Hollywood Media established that date in 2002 and 2003. As of June 30, 2004, Hollywood Media is not aware of any events or changes in circumstance that would require it to

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evaluate goodwill for impairment. Future charges in estimates used to conduct the impairment review, including revenue projections or market values could cause the analysis to indicate that Hollywood Media's goodwill is impaired in subsequent periods and result in a write-off of a portion or all of the goodwill.

INFLATION AND SEASONALITY

Although Hollywood Media cannot accurately determine the precise effects of inflation, it does not believe inflation has a material effect on sales or results of operations. Hollywood Media considers its business to be somewhat seasonal and expects net revenues to be generally higher during the second and fourth quarters of each fiscal year for its Tekno Books book licensing business as a result of the general publishing industry practice of paying royalties semi-annually. The Broadway Ticketing business is also affected by seasonal variations with net revenues generally higher in the second quarter as a result of increased sales volumes due to the Tony Awards(C) and in the fourth quarter due to increased levels during the holiday period. In addition, although not seasonal, Hollywood Media's Intellectual Properties division and NetCo Partners both experience fluctuations in their respective revenue streams, earnings and cash flow as a result of the amount of time that is expended in the creation and development of the intellectual properties and their respective licensing agreements. The recognition of licensing revenue is typically triggered by specific contractual events which occur at different points in time rather than on a regular periodic basis.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in our assets or liabilities that might occur due to changes in market rates and prices, such as interest or foreign currency exchange rates, as well as other relevant market rate or price changes.

Interest rates charged on Hollywood Media's debt instruments are primarily fixed in nature. We therefore do not believe that the risk of loss relating to the effect of changes in market interest rates is material.

We purchase and sell tickets to live theater shows in London's West End. We minimize our exposure to adverse changes in currency exchange rates by taking steps to reduce the time lag between the purchase and payment of tickets for the London shows and the collection of related sales proceeds. We further reduce our exposure by setting favorable currency conversion rates in our foreign ticket pricing. We do not believe the risk of loss relating to adverse changes in currency conversion rates to be material.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of Hollywood Media's management, including the Chief Executive Officer and the Vice President of Finance and Accounting (principal financial and accounting officer), of the effectiveness of Hollywood Media's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, Hollywood Media's management, including the Chief Executive Officer and the Vice President of Finance and Accounting, concluded that Hollywood Media's disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q. There have been no changes in Hollywood Media's internal controls over financial reporting that occurred during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, Hollywood Media's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Water Garden Company LLC, as Plaintiff, v. Hollywood Media Corp., a Florida corporation; hollywood.com, Inc., a California corporation (and subsidiary of Hollywood Media Corp.); and The Tribune Company (as successor in interest to the Times Mirror Company), as Defendants; filed July 16, 2001 in the Superior Court of the State of California for the County of Los Angeles. Water Garden Company LLC filed suit against Hollywood Media, its subsidiary, hollywood.com, Inc., and The Tribune Company ("Tribune"), among others, claiming damages as a result of alleged defaults by hollywood.com, Inc. under a lease for office space entered into by hollywood.com, Inc., as lessee, and Water Garden Company LLC ("Water Garden"), as lessor. The stated lease term was from January 1999 through December 2003. Tribune guaranteed hollywood.com, Inc.'s lease obligations. Hollywood Media has certain contractual indemnification obligations to Tribune relating to Tribune's guaranty of the lease. The claims against Hollywood Media, but not hollywood.com, Inc., have been dismissed.

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As previously reported, on April 29, 2003, the court in this action (the "Water Garden Lawsuit") entered a money judgment against hollywood.com, Inc. and Tribune Company, jointly and severally, in the amount of $988,549. On September 9, 2003, the court granted a motion to add certain litigation costs and attorneys fees to the judgment, such that the current principal amount of the judgment, including costs and attorneys fees, is $1,097,761. Interest accrues on the judgment at the rate of ten percent per annum until paid.

The California Court of Appeal for the Second District affirmed the judgment in May 2004, and the California Supreme Court denied hollywood.com's and Tribune's petition for review on July 28, 2004. Hollywood.com, Inc. and Tribune plan to file a petition for rehearing by August 12, 2004. If the petition for rehearing to the California Supreme Court is not successful, then the judgment will become final. In that event, added to the amount of the judgment would be the plaintiff's attorneys' fees and costs incurred in opposing the appeal. It is not possible at this time to estimate the amount of such additional attorneys' fees and costs.

In May 2003, hollywood.com Inc. and Tribune filed with the court, in connection with their Notice of Appeal, a Notice of Filing Undertaking for Stay of Enforcement of Judgment Pursuant to Appeal in order to stop enforcement of the judgment until resolution of the appeal (this filing included an appeal bond obtained by Tribune (the "Appeal Bond") issued by a surety company in the amount of $1,482,823, which was the amount of the bond required by law to stay enforcement of the judgment). Upon the adding of certain costs and attorneys fees to the judgment, the Appeal Bond was increased to $1,646,641 on November 14, 2003.

In April 2003, Tribune and Hollywood Media agreed that Tribune would obtain the Appeal Bond in exchange for specified advance payments by Hollywood Media to Tribune as collateral to secure Hollywood Media's indemnification obligation to Tribune described above. The aggregate amount of the advance payments to Tribune through the date of this 10-Q Report is $1,075,000. The agreement allows Tribune the right to demand additional collateral, the form of which, cash or shares of Hollywood Media's common stock, to be determined by Hollywood Media in its discretion, in the approximate amount of the initial judgment. The advance payments and, if applicable, any other security, are to be returned to Hollywood Media if the appeal is successful (which would result in the bond no longer being required) or to the extent the payments ultimately exceed Hollywood Media's indemnification obligation to Tribune. Such payments made to Tribune may be used by Hollywood Media, in its discretion, to pay the judgment or a settlement in the Water Garden Lawsuit.

The judgment in the Water Garden Lawsuit covers rent accruing through February 13, 2003, under a lease the facial termination date of which is December 31, 2003. If the appellate court's decision cannot be reversed, then, pursuant to a written stipulation between the parties to the Water Garden Lawsuit, the judgment will be modified to add rent accruing between February 13, 2003 and December 31, 2003, together with attorneys' fees and costs, subject to potential reduction for rent received by the landlord from subsequent tenants as provided in the stipulation agreement. It is not possible to determine the increase in the judgment under the stipulation until the judgment becomes final and is calculated pursuant to the stipulation.

Recognizing that the ultimate outcome of this case is uncertain, Hollywood Media has accrued on its books, as of June 30, 2004, an amount which Hollywood Media believes is adequate to account for potential liability for this matter, and will continue to evaluate the matter as the litigation process proceeds. There can be no assurance that any further appeal efforts contemplated above will be successful.

In addition to the legal proceedings described above, Hollywood Media is from time to time a party to various other legal proceedings including matters arising in the ordinary course of business. Hollywood Media does not expect such other legal proceedings to have a material adverse impact on Hollywood Media's financial condition or results of operations, however, there can be no assurance that such other matters, if determined adversely, will not have a material adverse effect. Certain other legal proceedings involving Hollywood Media are described in Note 11 to the Condensed Consolidated Financial Statements included in this Form 10-Q Report.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The following securities were issued by Hollywood Media during the quarter ended June 30, 2004, in transactions that were not registered under the Securities Act of 1933.

On April 16, 2004, Hollywood Media issued 12,500 shares of common stock valued at $35,500 upon exercise of a warrant by an investor in the February 13, 2004 private placement.

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On April 26, 2004, Hollywood Media issued 24,398 shares of common stock valued at $77,786 to the holders of the Debentures for interest due for the period January 1, 2004 through March 31, 2004.

On May 13, 2004, Hollywood Media issued 2,208 shares of common stock upon the cashless exercise of a warrant.

On May 28, 2004, Hollywood Media issued 35,211 shares of common stock valued at $69,717 in connection with compensation of a third party consulting firm for services rendered in the first quarter of 2004.

On June 18, 2004 Hollywood Media issued 91,463 shares of common stock, valued at $323,779, in payment for the purchase of assets of the Front Row Marketing business.

The securities described above were issued without registration under the Securities Act of 1933 by reason of the exemption from registration afforded by the provisions of Section 4 (2) thereof and/or Regulation D thereunder, based upon investment representations to Hollywood Media relating thereto.

Hollywood Media did not repurchase any shares of its common stock during the quarter ended June 30, 2004.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

<TABLE>
<CAPTION>

Exhibit	Description	Incorporated by Reference From
<S>		<C>
10.1	Asset Purchase Agreement dated as of June 15, 2004, by and between Merchant Internet Group, Inc., Showtimes.Com, Inc., and Hollywood Media Corp.	(*)
10.2	Agreement and Plan of Merger dated as of June 14, 2004, by and among Studio Systems, Inc., Hollywood Media Corp., SSI Acquisition Sub, Inc. and SSI Investments LLC.	(*)
10.3	Extension and Amendment Agreement dated as of May 31, 2004 between Hollywood Media Corp. and Mitchell Rubenstein.	(*)
10.4	Extension and Amendment Agreement dated as of May 31, 2004 between Hollywood Media Corp. and Laurie S. Silvers.	(*)
10.5	Extension and Amendment Agreement dated as of July 1, 2003 between Hollywood Media Corp. and Mitchell Rubenstein.	(*)
10.6	Extension and Amendment Agreement dated as of July 1, 2003 between Hollywood Media Corp. and Laurie S. Silvers.	(*)
31.1	Certification of Chief Executive Officer. (Section 302)	(*)
31.2	Certification of Vice President of Finance and Accounting (Principal financial and accounting officer). (Section 302)	(*)
32.1	Certification of Chief Executive Officer. (Section 906)	(*)
32.2	Certification of Vice President of Finance and Accounting (Principal financial and accounting officer). (Section 906)	(*)

</TABLE>

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* Filed as an exhibit to this Form 10-Q

(b) Reports on Form 8-K:

The following Current Reports on Form 8-K were filed by Hollywood Media during the quarter ended June 30, 2004:

Form 8-K filed April 5, 2004: Item 5 of the Form 8-K reported that Hollywood Media's registration statement on Form S-3 filed on March 12, 2004, as amended, has been declared effective by the SEC; Item 12 of the Form 8-K reported that on March 30, 2004 we issued a press release announcing Hollywood Media's 2003 financial results, and a copy of the press release was included with the filing.

Form 8-K filed May 19, 2004: Item 12 of the Form 8-K reported that on May 17, 2004 we issued a press release announcing Hollywood Media's financial results for the first quarter of fiscal 2004, and a copy of the press release was included with the filing.

Form 8-K filed June 23, 2004: Item 5 of the Form 8-K reported that Hollywood Media signed a definitive agreement to acquire Studio Systems, Inc., including a summary of certain material terms of the transaction. A copy of Hollywood Media's press release announcing the agreement was filed as an exhibit.

SIGNATURES

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

HOLLYWOOD MEDIA CORP.

Date: August 11, 2004 By: /s/ Mitchell Rubenstein

Mitchell Rubenstein, Chief Executive Officer
(Principal executive officer)

Date: August 11, 2004 By: /s/ Scott Gomez

Scott Gomez, Vice President of Finance
and Accounting
(Principal accounting officer)

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Exhibit 10.1

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement") is dated as of June 15, 2004, by and between MERCHANT INTERNET GROUP, INC., a Delaware corporation ("Seller"), and SHOWTIMES.COM, INC., a Florida corporation ("Purchaser").

BACKGROUND

As only a portion of the operations of Seller, Seller is engaged, through its Front Row Marketing division, in the business of providing a weekly or more frequently delivered movie show times (and related content) email newsletter to patrons of movie theatres (the "Business"). Purchaser desires to acquire, and Seller desires to sell to Purchaser, certain of Seller's customer contracts related to the operation of the Business.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth herein, the parties hereby agree as follows:

ARTICLE I - PURCHASE AND SALE

1.1 Agreement to Sell and Purchase. At the Closing, Seller shall sell, assign, convey, transfer and deliver to Purchaser, and Purchaser shall purchase from Seller, all of Seller's right, title and interest on the Closing Date in, to and under the following assets (the "Purchased Assets"):

1.1.1 Business Contracts. All right, title and interest of Seller in, to and under the contracts, agreements, commitments, arrangements or undertakings of the Business set forth on Exhibit 1.1.1 (collectively, the "Business Contracts") but excluding the accounts receivable of the Business due under the Business Contracts as of the Closing Date;

1.1.2 Records. All information, databases, ledgers, files, records, lists, data, materials, telephone numbers, facsimile numbers, addresses and internet addresses, whether in tangible, electronic or other form, which pertain to the Business, including without limitation, the customers party to the Business Contracts;

1.1.3 Business Name. To the extent of Seller's interest therein, the name "Front Row Marketing";

1.1.4 URLs. Seller's URLs for those of its websites used only in connection with the Business, as set forth on Exhibit 1.1.4;

1.1.5 Toll free Telephone Number. The number 888-866-3765 used in connection with the Business; and

1.1.6 Other Intellectual Property Rights. All other non-patent

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intellectual property rights, including trademarks and service marks, and the goodwill associated with the Business, and all rights thereunder, remedies against infringement thereof, and rights to protection of such interests therein under the laws of all jurisdictions.

1.2 Assumption of Liabilities. At the Closing, Purchaser shall assume and agree to pay, discharge or perform, as appropriate, all liabilities and obligations arising on and after the Closing Date under the Business Contracts (the "Assumed Liabilities"). Except for the Assumed Liabilities, Purchaser shall not assume or have any responsibility for any debt, liability, obligation or commitment of any nature, whether now or hereafter existing, absolute, contingent or otherwise, known or unknown, relating to Seller, the Purchased Assets or the Business; provided, however, that Purchaser acknowledges and agrees that it shall be solely responsible for the liabilities and obligations incurred or undertaken by Purchaser in connection with the Business Contracts and otherwise with respect to its operation of the Business after the Closing Date.

1.3 Purchase Price. The purchase price (the "Purchase Price") paid by Purchaser to Seller for the Purchased Assets shall be the assumption of the Assumed Liabilities plus $300,000 payable in the form of in that number of the shares of the common stock, par value $0.01 per share (the "Common Stock"), of Hollywood Media Corp., a Florida corporation and the parent company of Purchaser ("Hollywood Media"), determined by dividing $300,000 by the Per Share Price (as defined in Article XI) for the Common Stock as of the close of business on date that is four business days prior to the Closing Date. Purchaser shall cause Hollywood Media to issue the Common Stock as follows:

1.3.1 Hollywood Media shall issue to Seller that number of shares of Common Stock with an aggregate value (based on the Per Share Price) of $50,000 (rounded down to the nearest whole multiple of the Per Share Price) and delivered such shares to Broad and Cassel, as escrow agent (the "Escrow Agent") under the Escrow Agreement to be entered into among the parties in the form of Exhibit 1.3 (the "Escrow Agreement") (such shares are referred to herein as the "Escrowed Shares"). Within fifteen (15) days after expiration of the ninety (90) day period commencing on the Closing Date (the "Relevant Period"), Purchaser shall deliver to Seller and the Escrow Agent a written notice setting forth the gross revenues generated by the Business during the Relevant Period, which notice shall be certified as accurate and complete by a duly authorized officer of Purchaser (the "Revenue Notice"). In the event that the Revenue Notice reflects gross revenues greater than or equal to seventy-five percent (75%) or greater of the revenues generated by the Business during the ninety (90) period preceding the Closing Date (being $29,941.65) (the "Revenue Threshold"), Purchaser shall cause the Escrow Agent to deliver the Escrowed Shares to Seller within five (5) days after delivery of the Revenue Notice. In the event that the gross revenues set forth in the Revenue Notice are less than the Revenue Threshold, Purchaser shall instead cause the Escrow Agent to release to Seller

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that number of the Escrowed Shares determined by reducing the total number thereof by the same percentage reduction in gross revenues set forth in the Revenue Notice as compared to the Revenue Threshold and to release the remainder to Hollywood Media for cancellation. Any fractional shares resulting from such reduction shall be rounded up to the nearest whole share for purposes of the amount released to Seller. In addition, but only if the Escrowed Shares are not subject to any lien or pledge in favor of any third party, any claims for indemnity by Purchaser pursuant to Section 8.3 shall be first satisfied from the Escrowed Shares. Seller and Purchaser acknowledge that the Escrow Agent is acting as legal counsel to Purchaser for purposes of the transactions contemplated hereby. Seller and Purchaser consent to such counsel acting as Escrow Agent and do hereby waive any conflict of interest resulting therefrom and agree to indemnify Escrow Agent in the exercise of its obligations to the extent provided in the Escrow Agreement.

1.3.2 Hollywood Media shall issue the remaining shares of Common Stock in the name of Seller and deliver the same to Seller at Closing.

Seller acknowledges and agrees that the certificates representing the shares of Common Stock hereunder shall bear the following legend:

> The shares of stock represented by this Certificate have been acquired directly or indirectly from the Issuer or an affiliate of the Issuer without being registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state or other jurisdiction, including the Florida Securities Act, and are restricted securities as that term is defined in Rule 144 promulgated under the Act. These shares may not be sold or transferred unless registered under such Act and the securities laws of applicable states and other jurisdictions or unless any request for any such sale or transfer is accompanied by a favorable opinion of counsel reasonably satisfactory to the Issuer, stating that such sale or transfer will not result in a violation of such laws.

Purchaser acknowledges that Seller intends to pledge the Common Stock as collateral for a loan to be received from a financial institution or other lender and, in connection with such pledge, the financial institution or other lender will acknowledge that the shares of Common Stock are restricted securities under Rule 144 promulgated under the Securities Act. Accordingly, Seller will advise and cause such financial institution or other lender to agree that in exercising its rights under such pledge it must either comply with the applicable provisions of the Securities Act or must provide an opinion of counsel satisfactory to Hollywood Media that any such exercise will not violate the Securities Act.

ARTICLE II - CLOSING

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2.1 Closing. The purchase and sale provided for in this Agreement (the "Closing") shall take place at the offices of Seller's counsel at Miller,

Canfield, Paddock and Stone, P.L.C., 101 North Main Street, 7th Floor, Ann Arbor, Michigan, at 10:00 a.m. (local time) on June 18, 2004, unless Purchaser and Seller otherwise agree. Subject to the provisions of Article X, failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place determined pursuant to this Section 2.1 shall not result in the termination of this Agreement and shall not relieve any party of any obligation under this Agreement. In such a situation, the Closing shall occur as soon as practicable, subject to Article X.

2.2 Items to be Delivered at the Closing. At the Closing and subject to the terms and conditions of this Agreement:

2.2.1 Deliveries by Seller. Seller shall deliver to Purchaser:

(a) The Bill of Sale and Assignment of Contract Rights executed by Seller in substantially the form attached as Exhibit 2.2.1(a) (the "Bill of Sale");

(b) The Assignment and Assumption Agreement executed by Seller in substantially the form attached as Exhibit 2.2.1(b) (the "Assignment and Assumption Agreement");

(c) The Non-Competition Agreement executed by Seller in substantially the form attached as Exhibit 2.2.1(c) (the "Non-Competition Agreement");

(d) The Service Agreement executed by Seller in substantially the form attached as Exhibit 2.2.2(d) (the "Service Agreement");

(e) The Escrow Agreement executed by Seller;

(f) All third-party consents necessary to transfer to Purchaser Seller's right, title and interest in and to the Business Contracts as of the Closing Date to the extent obtained by Seller prior to the Closing Date;

(g) A certificate executed by Seller certifying as to the matters set forth in Sections 6.1 and 6.2; and

(h) Such other documents, certificates, affidavits and instruments as are required by this Agreement or reasonably requested by Purchaser.

2.2.2 Deliveries by Purchaser. Purchaser shall deliver to Seller:

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(a) duly issued stock certificates representing that number of shares of Common Stock determined pursuant to Section 1.3 (subject to the delivery of the Escrowed Shares into escrow pursuant to Section 1.3(a));

(b) The Assignment and Assumption Agreement executed by Purchaser;

(c) The Non-Competition Agreement executed by Purchaser;

(d) The Service Agreement executed by Purchaser;

(e) The Escrow Agreement executed by Purchaser;

(f) A certificate executed by Purchaser certifying as to the matters set forth in Sections 7.1 and 7.2; and

(g) Such other documents, certificates, affidavits and instruments as are required by this Agreement or reasonably requested by Seller.

2.3 Third-Party Consents. To the extent Seller's rights under any of the Business Contracts to be assigned to Purchaser hereunder may not be assigned without the consent of another Person which has not been obtained on or before the Closing, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense (which shall be limited to reasonable expenses incidental to obtaining third-party consents), shall use its Best Efforts after the Closing to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Purchaser's rights under the Purchased Assets in question so that Purchaser would not in effect acquire the benefit of such rights in all material respects, Seller, to the maximum extent permitted by Law, shall act after the Closing as Purchaser's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law, with Purchaser in any subcontracting or other reasonable arrangement designed to provide such benefits to Purchaser.

2.4 Allocation of Purchase Price. The parties agree to allocate the Purchase Price (and all other capitalizable costs) among the Purchased Assets for all purposes (including financial accounting and tax purposes) in accordance with the allocation schedule attached as Exhibit 2.4.

ARTICLE III - REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Purchaser as follows:

3.1 Corporate Existence. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

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3.2 Corporate Power; Authorization; Enforceable Obligations. Seller has the corporate power, authority and legal right to execute, deliver and perform

this Agreement. The execution, delivery and performance of this Agreement by Seller has been duly authorized by all necessary corporate and shareholder action. This Agreement has been, and the other agreements, documents, instruments, exhibits, schedules or certificates required to be delivered under this Agreement shall be, duly executed and delivered on behalf of Seller by duly authorized officers of Seller, and this Agreement constitutes, and the other agreements, documents, instruments, exhibits, schedules or certificates required to be delivered under this Agreement when executed and delivered shall constitute, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally, or by general principles of equity.

3.3 Conflict with Existing Laws, Agreements, etc. The execution, delivery and performance of this Agreement by Seller does not and shall not result in the creation of any Encumbrance upon or any option or right to purchase any of the Purchased Assets and shall not materially violate, conflict with or result in the breach of any material term, condition or provision of, or require the consent of any other Person: (a) to the Knowledge of Seller, under any existing Law; (b) under any judgment, order, writ, injunction, decree or award of any arbitrator or Governmental Body; (c) under the articles of incorporation or bylaws of Seller or any securities issued by Seller; or (d) under any mortgage or indenture, agreement, contract, commitment, lease, plan, authorization or permit issued by any Governmental Body, or other instrument or document to which Seller is a party, by which Seller may have rights or by which any of the Purchased Assets may be bound or affected.

3.4 Accounts Receivable. Exhibit 3.4 (a) contains a complete and accurate list and the aging of the accounts receivable of the Business due under the Business Contracts as of June 9, 2004, and (b) will contain a complete and accurate list and aging of the accounts receivable of the Business due under the Business Contracts as of the Closing Date. Such accounts receivable represent valid obligations arising from sales actually made, services actually performed and other business transactions in the Ordinary Course of Business and Seller has not attempted to delay collection of such accounts receivable other than in the Ordinary Course of Business.

3.5 No Material Adverse Effect. Since December 31, 2003, no event has occurred or condition has arisen that has had a Material Adverse Effect.

3.6 Title to Certain Purchased Assets. At the Closing, Seller shall convey good title to all of the Purchased Assets free and clear of all

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Encumbrances.

3.7 Compliance with Laws. To the Knowledge of Seller, Seller is in compliance with applicable Laws relating to the ownership of the Purchased Assets and the conduct of the Business as presently conducted.

3.8 Litigation. There is no suit, action, arbitration or other legal or administrative proceeding to which Seller is a party or, to Seller's Knowledge, threatened or under investigation or considered relating to the Purchased Assets or which questions or challenges the validity of this Agreement or the transactions contemplated hereby. Seller is not a party to any judgment, order, writ, injunction, decree or award of any court, arbitrator or Governmental Body which relates to the Purchased Assets or the transactions contemplated by this Agreement.

3.9 Business Contracts. Exhibit 1.1.1 (a) sets forth a true, complete and correct list of all Business Contracts as of the date of this Agreement, which list reflects all of the customers of the Business as of the date hereof, and (b) will set forth a true, complete and correct list of all Business Contracts as of the Closing Date and will reflect all of the customers of the Business as of the Closing Date. The Business Contracts are valid and enforceable in accordance with their terms and are assignable by Seller to Purchaser, except as such enforceability may be limited by laws relating to creditors' rights and general equitable principles. Seller is not and, to the Knowledge of Seller, no other party to the Business Contracts is, in material default in the performance, observance or fulfillment of any material obligation, covenant or condition contained therein; and to the Knowledge of Seller, no event has occurred which with or without the giving of notice or lapse of time, or both, would constitute a default thereunder. There are no outstanding and, to the Knowledge of Seller, no threatened disputes or disagreements with respect to any Business Contract. To the Knowledge of Seller, there are no plans by any other party to a Business Contract to terminate such Business Contract. Seller has made available to Purchaser true and complete copies of the written Business Contracts as currently in effect as well as true and complete copies of the accounts receivable invoices since January 1, 2002, with respect to such Business Contracts. Purchaser acknowledges that Seller makes no representation or warranty as to the number of customers of the Business that will continue with the Business after the Closing.

3.10 Intellectual Property. Seller in the operation of the Business does not utilize any registered patent, registered trademark, registered service mark, registered copyright or software. To the Knowledge of Seller, Seller in the operation of the Business does not infringe upon or unlawfully or wrongfully use any registered patent, registered trademark, registered service mark, registered copyright or trade secret owned or claimed by another.

3.11 Financial Condition of Seller. Seller is able to pay and perform its obligations relating to the Business prior to the Closing as they mature.

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3.12 No Misrepresentation or Omission. No representation or warrant by Seller in this Agreement, or in any exhibit, schedule, document, certificate, instrument or other agreement delivered or to be delivered by it pursuant hereto, contains or will contain any untrue statement of a material fact or omits or will omit to state a fact necessary in order to make the statements contained herein or therein not misleading.

3.13 Brokers. Seller has not paid or become obligated to pay any fee or commission to any broker, finder, investment banker or other intermediary in connection with the transactions contemplated by this Agreement.

3.14 Investment Intent. Seller is acquiring the Common Stock for investment for its own account and not with a view to the distribution of any part thereof. Seller acknowledges that the Common Stock to be delivered to Seller pursuant to Section 1.3 has not been registered under U.S. federal or any applicable state securities Laws or the Laws of any other jurisdiction and cannot be resold without registration under such Laws or an exemption therefrom. Seller further acknowledges that it has knowledge and experience in financial and business matters, that it is capable of evaluating the merits and risks of an investment in the Common Stock, and that it can bear the economic risk of an investment in the Common Stock. Seller represents that it is aware that Hollywood Media is a reporting company under the Exchange Act and that it has had the opportunity to review reports and other filings with the SEC made by Hollywood Media and to ask questions of, and receive answers from, representatives of Hollywood Media and Purchaser regarding Seller's acquisition of the Common Stock.

3.15 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF THE BUSINESS, THE PURCHASED ASSETS, THE ASSUMED LIABILITIES OR ANY OTHER ASPECT OF SELLER'S ASSETS, LIABILITIES OR OPERATIONS, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED. PURCHASER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE BILL OF SALE OR THE ASSIGNMENT AND ASSUMPTION AGREEMENT TO BE DELIVERED BY SELLER, PURCHASER IS PURCHASING THE PURCHASED ASSETS ON AN "AS-IS, WHERE-IS" BASIS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER MAKES NO REPRESENTATION OR WARRANTY REGARDING ANY ASSETS OTHER THAN THE PURCHASED ASSETS, AND NONE SHALL BE IMPLIED AT LAW OR IN EQUITY.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES OF PURCHASER AND HOLLYWOOD MEDIA

4.1 Representations of Purchaser. Purchaser represents and warrants to Seller as follows:

4.1.1 Corporate Existence. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of

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Delaware.

4.1.2 Corporate Power; Authorization; Enforceable Obligations. Purchaser has the corporate power, authority and legal right to execute, deliver and perform this Agreement. The execution, delivery and performance of this Agreement by Purchaser has been duly authorized by all necessary corporate action. This Agreement has been, and the other agreements, documents, instruments, exhibits, schedules or certificates required to be delivered by Purchaser under this Agreement shall be, duly executed and delivered on behalf of Purchaser by duly authorized officers of Purchaser, and this Agreement constitutes, and the other agreements, documents, instruments, exhibits, schedules or certificates required to be delivered under this Agreement when executed and delivered shall constitute, the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally, or by general principles of equity.

4.1.3 Conflict with Existing Laws, Agreements, etc. The execution, delivery and performance of this Agreement by Purchaser does not and shall not materially violate, conflict with or result in the breach of any material term, condition or provision of, or require the consent of any other Person: (a) to its Knowledge, under any existing Law; (b) under any judgment, order, writ, injunction, decree or award of any arbitrator or Governmental Body; (c) the articles of incorporation or bylaws of Purchaser or any securities issued by Purchaser; or (d) under any mortgage, indenture, agreement, contract, commitment, lease, plan or authorization or permit issued by any Governmental Body or other instrument or document to which Purchaser is a party or by which Purchaser may have rights.

4.1.4 Brokers. Purchaser has not paid or become obligated to pay any fee or commission to any broker, finder, investment banker or other intermediary in connection with the transactions contemplated by this Agreement.

4.2 Representations of Hollywood Media. Hollywood Media represents to Seller as follows:

4.2.1 Corporate Existence. Hollywood Media is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida.

4.2.2 Corporate Power; Authorization; Enforceable Obligations. Hollywood Media has the corporate power, authority and legal right to execute, deliver and perform this Agreement to the extent of its obligations hereunder. The execution and delivery of this Agreement by Hollywood Media and performance of its obligations hereunder have been duly authorized by all necessary corporate action. This Agreement has been, and the other certificates required to be delivered under this Agreement shall be, duly executed and delivered on

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behalf of Hollywood Media by duly authorized officers of Hollywood Media, and

this Agreement constitutes, and the other certificates required to be delivered by Hollywood Media under this Agreement when executed and delivered shall constitute, the legal, valid and binding obligations of Hollywood Media, enforceable against Hollywood Media in accordance with their respective terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally, or by general principles of equity.

4.2.3 Issuance of the Common Stock. Subject to receipt of the consideration therefor, the Common Stock issued to Seller at the Closing shall be duly and validly issued, fully paid and non-assessable and issued free of all preemptive rights and Encumbrances.

ARTICLE V - COVENANTS PENDING CLOSING

5.1 Operation of the Business. Seller covenants and agrees that, pending the Closing, and except as otherwise agreed to in writing by Purchaser and except in connection with the matters contemplated by this Agreement, the Business shall be conducted in the Ordinary Course of Business. In particular, Seller agrees that it shall not modify the pricing for services provided to customers in the Business in any manner without the prior written consent of Purchaser, which consent will not be unreasonably withheld or delayed.

5.2 Notice of Developments. Seller shall promptly notify Purchaser of any development that, to Seller's Knowledge, causes a breach of its representations and warranties contained in Article III. Unless Purchaser has the right to terminate this Agreement pursuant to Section 10.1 by reason of the development and exercises that right within the period of ten Business Days referred to in Section 10.1.2(b), the written notice pursuant to this Section 5.2 shall be deemed to have qualified the representations and warranties contained in Article III, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the development.

5.3 Satisfaction of Conditions. Seller and Purchaser shall cooperate with one another and use their Best Efforts to cause all of the conditions to the obligations of each other under this Agreement to be satisfied on or prior to the Closing Date.

5.4 Access. Upon forty-eight (48) hours prior written notice from Purchaser to Seller, Seller shall give to Purchaser and its Representatives access to and the right to inspect, during normal business hours, all of the Purchased Assets, provided that such inspection shall not unreasonably interfere with Seller's operation of the Business. Seller shall take all reasonable steps necessary to cooperate with Purchaser in conducting this inspection. In no event

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shall Purchaser communicate with any employee, customer or supplier of the Business without the prior written consent of Seller.

5.5 Public Announcements. Any public announcements or similar publicity with respect to this Agreement or the transactions contemplated herein shall only be made at such time and in such manner as the parties hereto shall reasonably agree in writing.

5.6 Third-Party Consents. Seller, at its expense (which shall be limited to reasonable expenses incidental to obtaining third-party consents), shall use Best Efforts to acquire all third-party consents necessary to transfer to Purchaser all of Seller's right, title and interest in the contracts and agreements to be assumed by Purchaser as of the Closing Date.

ARTICLE VI - CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

The obligation of Purchaser to consummate the transactions contemplated hereby is subject to the satisfaction prior to or at the Closing of each of the following conditions, any of which may be waived by Purchaser, in whole or in part:

6.1 Representations and Warranties. The representations and warranties of Seller contained in Article III of this Agreement shall be true and correct in all material respects at and as of the Closing Date as if made on the Closing Date.

6.2 Performance. Seller shall have in all material respects performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

6.3 Officer's Certificate. Seller shall have delivered to Purchaser a certificate signed by an officer of Seller, dated the Closing Date, as to the matters set forth in Sections 6.1 and 6.2.

6.4 No Proceedings. No action, suit or proceeding shall be pending or threatened before any Governmental Body that would prevent, delay, make illegal or otherwise interfere with any of the transactions contemplated by this Agreement.

6.5 Employment of Jack Gordon. Jack Gordon shall have entered into an employment agreement in form and substance satisfactory to Purchaser in its sole discretion. . 6.6 Closing Deliveries. Seller shall have completed its closing deliveries as set forth in Section 2.2.1 hereof.

ARTICLE VII - CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

The obligation of Seller to consummate the transactions contemplated

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hereby is subject to the satisfaction prior to or at the Closing of each of the following conditions, any of which may be waived by Seller, in whole or in part:

7.1 Representations and Warranties. The representations and warranties of Purchaser contained in Article IV of this Agreement shall be true and correct in all material respects at and as of the Closing Date as if made on the Closing Date.

7.2 Performance. Purchaser shall have in all material respects performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Purchaser prior to or on the Closing Date.

7.3 Officer's Certificate. Purchaser shall have delivered to Seller a certificate signed by an officer of Purchaser, dated the Closing Date, as to the matters set forth in Sections 7.1 and 7.2.

7.4 Transactions Involving Jack Gordon. Seller shall have reached an agreement with Jacob J. Gordon with respect to the termination of Gordon's relationship with Seller to the satisfaction of Seller.

7.5 No Proceedings. No action, suit or proceeding shall be pending or threatened before any Governmental Body that would prevent, delay, make illegal or otherwise interfere with any of the transactions contemplated by this Agreement.

7.6 Closing Deliveries. Purchaser shall have completed its closing deliveries as set forth in Section 2.2.2 hereof.

ARTICLE VIII - INDEMNIFICATION

8.1 Indemnification Given By Seller. Seller and its successors and permitted assigns, subject to the limitations set forth in this Article VIII, shall indemnify Purchaser and its successors and permitted assigns from and against any and all losses, claims, liabilities, actions, suits, proceedings, fines, expenses, penalties and damages including reasonable legal fees and costs, whether or not involving a third-party claim (collectively, "Losses") arising from or in connection with:

8.1.1 Any breach of any representation or warranty made by Seller in Article III of this Agreement;

8.1.2 Any breach of any covenant or obligation of Seller in this Agreement; and

8.1.3 The performance or non-performance by Seller under any of the Business Contracts or the provision by Seller of any service or sale of any product relating to the Business, in either case at any time prior to the

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Closing Date.

8.2 Indemnification Given by Purchaser. Purchaser and its successors and permitted assigns, subject to the limitations set forth in this Article

VIII, shall indemnify Seller and its successors and permitted assigns from and against any and all Losses arising from or in connection with:

8.2.1 Any breach of any representation or warranty made by Purchaser or Hollywood Media in Article IV this Agreement;

8.2.2 Any breach of any covenant or obligation of Purchaser or Hollywood Media in this Agreement;

8.2.3 The performance or non-performance by Purchaser under any of the Business Contracts or the provision by Purchaser of any service or sale of any product relating to the Business, in either case at any time on or after the Closing Date;

8.2.4 Any assessment, claim or other liability (including interest and penalties) for Taxes assessed against the Purchased Assets or relating to the operation of the Business in any jurisdiction, in either case for any period commencing on or after the Closing Date; and

8.2.5 Any failure of Purchaser to pay or perform any of the Assumed Liabilities from and after the Closing Date.

8.3 Satisfaction of Indemnification Claims Against Seller. All claims for indemnification against Seller and its successors and permitted assigns shall be satisfied solely by the return of shares of the Common Stock delivered to Seller pursuant to Section 1.3 and not by cash payment; provided, however, that to the extent that any such claim cannot be satisfied by release of Escrowed Shares as provided in the Escrow Agreement and then all or any portion of such Common Stock still held by Seller and not subject to any lien, pledge or encumbrance in favor of any third party, then Purchaser shall be entitled to payment in cash from Seller in respect of such claim. The value of the Common Stock to be returned in connection with the satisfaction of any such claim for indemnification shall be determined based on the Per Share Price as of the date on which the indemnification claim is satisfied. Notwithstanding any cash payment required pursuant to this Section, the maximum aggregate liability of Seller and its successors and permitted assigns for indemnification pursuant to this Article VIII shall be limited to the aggregate value of the Common Stock as of the date on which the indemnification claim is satisfied. Seller shall have no liability (for indemnification or otherwise) with respect to Section 8.1 until the total monetary value of all Losses with respect to such matters exceeds $30,000 and thereafter Seller shall be liable for the full amount of such Losses back to the first dollar, subject to the limit on the maximum

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aggregate amount of Seller's liability as provided in this Section 8.3.

8.4 Satisfaction of Indemnification Claims Against Purchaser. All claims for indemnification against Purchaser and its successors and permitted assigns shall be satisfied by cash payment or by the delivery of additional

shares of Common Stock, determined as provided in Section 8.3 above, at Purchaser's sole discretion. The maximum aggregate liability of Purchaser and its successors and permitted assigns for indemnification pursuant to this Article VIII shall be limited to the aggregate value of the Common Stock as of the date on which the indemnification claim is satisfied, determined based on the Per Share Price as of the date on which the indemnification claim is satisfied. Purchaser shall have no liability (for indemnification or otherwise) with respect to Section 8.2 until the total monetary value of all Losses with respect to such matters exceeds $30,000 and thereafter Purchaser shall be liable for the full amount of such Losses back to the first dollar, subject to the limit on the maximum aggregate amount of Purchaser's liability as provided in this Section 8.4.

8.5 Survival. All representations, warranties and covenants made in this Agreement shall survive, and shall not be extinguished by, the Closing; provided, however, no party shall be entitled to indemnification or payment from the other party pursuant to this Article VIII, unless the Indemnified Party (as defined below) shall have provided the Indemnifying Party (as defined below) with notice of its claim to indemnification pursuant to Section 8.7 or 8.8 (as applicable) within one (1) year after the Closing Date.

8.6 Limitations on Losses. Anything in this Agreement or otherwise to the contrary notwithstanding:

8.6.1 No party shall be entitled to indemnification for the amount of any Losses in excess of the amount of such Losses which would have been incurred, but for the failure of such party to take reasonable action to mitigate such Losses upon becoming aware of any claim.

8.6.2 No party shall be entitled to indemnification for the amount of any Losses in excess of the amount of such Losses which would have been incurred, but for: (a) the unlawful conduct of such party; or (b) the breach or default by such party of any representation, warranty, covenant, obligation or agreement under this Agreement.

8.6.3 In determining the amount of any claim for which an Indemnified Party is entitled to indemnification pursuant to this Article VIII, the parties shall make appropriate adjustments for tax benefits.

8.6.4 No party shall be entitled to indemnification under this Agreement for any incidental, indirect, special, collateral, consequential,

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exemplary or punitive damages.

8.6.5 All indemnification payments under this Article VIII shall be deemed adjustments to the Purchase Price.

8.7 Procedure for Indemnification - Defense of Third-Party Claims. If any third party shall notify a party hereto (the "Indemnified Party") with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against the other party hereto (the "Indemnifying Party") under this Article VIII, then the Indemnified Party shall promptly (an in any event within five Business Days) after receiving notice of the Third Party Claim notify the Indemnifying Party thereof in writing describing in reasonable detail the facts constituting the basis for the Third Party Claim; provided, however, that the failure of the Indemnified Party to so notify the Indemnifying Party of such Third Party Claim shall not affect the Indemnified Party's right to indemnification hereunder, except to the extent that (a) the resolution of such claim is materially prejudiced by the Indemnified Party's failure to give such notice in such a timely fashion or (b) the Indemnifying Party is required to pay a materially greater amount or accrue material additional expenses with respect to such claim. The Indemnifying Party shall have the right at any time to participate in the defense of any Third Party Claim and, to the extent it wishes, to assume and thereafter conduct the defense of any Third Party Claim using legal counsel reasonably satisfactory to the Indemnified Party; provided, however, that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld). Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in this Section 8.7, the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate. In no event shall the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld). If the Indemnifying Party assumes the defense of the Third Party Claim the Indemnified Party agrees, if requested by the Indemnifying Party, to cooperate with the Indemnifying Party and its counsel in contesting the Third Party Claim, or, if appropriate and related to the Third Party Claim in question, in making any counterclaim against the Person asserting the Third Party Claim or any cross-complaint against any Person. After assumption of the defense by the Indemnifying Party, the Indemnified Party shall have the right to employ its own counsel in such matter, but the fees and expenses of the Indemnified Party's counsel shall be at the Indemnified Party's expense. Purchaser and Seller consent to the non-exclusive jurisdiction of any court in which a proceeding is brought against the other party by a third party for purposes of any claim that Purchaser or Seller may have under this Agreement with respect to such proceeding or the matters alleged therein. Purchaser and Seller agree that process may be served on them with respect to such a claim anywhere in the world.

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8.8 Procedure for Indemnification - Other Claims. A claim for indemnification for any matter not involving a Third Party Claim shall be asserted by the Indemnified Party by notice to the Indemnifying Party in writing, promptly and in any case within twenty Business Days, after discovery

of the facts supporting the claim; provided, however, that the failure of the Indemnified Party to promptly notify the other or to give notice of a claim within such twenty-Business-Day period shall not affect the Indemnified Party's right to indemnification hereunder, except to the extent that (a) the resolution of such claim is materially prejudiced by the Indemnified Party's failure to give such notice in such a timely fashion or (b) the Indemnifying Party is required to pay a materially greater amount or accrue material additional expenses with respect to such claim. Such notice shall describe the facts constituting the basis for the claim of indemnification in reasonable detail.

8.9 Escrow; Right of Setoff. Upon notice to Seller specifying in reasonable detail the basis for such setoff, Purchaser may give notice of a claim in such amount under the Escrow Agreement. Neither giving nor failing to give a notice of a claim under the Escrow Agreement will constitute an election of remedies or limit Purchaser in any manner in the enforcement of any other remedies that may be available to Purchaser.

8.10 Exclusive Remedy. PURCHASER AND SELLER ACKNOWLEDGE AND AGREE THAT THE FOREGOING INDEMNIFICATION PROVISIONS IN THIS ARTICLE VIII SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF PURCHASER AND SELLER FOR ANY BREACH OF ANY REPRESENTATION, WARRANTY, COVENANT OR OBLIGATION CONTAINED IN THIS AGREEMENT; PROVIDED, HOWEVER, THAT NOTHING CONTAINED IN THIS SECTION SHALL BE INTERPRETED TO IN ANY WAY LIMIT THE SEPARATE REMEDIES SET FORTH IN THE SERVICE AGREEMENT OR THE NON-COMPETITION AGREEMENT. TO THE FULLEST EXTENT PERMITTED BY LAW, ALL OTHER RIGHTS AND REMEDIES OF THE PARTIES ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT ARE HEREBY WAIVED AND RELEASED.

ARTICLE IX - POST-CLOSING MATTERS

9.1 Discharge of Business Obligations. From and after the Closing Date, Seller shall pay and discharge, in accordance with past practice but not less than on a timely basis, all obligations and liabilities it has incurred prior to the Closing Date in respect of the Business to the extent not assumed by Purchaser hereunder as part of the Assumed Liabilities.

9.2 Value of the Common Stock. If on the one-year anniversary of the Closing Date (the "Trigger Date"), the aggregate value of the Common Stock delivered to Seller pursuant to Section 1.3 shall be less than $300,000 (determined using the Per Share Price as of the Trigger Date) then Purchaser shall, within five Business Days of the Trigger Date, pay to Seller the difference between the aggregate value of the Common Stock as of the Trigger Date and $300,000 by cashier's check or wire transfer in immediately available

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funds to the account specified by Seller. Notwithstanding the foregoing, if at any time prior to the Trigger Date the Common Stock is of a class which is not

then listed or admitted to trading on any national securities exchange or traded in the over-the-counter market as reported by NASDAQ Stock Market, Inc., or a successor of NASDAQ Stock Market, Inc., then Purchaser shall immediately pay the sum of $300,000 to Seller by cashier's check or wire transfer in immediately available funds to the account specified by Seller and upon receipt thereof Seller shall return the certificates representing the Common Stock.

9.3 Compliance with Rule 144. With a view to making available to Seller the benefits of certain rules and regulations of the SEC which may permit the sale of Common Stock to the public without registration, Hollywood Media agrees to use its Best Efforts from and after the date of this Agreement to:

9.3.1 Make and keep public information available, as those terms are understood and defined in Rule 144 promulgated under the Securities Act, as such rule may be amended from time to time ("Rule 144");

9.3.2 File with the SEC, in a timely manner, all reports and other documents required of Purchaser under the Exchange Act;

9.3.3 So long as Seller owns any of the Common Stock delivered to Seller pursuant to this Agreement, furnish to Seller forthwith upon request a written statement by Purchaser as to its compliance with the reporting requirements of the Exchange Act; and 9.3.4 Cooperate with Seller's reasonable requests in its attempts to dispose of the Common Stock upon satisfaction of the applicable holding periods under Rule 144.

9.4 Payments Received. Seller and Purchaser each agree that after the Closing they shall hold and shall promptly transfer and deliver to the other, from time to time as and when received by them, any cash, checks with appropriate endorsements (using their Best Efforts not to convert such checks into cash), or other property that they may receive which properly belongs to the other party.

ARTICLE X - TERMINATION

10.1 Termination. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated by written notice of termination at any time prior to the Closing only as follows:

10.1.1 by mutual written consent of Seller and Purchaser;

10.1.2 by Purchaser: (a) if Seller has breached any material representation, warranty or covenant contained in this Agreement in any material respect and has not cured the same within 30 days after Purchaser notifies

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Seller of the breach; (b) if Seller has, within the previous ten Business Days,

given Purchaser any notice pursuant to Section 5.2 and the development that is the subject of such notice has had a Material Adverse Effect; or (c) if any of the conditions precedent set forth in Article VI hereof have become incapable of being met through no fault of Purchaser;

10.1.3 by Seller: (a) if Purchaser has breached any material representation, warranty or covenant contained in this Agreement in any material respect and has not cured the same within 30 days after Seller notifies Purchaser of the breach; or (b) if any of the conditions precedent set forth in Article VII hereof have become incapable of being met through no fault of Seller; or

10.1.4 by any party not in material breach of this Agreement if the Closing has not occurred by June 30, 2004.

In the event of the termination of this Agreement pursuant to the provisions of this Section 10.1, this Agreement shall become void and shall be of no further force and effect, without any liability on the part of any of the parties in respect of this Agreement. Provided, however, if such termination was the result of the representations and warranties of a party being materially incorrect when made or the material breach by such party of a covenant hereunder, the party whose representations and warranties were incorrect or who breached such covenant shall be liable to the other party for all out-of-pocket costs and expenses of the other party in connection with the preparation, negotiation, execution and performance of this Agreement (including reasonable legal fees), in addition to all rights and remedies to which such non-defaulting party may otherwise be entitled.

ARTICLE XI - CERTAIN DEFINITIONS

For purposes of this Agreement, the following terms (whether plural or singular) have the meanings specified in this Article XII:

"Affiliate" - with respect to a Person, any other Person controlled by, under common control with or controlling such Person.

"Best Efforts" - the efforts that a reasonable Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible without incurring unreasonable expenses.

"Business Day" - any day other than a Saturday, Sunday or other day on which commercial banks in the States of Florida or Michigan are authorized or required by Law to close.

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"Encumbrance" - any lien, option, pledge, security interest, right of first refusal or other ownership interest of any kind.

"Exchange Act" - the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GAAP" - generally accepted accounting principles for financial reporting in the United States, as in effect as of the date of this Agreement.

"Governmental Body" - any:

(a) nation, state, county, city, town, village, district, or other jurisdiction of any nature;

(b) federal, state, local, municipal, foreign, or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);

(d) multi-national organization or body; or

(e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"Knowledge" - an individual will be deemed to have "Knowledge" of a particular fact or other matter if such individual is either (a) actually aware of such fact or other matter on the date of this Agreement or becomes actually aware of such fact or matter after the date of this Agreement and prior to the Closing, or (b) could be reasonably expected to discover or otherwise become aware of such fact or other matter in the course of conducting a commercially reasonable investigation regarding the existence of such fact or other matter. With respect to Seller, Seller will be deemed to have "Knowledge" of a particular fact or other matter only if any one or more of Mark J. Bennett, Andrew Frazier or Brian McCarter has Knowledge of such fact or other matter.

"Laws" - any law, statute, treaty, ordinance or governmental or regulatory rule or regulation, whether federal, state, local, municipal, foreign or multinational.

"Material Adverse Effect" - shall mean an individual or cumulative material adverse change in, or material adverse effect upon, the Purchased Assets or the financial condition of the Business as presently conducted which would materially impair the value of the Purchased Assets; provided, however, that any change, effect or impact on the condition of the Business or the Purchased Assets as a result of (i) any change in the general economy of any jurisdiction or in any of the industries that the Business serves, (ii) any

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change in any Law or adoption of any new Law (including any change in any interpretation thereof), or (iii) the pendency of the transactions contemplated herein or the announcement thereof, shall in no event constitute a Material Adverse Effect.

"Ordinary Course of Business" - an action taken by a Person will be deemed to have been taken in the "Ordinary Course of Business" only if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person;

(b) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority); and

(c) such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

"Person" - any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

"Per Share Price" - the average of the last transaction prices for the 15 trading days immediately prior to the date of determination for a share of Common Stock on a national securities exchange or the NASDAQ National Market System on which the Common Stock is then principally trading, or, in case a sale does not take place on a trading day during such 15-trading-day period, the average of the last reported representative bid and asked prices quoted by such national securities exchange or the NASDAQ National Market System on which the Common Stock is then principally trading.

"Representatives" - a party's directors, officers, employees, shareholders, advisors and agents.

"SEC" - the Securities and Exchange Commission.

"Securities Act" - the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Taxes" - any taxes (including income taxes, capital gains taxes, value-added taxes, sales taxes, property taxes or transfer taxes), levy, assessment, tariff, duty, deficiency or other fee and any related charge or amount (including any fine, penalty or interest) imposed, assessed or collected

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by or under the authority of any Governmental Body.

ARTICLE XII - GENERAL PROVISIONS

12.1 Construction. The headings of Articles and Sections of this Agreement are inserted for convenience only and shall not affect the construction or interpretation of this Agreement. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified. Whenever in this Agreement "or" is used, it is used in the inclusive sense of "and/or." As used in this Agreement, the word "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term. This Agreement and the Exhibits and other documents delivered pursuant to this Agreement are being entered into by and among competent and sophisticated parties who are experienced in business matters and represented by counsel and other advisors, and have been reviewed by the parties and their counsel and other advisors. Therefore, any ambiguous language in this Agreement or any agreements, documents, instruments, schedules, exhibits and certificates delivered pursuant hereto will not be construed against any particular party as the drafter of the language. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

12.2 Expenses. Except to the extent otherwise provided in this Agreement, Seller and Purchaser shall each pay all costs and expenses incurred by it in connection with this Agreement and the transactions contemplated hereby including fees and expenses of its own financial consultants, accountants and counsel.

12.3 Notices. All notices, consents, waivers and other communication under this Agreement must be in writing and shall be deemed given to a party when: (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid), (b) sent by confirmed facsimile if sent during normal business hours of the recipient, if not, then on the next Business Day, or (c) received or rejected by the addressee if sent certified mail, return receipt requested, in each case to the following address or facsimile number and marked to the attention of the individual (by name or title) designated below (or to such other address, facsimile number or individual as a party may designate by notice to the other parties):

If to Seller: Merchant Internet Group, Inc.
301 West Fourth Street, Suite 140
Royal Oak, MI 48067
Attention: Mark J. Bennett, President
Facsimile: 248-581-0700

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with a copy to: Miller, Canfield, Paddock and Stone, P.L.C.
101 N. Main Street, 7th Floor
Ann Arbor, MI 48104
Attention: David N. Parsigian
Facsimile: 734-747-7147

If to Purchaser: Showtimes.com, Inc.
63 Copps Hill Road
Ridgefield, CT 06877
Attention: Brett West, President
Facsimile: 203-894-8838

with copies to: Showtimes.com, Inc.
2255 Glades Road, Suite 221A
Boca Raton, FL 33431
Attention: Scott A. Gomez,
V.P. of Finance and Accounting
Facsimile: 561-998-2974

Broad and Cassel
7777 Glades Road, Suite 300
Boca Raton, FL 33434
Attention: Nina S. Gordon, P.A.
Facsimile: 561-218-8978

12.4 Benefit and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, permitted assigns, heirs and legal representatives. Neither Seller nor Purchaser shall assign or attempt to assign this Agreement without the prior written consent of the other party. Neither this Agreement nor any provisions hereof is intended to, or shall, create any rights in or confer any benefits to any Person other than the parties hereto.

12.5 Entire Agreement. Except for the Confidentiality Agreement between Seller and Purchaser dated April 9, 2004, this Agreement supersedes all prior agreements and communication between the parties with respect to its subject matter (including the term sheet from Hollywood Media to Seller dated April 22, 2004) and constitutes (along with the Exhibits and other documents delivered pursuant to this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended, supplemented or otherwise modified except by a written agreement executed by the party to be charged with the amendment

12.6 Further Assurances. Subject to the terms and conditions of this Agreement and at no material cost to Seller, at any time and from time to time after the Closing, at Purchaser's reasonable request, Seller shall execute and

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deliver to Purchaser such other instruments of sale, transfer, conveyance, assignment and confirmation, as Purchaser may reasonably deem necessary or desirable in order to more effectively transfer, convey and assign to Purchaser the Purchased Assets. Subject to the terms and conditions of this Agreement and at no material cost to Purchaser, at any time and from time to time after the Closing, at Seller's reasonable request, Purchaser shall execute and deliver to Seller such other instruments of assumption as Seller may reasonably deem necessary or desirable in order to more effectively give effect to Purchaser's assumption of the Assumed Liabilities.

12.7 Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement shall operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege shall preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable Law: (a) no waiver that may be given by a party shall be applicable except in the specific instance for which it is given; and (b) no notice to or demand on one party shall be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

12.8 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

12.9 Governing Law. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of New York without regard to conflict of laws principles that would require the application of any other law.

12.10 Counterparts. This Agreement may be executed in one or more counterparts and by facsimile, each of which shall be deemed to be an original copy of this Agreement and all of which, when taken together, shall be deemed to constitute one and the same agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

PURCHASER:
SHOWTIMES.COM, INC.

SELLER:
MERCHANT INTERNET GROUP, INC.

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By: /s/ Brett West

Brett West
Its President

By: /s/ Mark J. Bennett

Mark J. Bennett
Its President

AS TO SECTIONS 1.3, 4.2 AND 9.3 ONLY:

HOLLYWOOD MEDIA:

HOLLYWOOD MEDIA CORP.

By: /s/ Mitchell Rubenstein

Name: Mitchell Rubenstein
Title: Chief Executive Officer

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Exhibit 10.2

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of June 14, 2004, by and among Studio Systems, Inc., a Delaware corporation ("SSI"), Hollywood Media Corp., a Florida corporation ("HOLL"), SSI Acquisition Sub, Inc., a Delaware corporation and a wholly owned indirect subsidiary of HOLL ("Acquisition Sub"), and SSI Investments LLC, a Delaware limited liability company, as agent (the "Shareholder Agent") for the shareholders of SSI (the "SSI Shareholders").

WHEREAS, SSI and Acquisition Sub intend to consummate the Merger (as such term is defined in Section 1.1), as a result of which Acquisition Sub will be merged with and into SSI, a portion of the outstanding stock of SSI (the "SSI Stock") will be converted into the right to receive cash and SSI will be wholly owned, directly or indirectly by HOLL, all on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Board of Directors of SSI has (i) determined that the Merger is fair to and in the best interests of the SSI Shareholders and SSI's creditors; (ii) approved the Merger and the other transactions contemplated by this Agreement upon the terms and subject to the conditions set forth herein; and (iii) determined to recommend that the SSI Shareholders adopt and approve this Agreement and approve the merger;

WHEREAS, SSI is indebted to CMP Information Limited ("CMPi") in the aggregate principal amount of $1,519,000, (inclusive of accrued interest thereon), pursuant to a promissory note and related documents entered into in September 2001 (the "CMPI Indebtedness");

WHEREAS, CMPi has agreed to forgive all amounts due under the CMPi Indebtedness, effective upon consummation of the Merger, in consideration for a cash payment to CMPi on the Closing Date of $769,000 and the issuance of shares of HOLL's common stock valued at $250,000 (the "HOLL Shares");

WHEREAS, CMPi has also agreed to enter into a non-competition agreement with the "Surviving Corporation" (as defined in Section 1.1), effective upon consummation of the Merger, pursuant to which the Surviving Corporation will make aggregate payments to CMPi of $510,000, which payment obligation is to be secured by an unconditional irrevocable standby letter of credit to be issued by the Miami, Florida office of City National Bank (the "Bank");

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, SSI, HOLL, Acquisition Sub and the Shareholder Agent, on behalf of the SSI Shareholders, hereby agree as follows:

ARTICLE 1

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THE MERGER

Section 1.1. The Merger. At the Effective Time (as defined below) and upon the terms and subject to the conditions of this Agreement and in accordance with the General Corporation Law of the State of Delaware (the "Delaware GCL"),

Acquisition Sub shall be merged with and into SSI (the "Merger"). Following the Merger, SSI shall continue as the surviving corporation (the "Surviving Corporation") and the separate corporate existence of Acquisition Sub shall cease. HOLL, as the indirect owner of 100% of the issued and outstanding shares of capital stock of Acquisition Sub, hereby approves the Merger and this Agreement and will cause Acquisition Sub to approve the Merger and this Agreement.

Section 1.2. Effective Time. Subject to the terms and conditions set forth in this Agreement, on the Closing Date (as defined below), the parties hereto shall cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a duly executed Certificate of Merger substantially in the form of Exhibit A (the "Certificate of Merger"). The Merger shall become effective at such time as a properly executed copy of the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware in accordance with Section 251 of the Delaware GCL or such later time as HOLL, SSI and Acquisition Sub may agree upon and as set forth in the Certificate of Merger (the time the Merger becomes effective being referred to herein as the "Effective Time").

Section 1.3. Closing of the Merger. The closing of the Merger (the "Closing") will take place on the second business day after satisfaction of the last to be satisfied of the conditions set forth in Article 6 (other than those conditions that, by their terms, are to be satisfied at the Closing) (the "Closing Date"), at the offices of Troy & Gould Professional Corporation, 1801 Century Park East, Los Angeles, California 90067, unless another time, date or place is agreed to by the parties hereto.

Section 1.4. Effect of the Merger. The Merger shall have the effect set forth in this Agreement and the applicable provisions of the Delaware GCL. Without limiting the generality of the foregoing, but subject to the terms of this Agreement, at the Effective Time, all the properties, rights, privileges, powers and franchises of SSI and Acquisition Sub shall vest in the Surviving Corporation, and all debts, liabilities and obligations of SSI and Acquisition Sub shall become the debts, liabilities and obligations of the Surviving Corporation.

Section 1.5. Certificate of Incorporation and Bylaws; Directors and Officers. The Certificate of Incorporation and Bylaws of Acquisition Sub, as in effect immediately prior to the Effective Time, shall be the Certificate of

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Incorporation and Bylaws of the Surviving Corporation immediately after the Effective Time and shall thereafter continue to be its Certificate of Incorporation and Bylaws until amended as provided therein and under applicable law. The directors of Acquisition Sub holding office immediately prior to the Effective Time shall be the directors of the Surviving Corporation immediately after the Effective Time. The officers of Acquisition Sub holding office immediately prior to the Effective Time shall be the officers (holding the same offices as they held with Acquisition Sub) of the Surviving Corporation immediately after the Effective Time.

Section 1.6. Conversion of Shares; Exchange of Certificates.

(a) Conversion of Shares; Merger Consideration. Subject to Sections 1.6(b), 1.6(c), 1.6(d), 1.6(e) and 1.7, at the Effective Time, the following events shall occur by virtue of the Merger and without any action on the part of Acquisition Sub, SSI or the holder of any of the following securities:

(i) Each share of common stock, par value $0.001 per share, of SSI (the "SSI Common Stock") issued and outstanding immediately prior to the Effective Time shall, without any action on the part of the holders thereof, automatically be canceled and extinguished;

(ii) Each share of Series A Preferred Stock, par value $0.001 per share, of SSI (the "Series A Preferred Stock") issued and outstanding immediately prior to the Effective Time shall, without any action on the part of the holders thereof, automatically be canceled and extinguished;

(iii) Each share of Series B Preferred Stock, par value $0.001 per share, of SSI (the "Series B Preferred Stock") issued and outstanding immediately prior to the Effective Time shall, without any action on the part of the holders thereof, automatically be canceled and extinguished;

(iv) Each share of Series C Preferred Stock, par value $0.001 per share, of SSI (the "Series C Preferred Stock") issued and outstanding immediately prior to the Effective Time shall, without any action on the part of the holders thereof, automatically be canceled and extinguished and be converted into and become a right to receive a pro-rata portion of $827,136 (subject to reduction pursuant to Sections 1.6(b), 1.6(c),1.6(d) and 1.6(e) below) in cash without interest (the "Series C Preferred Stock Consideration");

(v) Each share of Series D Preferred Stock, par value $0.001 per share, of SSI (the "Series D Preferred Stock") issued and outstanding immediately prior to the Effective Time shall, without any action on the part of the holders thereof, automatically be canceled and extinguished and be converted into and become a right to receive a pro-rata portion of $2,403,864 in cash (subject to reduction pursuant to Sections 1.6(b), 1.6(c), 1.6(d) and 1.6(e) below) without interest (the "Series D Preferred Stock Consideration" and,

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together with the Series C Preferred Stock Consideration, the "Merger Consideration"); and

(vi) Each share of Acquisition Sub common stock, par value $0.01 per share, issued and outstanding immediately prior to the Effective Time shall automatically be converted into and become one validly issued, fully paid and non-assessable share of Common Stock, par value $0.01 per share, of the Surviving Corporation.

(b) Indemnity Escrow. $750,000 of the Merger Consideration in cash otherwise payable to the holders of Series C Preferred Stock and Series D Preferred Stock, pursuant to Sections 1.6(a)(iv) and (v), will be deposited into an escrow account as security for the indemnification obligations of the SSI Shareholders pursuant to Article 8 (the "Indemnity Escrow"). The amount of cash held in the Indemnity Escrow on behalf of each holder of Series C Preferred Stock will be equal to $192,000 multiplied by the quotient obtained by dividing (i) the number of shares of Series C Preferred Stock held by such stockholder by (ii) the total number of shares of Series C Preferred Stock issued and outstanding; and the amount of cash held in the Indemnity Escrow on behalf of each holder of Series D Preferred Stock will be equal to $558,000 multiplied by the quotient obtained by dividing (i) the number of shares of Series D Preferred Stock held by such stockholder by (ii) the total number of shares of Series D Preferred Stock issued and outstanding.

(c) Accounts Receivable Escrow. In addition to the Indemnity Escrow, that portion of the Merger Consideration in cash equal to the Accounts Receivable Reserve (as defined below) otherwise payable to the holders of Series C Preferred Stock and Series D Preferred Stock, pursuant to Sections 1.6(a)(iv) and (v), will be deposited into a separate escrow account with the Escrow Agent (the "Accounts Receivable Escrow"). The amount of cash held in the Accounts Receivable Escrow on behalf of each holder of Series C Preferred Stock will be equal to 25.6% of the Accounts Receivable Reserve divided by the number of shares of Series C Preferred Stock held by such stockholder; the amount of cash held in the Accounts Receivable Escrow on behalf of each holder of Series D Preferred Stock will be equal to 74.4% of the Accounts Receivable Reserve divided by the number of shares of Series D Preferred Stock held by such stockholder. Any such escrow shall be separate from the Indemnity Escrow and shall be utilized solely as provided for in this Section 1.6(c). The Accounts Receivable Escrow will provide that within 10 business days following the 75th day following the Closing, an amount equal to the Accounts Receivable Reserve, less the amount collected by SSI with respect to the Scheduled Receivables (as defined in Section 5.15 below), shall be distributed to HOLL, and the balance of the Accounts Receivable Reserve shall be distributed to the Shareholder Agent. To the extent applicable, the Accounts Receivable Escrow shall be subject to such other terms as are in the Indemnity Escrow Agreement. The "Accounts Receivable Reserve" shall be an amount equal to (i) the amount of the Scheduled Receivables, minus (ii) the amount of the reserve attributable to the Scheduled Receivables in accordance with Schedule 1.6(d)-1, minus (iii) the amount, if

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any, by which the Estimated Closing Working Capital (as defined in Section 1.6(d) below), after deduction of the amount of the Scheduled Receivables, exceeds $150,000.00.

(d) Working Capital and Closing Cash Balance Adjustments.

(i) If the Final Closing Cash Balance (as defined below) is less than $250,000.00, the Merger Consideration shall be reduced by the amount by which the Final Closing Cash Balance is less than $250,000.00 (the "Cash Makeup"). If the Final Closing Working Capital (as defined below) plus the amount of the Cash Makeup, if any, is less than $150,000.00, the Merger Consideration shall be further reduced by the amount by which the Final Closing Working Capital plus the amount of the Cash Makeup is less than $150,000.00 (the "Working Capital Makeup"). For the avoidance of doubt, in no event shall the amount of the Final Closing Working Capital or Final Closing Cash Balance result in an increase in the Merger Consideration.

(ii) At least five business days prior to the Closing Date, SSI shall deliver to HOLL its good faith written estimate of (a) the Final Closing Working Capital and the Final Closing Cash Balance (the "Estimated Closing Working Capital" and "Estimated Closing Cash Balance," respectively), and (b) the resulting Cash Makeup and Working Capital Makeup, if any. Without limiting the generality of the foregoing, in SSI's estimate of the Final Closing Working Capital, SSI shall include within Current Liabilities (as defined below) (1) a total of $41,000 in respect of amounts which are due in connection with EDD audits arising from SSI's or its Subsidiaries' operations prior to Closing (or such other amount which has been reasonably determined by SSI after good faith consultation with an independent certified public accountant) (the "EDD Accrual"), and (2) an amount in respect of the Los Angeles City Business Tax

audit referred to in Item 2.7 which has been reasonably determined by SSI after good faith consultation with an independent certified public accountant (the "Business Tax Accrual"). SSI shall make available to HOLL such work papers and other books and records reasonably required by HOLL in order to confirm the Estimated Closing Working Capital and Estimated Closing Cash Balance, and the resulting Cash Makeup and Working Capital Makeup, if any, and shall make available to HOLL the appropriate personnel involved in the preparation of such estimates. In the event that after reviewing the foregoing information, HOLL in good faith does not agree with SSI's calculation of either the Cash Makeup or the Working Capital Makeup, then HOLL shall be permitted to place in a separate escrow (the "Working Capital Escrow") with the escrow agent under the Indemnity Escrow Agreement described in Section 5.7 below that portion of the Merger Consideration as equals the amount by which the total of the Cash Makeup and the Working Capital Makeup (as calculated by SSI) is less than the total of the Cash Makeup and the Working Capital Makeup (as calculated by HOLL). Notwithstanding the foregoing, no escrow of funds shall be permitted if such difference is less than $50,000, provided that the Merger Consideration payable hereunder shall

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remain subject to adjustment in accordance with this Section 1.6(d). Any such escrow shall be separate from the Indemnity Escrow and shall be utilized solely as provided for in this Section 1.6(d). In the event that a Working Capital Escrow is required pursuant to the terms hereof, HOLL and the Shareholder Agent agree to enter into an escrow agreement with the Escrow Agent, which agreement shall, to the extent applicable, have the same terms as the Indemnity Escrow Agreement. For purposes of determining the amount of the Merger Consideration paid to the Shareholder Agent at the Closing, the adjustment, if any, to the Merger Consideration to be made after the Closing pursuant to Section 1.6(d)(v) shall be estimated, using the Cash Makeup and Working Capital Makeup, if any, resulting from the Estimated Closing Working Capital and Estimated Closing Cash Balance in place of the Final Closing Working Capital and Final Closing Cash balance, respectively.

(iii) Within 60 days after the Closing Date, HOLL shall prepare and deliver to SSI a statement of the Closing Working Capital and Closing Cash Balance acquired by HOLL from SSI, and any resulting cash Makeup and Working Capital Makeup, which statement shall be prepared as provided in this Section 1.6(d)(ii) (the "Closing Statement"). The Closing Statement shall be prepared from the Company's books and records on an accrual basis as of the Closing Date in accordance with GAAP. The Closing Statement shall set forth only the amounts of the following as of the Closing Date:

(1) as current assets (collectively, the "Current Assets"): (A) the total amount of SSI's and its Subsidiaries' cash and cash equivalents (the "Closing Cash Balance"), (B) the book value of SSI's and its Subsidiaries' accounts receivable, net of an allowance for doubtful accounts using the methodology set forth in Schedule 1.6(d)-1; (C) the book value of SSI's and its Subsidiaries' prepaid expenses, and (D) all other current assets as defined by GAAP;

(2) as current liabilities (collectively, the "Current Liabilities"): (A) the total amount of SSI's and its Subsidiaries' accounts payable (excluding accounts payable being disputed by SSI in good faith), (B) the total amount of SSI's and its Subsidiaries' deferred revenue, (C) the total amount of all other accrued expenses (including, but not limited to, occupancy, utilities and such other operating expenses, salaries, vacations, employee benefits, 401(k), interest, taxes, insurance, capital lease obligations, and legal expenses) of SSI and its Subsidiaries, and (D) all other current liabilities as defined by GAAP, provided that (x) amounts set forth on Schedule 1.6(d)-2 shall not be taken into account in calculating Current

liabilities, and (y) the EDD Accrual and Business Tax Accrual shall be included within Current Liabilities;

(3) a calculation showing the subtraction of the Current Liabilities from the Current Assets (such difference being the "Closing

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Working Capital"); and

(4) any Cash Makeup or Working Capital Makeup resulting from the foregoing calculation.

(iv) The Shareholder Agent shall notify HOLL in writing (the "Dispute Notice") within 60 days after receiving the Closing Statement if the Shareholder Agent disagrees with HOLL's calculation of the Closing Working Capital, the Closing Cash Balance, or any resulting Cash Makeup or Working Capital Makeup, each as set forth in the Closing Statement, which notice shall set forth in reasonable detail the basis for such disagreement, the dollar amounts involved and the Shareholder Agent's calculation of the Closing Working Capital, the Closing Cash Balance, or any resulting Cash Makeup or Working Capital Makeup. HOLL will give the Shareholder Agent and its representatives reasonable access during the normal business hours of HOLL to the personnel, books and records of SSI to assist the Shareholder Agent in the preparation of the Dispute Notice. If no Dispute Notice is received by HOLL within such 60-day period, HOLL's calculation of Closing Working Capital, the Closing Cash Balance, or any resulting Cash Makeup or Working Capital Makeup, each as set forth in the Closing Statement shall be final and binding upon the parties hereto.

(v) Upon receipt by HOLL of the Dispute Notice, HOLL and the Shareholder Agent shall negotiate in good faith to resolve any disagreement with respect to Closing Working Capital, the Closing Cash Balance, or any resulting Cash Makeup or Working Capital Makeup, set forth in the Dispute Notice. To the extent HOLL and the Shareholder Agent are unable to agree with respect to Closing Working Capital, the Closing Cash Balance, or any resulting Cash Makeup or Working Capital Makeup, within 30 days after receipt by HOLL of the Dispute Notice, HOLL and the Shareholder Agent shall promptly select a mutually acceptable nationally or regionally recognized accounting firm with no material relationship to HOLL or the SSI Shareholders and submit their dispute to such accounting firm for a binding resolution of all matters which remain in dispute. The accounting firm so selected shall be instructed by the parties to use its best efforts to notify the parties of its determination concerning the matter(s) submitted to it for resolution within 45 days after its appointment. The determination of the accounting firm shall be final and binding on the parties, and judgment may be entered upon the determination of the accounting firm in any court having jurisdiction over the party against which such determination is to be enforced. In the event the parties can not agree on the selection of an accounting firm within 15 days after the end of such 30 day period, either party may submit the dispute to binding arbitration with the American Arbitration Association. Closing Working Capital and the Closing Cash Balance and any resulting Cash Makeup or Working Capital Makeup, as agreed upon by HOLL and the Shareholder Agent, as deemed agreed upon pursuant to the last sentence of Section 1.6(d)(iii), or as determined by such accounting firm or arbitration, in accordance herewith, shall be termed the "Final Closing Working Capital" and the "Final Closing Cash Balance", and the "Final Cash Makeup" and the "Final Working Capital Makeup", respectively. The fees and expenses of such accounting firm or arbitrator (the "Working Capital Dispute Expenses") shall be borne equally by the parties, except that (i) HOLL shall bear 100% of the

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Working Capital Dispute Expenses in the event that the final determination of the aggregate amount of the Cash Makeup and the Working Capital Makeup is within 5% of the determination of the Cash Makeup and Working Capital Makeup made by SSI prior to the Closing, and (ii) SSI shall bear 100% of the Working Capital Dispute Expenses in the event that the final determination of the aggregate amount of the Cash Makeup and the Working Capital Makeup is not within 10% of the determination made by SSI prior to the Closing.

(vi) If the actual Merger Consideration, as determined pursuant to this Section 1.6(d), exceeds the Merger Consideration paid at the Closing, HOLL shall pay to the Shareholder Agent the amount by which the actual Merger Consideration exceeds the Merger Consideration paid at the Closing, provided that in no event shall there be an increase in the Merger Consideration as a result of the application of this Section 1.6(d). If the actual Merger Consideration, as determined pursuant to Section 1.6(d), is less than the Merger Consideration paid at the Closing, the Shareholder Agent shall pay to HOLL the amount by which the actual Merger Consideration is less than the Merger Consideration paid at the Closing. Any payment to be made pursuant to this Section 1.6(d)(vi) shall be made by wire transfer of immediately available funds to a bank account designated by HOLL or the Shareholder Agent, to the other party within two business days after the Final Closing Working Capital and the Final Closing Cash Balance and any resulting Cash Makeup or Working Capital Makeup become final and binding on the parties hereto, provided that any such payment made to HOLL or the Shareholder Agent shall be paid first out of the funds, if any, in the Working Capital Escrow.

(vii) During the 75-day period immediately following the Closing Date, HOLL shall use, and shall cause the Surviving Corporation to use, commercially reasonable efforts in good faith to collect the Scheduled Receivables, using at least the same degree of care and diligence as HOLL exercises with respect to collecting its own accounts receivable; provided that in no event shall HOLL be required to threaten, commence or prosecute any action or other proceeding to collect any such account receivable unless mutually agreed to by HOLL and the Shareholder Agent.

(viii) If SSI disputes the validity of any accounts payable, such accounts payable are excluded from the determination of Current Liabilities pursuant to Section 1.6(d)(iii)(2) above, and it is determined or agreed that all or any part of such payable was rightfully payable by SSI or any of its Subsidiaries, SSI and the Shareholder Agent shall reimburse to HOLL the amount which is or was rightfully payable by SSI or any of its Subsidiaries within 30 days after such determination or agreement. Notwithstanding the foregoing, nothing herein shall prohibit or restrict HOLL or the Surviving Corporation from paying any disputed accounts payable at any time in their respective sole and absolute discretion.

(ix) For all purposes under this Section 1.6(c), all

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references to "GAAP," "generally accepted accounting principles" or similar terms, shall mean United States generally accepted accounting principles. Except as otherwise expressly provided herein, all calculations made pursuant to this Section 1.6(c) shall be made in accordance with GAAP.

(e) Additional Payments at Closing. An amount equal to 25.6% of the Payments (as defined in Section 5.9 below) shall be withheld by the

Shareholder Agent from the Series C Preferred Stock Consideration to be distributed to each holder of shares of Series C Preferred Stock in an amount equal to such Series C Preferred Stockholder's pro rata interest in the shares of Series C Preferred Stock; and an amount equal to 74.4% of the Payments shall be withheld by the Shareholder Agent from the Series D Preferred Stock Consideration to be distributed to each holder of shares of Series D Preferred Stock in an amount equal to such Series D Preferred Stockholder's pro rata interest in the shares of Series D Preferred Stock. The Payments shall be applied by the Shareholder Agent in accordance with Section 5.9 hereof. The Shareholder Agent may also withhold such additional amounts from the Merger Consideration as provided for in the Shareholder Agent Agreement (as defined below). The terms of this Section 1.6(e) shall not affect the Merger Consideration payable by HOLL to the Shareholder Agent.

(f) Exchange of Certificates. Upon the surrender and exchange of a stock certificate representing shares of SSI Stock, each SSI Shareholder shall be entitled to receive the respective Merger Consideration to which such Person is entitled pursuant to this Article 1, and the certificate(s) theretofore representing shares of SSI Stock shall forthwith be canceled. At the Closing, SSI shall deliver to HOLL whatever stock certificates evidencing shares of SSI Stock that SSI may have been able to obtain prior to the Closing, each in form suitable for transfer, endorsed in blank or with executed blank stock transfer powers ("Endorsed SSI Stock Certificates"), and HOLL shall deliver to the Shareholder Agent immediately available funds in an amount equal to $3,231,000.00, less (i) the amounts to be deposited in the Indemnity Escrow Account ($750,000), less (ii) the amounts to be deposited in the Accounts Receivable Escrow, less (iii) the amount of any reduction in the Merger Consideration pursuant to Section 1.6(d), and less (iv) that portion of the Merger Consideration attributable to the Dissenting Shareholders (as defined below). Promptly following the Closing, the Shareholder Agent shall deliver bank cashier's checks made payable to each SSI Shareholder who is entitled to receive Merger Consideration at the Closing and whose Endorsed SSI Stock Certificate was delivered to SSI on or prior to the Closing, such checks to be in such cash amounts as such SSI Shareholders may be entitled to based upon the number of shares of SSI Stock evidenced by their Endorsed SSI Stock Certificates delivered to SSI at or prior to the Closing. Until surrendered and exchanged as provided above, each certificate theretofore representing shares of SSI Stock shall represent solely the right to receive the Merger Consideration, and the SSI Shareholder thereof shall have no right to receive the Merger Consideration to

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which such Shareholder otherwise would be entitled; provided that at and after the Closing customary procedures allowing for payment against lost or destroyed SSI stock certificates against receipt of customary and appropriate certifications and indemnities shall be honored by the Shareholder Agent.

(g) Calculation. Unless specified otherwise herein, each calculation called for by this Agreement shall be carried out to five (5) decimal places.

(h) No Further Registration. From and after the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of SSI Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, certificates representing shares of SSI Stock are presented to the Shareholder Agent, the Surviving Corporation or HOLL, they shall be canceled and exchanged for that portion of the Merger Consideration otherwise payable with respect to such shares of SSI Stock pursuant to Section 1.6(a) above, subject to applicable law in the case of Dissenting Shares (as defined in Section 1.7).

(i) Appointment of the Shareholder Agent. Each SSI Shareholder who has not executed and delivered the Shareholder Agent Agreement (the "Shareholder Agent Agreement") of even date herewith by and among SSI, the Shareholder Agent and the other parties thereto, but accepts any Merger Consideration in exchange for his, her or its shares of SSI Stock shall be deemed to have irrevocably appointed the Shareholder Agent as his, her or its attorney-in-fact and agent to act for such SSI Shareholder within the scope of the authority granted to the Shareholder Agent by the terms of the Shareholder Agent Agreement. The Shareholder Agent Agreement is attached hereto as Exhibit F.

Section 1.7. Appraisal Rights. Shares of SSI Stock that have not been voted for approval of this Agreement and with respect to which a demand for payment and appraisal have been properly made in accordance with Section 262 of the Delaware GCL ("Dissenting Shares"), will not be converted into the right to receive that portion of the Merger Consideration otherwise payable with respect to such shares of SSI Stock after the Effective Time but will be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to the laws of the State of Delaware. If a holder of Dissenting Shares (a "Dissenting Shareholder") withdraws such holder's demand for such payment and appraisal or becomes ineligible for such payment and appraisal under Section 262 of the Delaware GCL, then, as of the Effective Time or the occurrence of such event of withdrawal or ineligibility, whichever last occurs, such holder's Dissenting Shares will cease to be Dissenting Shares and will be converted into the right to receive, and will be exchangeable for, that portion of the Merger Consideration, if any, into which such Dissenting Shares would have been converted pursuant to Section 1.6. SSI will give HOLL and Acquisition Sub prompt notice of any demand received by SSI from a holder of Dissenting Shares for appraisal of shares of SSI Stock. The

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Shareholder Agent shall not voluntarily make any payment with respect to, settle or offer to settle or otherwise negotiate, any such demand, without HOLL's consent. Each Dissenting Shareholder who, pursuant to Section 262 of the Delaware GCL, becomes entitled to payment of the value of the Dissenting Shares will receive payment therefor, without interest thereon (but only after the value therefor has been agreed upon or finally determined pursuant to such provisions and only to the extent permitted by applicable law).

Section 1.8. Stock Options and Warrants. At the Effective Time, each outstanding option or warrant to purchase any shares of capital stock of SSI , including those listed in Item 2.3(b) of the Disclosure Letter (the "SSI Stock Options") issued pursuant to the 1997 and 1999 Stock Option Plans of SSI (the "SSI Plans") or otherwise, whether vested or unvested, whether then exercisable or not, shall cease to represent a right to acquire shares of SSI Stock and shall automatically be cancelled and terminated. Neither HOLL nor the Surviving Corporation shall assume any SSI Stock Options after the Merger. HOLL hereby agrees and acknowledges that SSI may accelerate, in whole or in part, the vesting periods of some or all of the SSI Stock Options prior to the Closing Date, that some or all of the SSI Stock Options may be exercised prior to the Closing Date, and that additional shares of SSI Common Stock may be issued between the date of this Agreement and the Closing Date as a result of such stock option exercises, provided, however, that none of the foregoing shall result in an increase in the Merger Consideration.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF SSI

SSI hereby represents and warrants to each of HOLL and Acquisition Sub, subject to the exceptions set forth in the Disclosure Schedules delivered by SSI to HOLL that:

Section 2.1. Organization and Good Standing. SSI and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, has the requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted, and is qualified to do business, and is in good standing, as a foreign corporation in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have a Material Adverse Effect (as defined below) on SSI. The officers and directors of SSI as of the date hereof are set forth on Item 2.1 of the Disclosure Schedule.

Section 2.2. Power, Authorization and Validity.

(a) Power and Capacity. SSI has the right, power, legal

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capacity and authority to enter into and perform its obligations under this Agreement and all agreements to which SSI is or will be a party that are required to be executed pursuant to this Agreement (the "SSI Ancillary Agreements"). The execution, delivery and performance of this Agreement and the SSI Ancillary Agreements have been duly and validly approved and authorized by SSI's Board of Directors as required by Delaware law and SSI's Amended and Restated Certificate of Incorporation and Bylaws. Correct and complete copies of SSI's Amended and Restated Certificate of Incorporation and Bylaws, as amended to date, and copies of all charter documents, as amended to date, of all of SSI's Subsidiaries, have been delivered to HOLL.

(b) No Filings. No filing, authorization or approval, governmental or otherwise, is necessary to enable SSI to enter into, and to perform its obligations under, this Agreement and the SSI Ancillary Agreements, except for (a) the filing of the Certificate of Merger with the Secretary of State of Delaware and the filing of appropriate documents with the relevant authorities of other states or foreign jurisdictions in which SSI or its subsidiaries are qualified to do business, if any; (b) the approval of the SSI Shareholders of the transactions contemplated hereby (provided that pursuant to the Voting Agreement of even date hereof, certain SSI Shareholders have agreed to vote their shares of SSI Stock in favor of the transactions contemplated hereby); and (c) consents required under contracts disclosed in Item 2.5 as exceptions to the representation made in the last sentence of Section 2.5 below.

(c) Binding Obligation. Subject to approval of this Agreement and the Merger by the SSI Shareholders, this Agreement and the SSI Ancillary Agreements are, or when executed by SSI will be, valid and binding obligations of SSI and the Shareholder Agent enforceable against SSI and the Shareholder Agent in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law governing specific performance, injunctive relief and other equitable remedies; provided, however, that the

Certificate of Merger will not be effective until filed with the Delaware Secretary of State.

Section 2.3. Capitalization of SSI.

(a) Authorized and Outstanding Capital Stock. The authorized capital stock of SSI consists of 241,588,408 shares of Common Stock, of which 18,890,521 shares are issued and outstanding (without giving effect to the exercise of any SSI Options (as defined below) which may be exercised after the date hereof), and 173,315,053 shares of Preferred Stock, of which (i) 5,220,000 shares have been designated as Series A Preferred Stock, 4,591,155 shares of which are issued and outstanding, (ii) 4,718,182 shares have been designated as Series B Preferred Stock, 3,871,213 shares of which are issued and outstanding, (iii) 39,025,758 shares have been designated as Series C Preferred Stock,

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38,836,364 shares of which are issued and outstanding, and (iv) 116,575,275 shares have been designated as Series D Preferred Stock, 99,290,540 shares of which are issued and outstanding. All issued and outstanding shares of SSI Stock have been duly authorized and were validly issued, are fully paid and non-assessable, are not subject to any right of rescission, are not subject to preemptive rights by statute, the Amended and Restated Certificate of Incorporation or Bylaws of SSI, or any agreement or document to which SSI is a party or by which it is bound and have been offered, issued, sold and delivered by SSI in compliance with all requirements of applicable federal and state securities laws. To the knowledge of SSI, each SSI Shareholder owns its shares of SSI Stock free and clear of all Security Interests, other than the restrictions imposed by federal and state securities laws and other than the restrictions on transfer contained in the agreements described in Item 2.3 of the Disclosure Schedule (the "Stockholder Agreements"). To the knowledge of SSI, the Stockholder Agreements represent all agreements among any of the SSI Shareholders and/or SSI regarding the ownership of SSI's capital stock.

(b) Options/Rights. An aggregate of 29,000,000 shares of SSI Common Stock are reserved and authorized for issuance pursuant to the SSI Plans, of which options to purchase a total of 102,500 shares of SSI Common Stock are outstanding. Except as set forth in Item 2.3(b), there are no other stock appreciation rights, options, warrants, calls, rights, commitments, conversion privileges or preemptive or other rights or agreements outstanding to purchase or otherwise acquire any of SSI's authorized but unissued capital stock or any securities or debt convertible into or exchangeable for shares of SSI Stock or obligating SSI to grant, extend or enter into such option, warrant, call, commitment, conversion privileges or preemptive or other right or agreement ("Stock Acquisition Rights"). The terms of the SSI Plans provide that all outstanding options granted under the SSI Plans will terminate upon a merger of SSI if the successor corporation does not assume the SSI Stock Options. All Stock Acquisition Rights shall be terminated prior to the Closing. In addition, the SSI Plans shall be terminated at or prior to the Closing. HOLL acknowledges that some or all of the vested SSI Stock Options may be exercised after the date of this Agreement and prior to the Closing Date; provided, however, that the exercise of any such SSI Options shall not result in an increase in the Merger Consideration.

Section 2.4. Subsidiaries. Except for the Subsidiaries of SSI listed in Disclosure Letter, Item 2.4, each of which is wholly owned (beneficially and of record) by SSI, SSI does not have, and does not have the right to acquire, any Subsidiaries or any interest, direct or indirect, in any corporation, partnership, joint venture, limited liability company or other business entity.

Section 2.5. No Violation of Existing Agreements; Third Party Consents and Approvals. Neither the execution and delivery of this Agreement nor any SSI Ancillary Agreement, nor the consummation of the transactions contemplated hereby or thereby, will conflict with, or (with or without notice or lapse of time, or both) result in a termination, breach, impairment or violation of, (a)

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any provision of the Amended and Restated Certificate of Incorporation or Bylaws of SSI or the charter documents of any Subsidiary, as currently in effect, (b) any instrument or contract to which SSI or any Subsidiary is a party or by which SSI or any Subsidiary is bound, or (c) any material federal, state, local or foreign judgment, writ, decree, order, statute, rule or regulation applicable to SSI or any Subsidiary or their respective assets or properties. Except as listed in Disclosure Schedules, Item 2.5, the consummation of the Merger and the other transactions contemplated by this Agreement and the SSI Ancillary Agreements, and the transfer to the Surviving Corporation of all rights, licenses, franchises, leases and agreements of SSI and each Subsidiary, (i) will not require the consent of any governmental or non-governmental third party or (ii) will not result in the creation of a Security Interest on any of the assets or property of SSI or any of its Subsidiaries.

Section 2.6. Litigation. Except as listed in Disclosure Schedules, Item 2.6, there is no action, suit, proceeding, claim or investigation pending or, to SSI's knowledge, threatened, against SSI or any Subsidiary before any court, arbitrator or administrative agency.

Section 2.7. Taxes.

(a) Definitions. For purposes of this Agreement, the following definitions shall apply:

(i) "Tax" or "Taxes" means all taxes, charges, fees, levies, penalties, additions or other assessments imposed by any federal, state, foreign or local taxing authority, including, but not limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, value added, social security or other taxes, or payments made in lieu of taxes, including any interest, penalties or additions attributable thereto.

(ii) "Tax Returns" means all reports, estimates, declarations of estimated tax, information statements and returns with respect to any Tax, and any schedules attached to or amendments of (including refund claims with respect to) any of the foregoing.

(b) Except as set forth on Item 2.7 of the Disclosure Schedules: (i) all Tax Returns required to be filed by or on behalf of SSI or its Subsidiaries have been duly filed on a timely basis, taking into account all extensions of time to file such Tax Returns; (ii) such Tax Returns are true, complete and correct in all material respects; (iii) all Taxes due and payable by SSI or its Subsidiaries prior to the Closing Date either have been paid or will be timely paid prior to the Closing Date; (iv) HOLL has been supplied with true and complete copies of each Tax Return of SSI and its Subsidiaries for each such entity's last two taxable years, including each franchise or excise Tax Return based on income filed for the last two taxable years; (v) neither SSI nor any of its Subsidiaries (A) has ever been audited or received written notice of initiation thereof by any governmental taxing authority regarding Taxes, (B) has

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ever extended any applicable statute of limitations regarding Taxes for which the statute of limitations for assessment of Taxes remains open, (C) is liable, contractually or otherwise, for the Taxes of any other person or entity (other than withholding Taxes arising in the ordinary course of business), (D) is a "consenting corporation" under Section 341(f) of the Internal Revenue Code of 1986, as amended (the "Code"), (E) has agreed to or is required to make any adjustment under Code Sections 142 or 481(a) or 263A, (F) has ever made any payments, is obligated to make any payments, or is a party to any agreement or arrangement that under certain circumstances could obligate it to make any payments that may not be deductible under Sections 162(m) or 280G of the Code, (G) is a party to any allocation or sharing agreement with respect to Taxes, and (H) has ever participated in the filing of any consolidated, combined or unitary Tax Return.

(c) Except as set forth Item 2.7 of the Disclosure Schedules, (i) no property used by SSI or any of its Subsidiaries is "tax-exempt use property" within the meaning of Section 168(h) of the Code; and (ii) none of the assets of SSI or any of its Subsidiaries secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

(d) Except as set forth on Item 2.7 of the DisclosureSchedules, neither SSI nor any of its Subsidiaries is a party to any joint venture, partnership or other arrangement or contract that is reasonably likely to be treated as a partnership for federal income tax purposes.

(e) Except as set forth in Item 2.7 of the Disclosure Schedule, neither SSI nor any of its Subsidiaries (i) is treated as the owner of a trust or any part of a trust under Section 671 of the Code; (ii) owns an interest in a passive foreign investment company within the meaning of Section 1297 of the Code or a qualified electing fund within the meaning of Section 1295 of the Code; or (iii) owns or has signature authority over any foreign bank account for which a report is required to be filed on Department of Treasury Form TD F 90-22.1.

(f) None of the Subsidiaries of SSI is or has been (i) a controlled foreign corporation within the meaning of Section 957 of the Code; (ii) a foreign personal holding company within the meaning of Section 552 of the Code; (iii) an export trade corporation within the meaning of Section 971 of the Code; (iv) a domestic international sales corporation within the meaning of Section 993 of the Code; or (v) a foreign sales corporation within the meaning of Subpart C of Part III of Chapter 1 N of the Code.

For purposes of this Agreement, the term "Material Adverse Effect" when used in connection with an entity means any change, event, circumstance or effect that is materially adverse to the business, assets (including intangible assets), capitalization, financial condition, operations or results of operations of such entity taken as a whole with its Subsidiaries, except to the extent that any such change, event, circumstance or effect is caused by or results from (i) changes in general economic or political conditions, (ii) changes affecting the industry generally in which such entity operates, or (iii)

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an act of war or terrorist attack.

Section 2.8. SSI Financial Statements. SSI has delivered to HOLL as Disclosure Schedules, Item 2.8, SSI's unaudited (i) balance sheet as of December 31, 2003 and income statement for the year then ended, and (ii) balance sheet as of March 31, 2004 and income statement for the three-month period then ended (the "Interim Financials") (collectively the "Financial Statements"). (The unaudited balance sheet as of March 31, 2004 is herein referred to as the "Balance Sheet"). The Financial Statements fairly present in all material

respects the financial condition and results of operation of SSI and its Subsidiaries for the periods then ended. The Interim Financials have been prepared in accordance with United States generally accepted accounting principles, except for the absence of footnotes and for normal year-end adjustments. SSI has no debt, liability or obligation of any kind, whether absolute, accrued, contingent or otherwise, and whether due or to become due, that is not reflected or reserved against in the Balance Sheet, except for those that may have been incurred after the date of the Balance Sheet in the ordinary course of its business or are not material in amount, and except for the Payments. All accounts receivable that are reflected in the Financial Statements or in SSI's or any of its Subsidiaries' books and records at the Closing Date represent or will represent valid obligations arising from sales actually made or services actually performed by SSI in the ordinary course of its business and, to SSI's knowledge, are collectible in the ordinary course of business, subject to the reserves reflected in the Financial Statements. Any reserves reflected in the Financial Statements have been calculated consistent with past practices. To the knowledge of SSI and except as set forth in Item 2.8 of the Disclosure Letter, there is no current contest, claim, or right of set-off relating to the amount or validity of any such accounts receivable.

Section 2.9. Title to Assets. Except as would not have a Material Adverse Effect on SSI or as set forth on Item 2.9 to the Disclosure Letter, SSI has good and marketable title to, or a valid leasehold interest in, all of its assets, free and clear of all Security Interests (other than for taxes not yet due and payable). Except as would not have a Material Adverse Effect on SSI, all tangible personal property owned or used by SSI or its Subsidiaries is in good condition and repair, normal wear and tear excepted, and all leases of real or personal property to which SSI or any Subsidiary is a party are fully effective and afford SSI or the Subsidiary peaceful and undisturbed possession of the subject matter of the lease. Attached as Item 2.9 of the Disclosure Letter is a true and complete (a) list of each item of tangible personal property that is used in or pertains to the business and operations of SSI or its Subsidiaries (whether owned, leased, licensed or otherwise) having a depreciated book value on the date hereof in excess of $1,000.00, and (b) list of the owner and each agreement relating to the use of any such item of tangible personal property not owned by SSI or its Subsidiaries.

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Section 2.10. Contracts and Commitments. Prior to the Closing, SSI shall have delivered or made available to HOLL or its counsel all contracts and agreements to which SSI or any of its Subsidiaries is a party, other than agreements that will expire in accordance with their terms as of or prior to the Closing without any penalty or premium and without any continuing obligation or liability thereunder on the part of SSI, any of its Subsidiaries, HOLL or the Surviving Corporation (collectively, the "Contracts") (it being agreed and acknowledged by HOLL that portions of copies of certain Contracts so delivered or made available have been redacted). Item 2.10 of the Disclosure Schedules sets forth a true and correct list of all Material Contracts to which SSI or any of its Subsidiaries are a party, or by which SSI or any of its Subsidiaries are bound. Except as set forth on Item 2.10 of the Disclosure Schedules, in each case, each of the Material Contracts (i) is valid, binding and in full force and effect against SSI or its Subsidiary, as applicable, and, to the knowledge of SSI, the other party or parties thereto, and (ii) to the knowledge of SSI, is not voidable by the other party or parties thereto for any reason. In each case, no event has occurred which, through notice or the passage of time or otherwise would result in a default under the terms of any of the Material Contracts by SSI or its Subsidiary or, to the knowledge of SSI, any other party. Neither SSI nor any of its Subsidiaries has received written notice that any party to any of the Material Contracts intends to cancel, terminate or modify any such Material Contract or that any party which has an option or extension right running in favor of such party under the terms of any such Material Contract has notified

SSI in writing of its election not to exercise such option or extension right. On May 5, 2004, SSI delivered to HOLL (a) the Schedule of Certain Material Contracts attached hereto as Item 2.10A of the Disclosure Schedule (the "Redacted Contract Schedule"), and (b) true and correct copies of each contract referred to on the Redacted Contract Schedule, except that provisions of the contracts which identify the name of the contracting party and the type of license have been redacted. No later than ten days after the date hereof, SSI shall deliver to HOLL true and correct copies of the non-redacted versions of such contracts and all other customer contracts.

Section 2.11. Intellectual Property. Item 2.11 of the Disclosure Letter contains a true and complete list of all Intellectual Property Rights (as defined below), other than trade secrets and know how, owned by SSI or any of its Subsidiaries, in which SSI or any of its Subsidiaries has any rights, or otherwise used by SSI or any of its Subsidiaries in the conduct of their respective businesses (collectively, the "SSI IP Rights"). Except as set forth in Item 2.11 of the Disclosure Letter, SSI and its Subsidiaries own, or have the right to use, sell or license all Intellectual Property Rights necessary or required for the conduct of their respective businesses as presently conducted. Except as set forth in Item 2.11 of the Disclosure Letter, neither SSI nor any of its Subsidiaries is a party to any license, agreement or arrangement, whether as licensor, licensee or otherwise, with respect to the SSI IP Rights. The execution, delivery and performance of this Agreement and the SSI Ancillary

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Agreements and the consummation of the transactions contemplated hereby and thereby will not constitute a material breach of any instrument or agreement governing any SSI IP Right (the "SSI IP Rights Agreements"), will not cause the forfeiture or termination or give rise to a right of forfeiture or termination of any SSI IP Right or materially impair the right of SSI or any Subsidiaries to use, sell or license any SSI IP Right or portion thereof (except where such breach, forfeiture or termination would not have a Material Adverse Effect on SSI). SSI or its Subsidiaries holds all applicable and appropriate software licenses for all software used or that resides on any computers owned, licensed or otherwise used by SSI or its Subsidiaries. There are no royalties, honoraria, fees or other payments payable by SSI or any of its Subsidiaries to any person by reason of the ownership, use, license, sale or disposition of the SSI IP Rights (other than as set forth in the SSI IP Rights Agreements listed in Item 2.11). Except as set forth in Item 2.11 of the Disclosure Letter, to the knowledge of SSI, neither the manufacture, marketing, license, sale or intended use of any product currently licensed or sold by SSI or any of its Subsidiaries violates any license or agreement between SSI or any of its Subsidiaries and any third party or materially infringes any Intellectual Property Right of any third party; and there is no pending or, to the knowledge of SSI, threatened claim or litigation contesting the validity, ownership or right to use, sell, license or dispose of any SSI IP Right, nor has SSI received any notice asserting that any SSI IP Right or the proposed use, sale, license or disposition thereof conflicts or will conflict with the rights of any other party. SSI has taken reasonable and practicable steps designed to safeguard and maintain the secrecy and confidentiality of, and its proprietary rights in, all material SSI IP Rights. To the knowledge of SSI, (i) no person or entity is violating or infringing any of the SSI IP Rights, and (ii) no employee, agent or representative of SSI or any of its Subsidiaries has used, appropriated or disclosed, directly or indirectly, any trade secrets or other proprietary or confidential information of SSI, any of its Subsidiaries or any third party. As used herein, the term "Intellectual Property Rights" shall mean all worldwide intellectual property rights, including, without limitation, patents, patent applications, patent rights, trademarks, trademark applications, trade names, service marks, service mark applications, copyright, copyright applications, franchises, licenses,

inventories, know-how, trade secrets, customer lists, proprietary processes and formulae, source and object code, algorithms, architecture, structure, display screens, layouts, inventions, development tools, domain names, and all documentation and media constituting, describing or relating to the above, including, without limitation, manuals, memoranda and records.

Section 2.12. Compliance with Laws. Except as set forth in Item 2.12 of the Disclosure Letter, SSI and each of its Subsidiaries has complied, or prior to the Closing Date will have complied, and is or will be at the Closing Date in full compliance, in all material respects, with all applicable laws, ordinances, regulations, and rules, and all orders, writs, injunctions, awards, judgments, and decrees applicable to it or to the assets, properties, and business thereof

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(the violation of which would have a Material Adverse Effect on SSI). Each of SSI and its Subsidiaries has received all material permits, licenses and approvals from, and has made all material filings with, third parties, including government agencies and authorities, that are necessary in connection with its present business (collectively, the "Permits").

Section 2.13. Employees, ERISA and Other Compliance. In each case, except with respect to the Payments:

(a) Except as set forth in Item 2.13(a) of the Disclosure Letter, neither SSI nor any of its Subsidiaries has any employment contracts or consulting agreements currently in effect that are not terminable at will (other than agreements with the sole purpose of providing for the confidentiality of proprietary information or assignment of inventions).

(b) Neither SSI nor any of its Subsidiaries (i) is subject to a union organizing effort, (ii) is subject to any collective bargaining agreement with respect to any of its employees, (iii) is subject to any other contract, written or oral, with any trade or labor union, employees' association or similar organization, or (iv) has any current labor disputes. Since the commencement of operations of SSI there has not been any strike, work stoppage, or other occurrence, event or similar labor disturbance in connection with SSI's or its Subsidiaries' operations, and, to the knowledge of SSI, no strike, work stoppage, or other such occurrence, event, condition, or disturbance is threatened.

(c) Item 2.13(c) of the Disclosure Letter identifies (i) each "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), of SSI and its Subsidiaries, or with respect to which any of SSI or its Subsidiaries may have liability, and (ii) all other written or oral plans or agreements involving direct or indirect compensation or benefits (including any employment agreements entered into between SSI or any Subsidiary and any employee of SSI or any Subsidiary, but excluding workers' compensation, unemployment compensation and other government-mandated programs) currently maintained, contributed to or entered into by SSI or any Subsidiary under which SSI or any Subsidiary or any ERISA Affiliate (as defined below) thereof has any present or future obligation or liability (collectively, the "SSI Employee Plans"). Item 2.13(c) of the Disclosure Letter also lists each employee of SSI and its Subsidiaries, and their respective titles, salaries and benefits. For purposes of this Section 2.13(c), "ERISA Affiliate" shall mean any entity which is a member of (A) a

"controlled group of corporations," as defined in Section 414(b) of the Internal Revenue Code of 1986 (the "Code"), (B) a group of entities under "common control," as defined in Section 414(c) of the Code, or (C) an "affiliated service group," as defined in Section 414(m) of the Code, or treasury regulations promulgated under Section 414(o) of the Code, any of which includes

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SSI or any Subsidiary. Copies of all SSI Employee Plans (and, if applicable, related trust agreements, summary plan descriptions, insurance contracts, investment management contracts, administrative service agreements, and actuarial reports and certifications) and all amendments thereto and written interpretations thereof (including summary plan descriptions) have been delivered to HOLL or its counsel, together with the most recent annual reports (Form 5500, including all Schedules thereto) prepared in connection with any such SSI Employee Plan. All SSI Employee Plans which individually or collectively would constitute an "employee pension benefit plan," as defined in Section 3(2) of ERISA (collectively, the "SSI Pension Plans"), are identified as such in Item 2.13(c) of the Disclosure Letter. All contributions due from SSI or any Subsidiary with respect to any of the SSI Employee Plans have been made as required under ERISA. Accruals for contributions not yet due are properly reflected in the Financial Statements . Except as would not have a Material Adverse Effect on SSI, each SSI Employee Plan has been maintained in compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations, including, without limitation, ERISA and the Code, which are applicable to such SSI Employee Plans. All amounts deducted from the compensation otherwise due any employee pursuant to an SSI Plan providing 401(k) benefits have been "timely paid," within the meaning of applicable Treasury and Department of Labor Regulations, to the corresponding trust. There is no unfunded liability with respect to any SSI Pension Plan. With respect to each SSI Employee Plan, (i) no breach of fiduciary duty by any employee or contractor of SSI, any Subsidiary of SSI, or any ERISA Affiliate has occurred; (ii) there is no material dispute with any participant or person claiming to be a participant; (iii) there is no material dispute or any audit or investigation by any governmental authority which has been noticed, commenced or threatened in writing; (iv) all deductions claimed for contributions made or accrued meet the requirements for deductibility under the Code; (v) SSI and its Subsidiaries have expressly reserved the right to amend, modify or terminate such plan, or any portion of it, at any time without liability (except to the extent liability arises by reason of the requirements of applicable law); and (vi) there is no requirement that SSI or its Subsidiaries continue to employ any person.

(d) No SSI Pension Plan constitutes, or has since the enactment of ERISA constituted, a "multiemployer plan," as defined in Section 3(37) of ERISA, and neither SSI nor any of its Subsidiaries has any withdrawal liability under Title IV of ERISA. No SSI Pension Plans are subject to Title IV of ERISA. No "prohibited transaction," as defined in Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any SSI Employee Plan which is covered by Title I of ERISA which would result in a material liability to SSI and its Subsidiaries taken as a whole, excluding transactions effected pursuant to a statutory or administrative exemption. Nothing done or omitted to be done and no transaction or holding of any asset under or in connection with any SSI Employee Plan has or will make SSI or any officer or director of SSI subject to any material liability under Title I of ERISA or liable for any material tax or penalty pursuant to Sections 4972, 4975, 4976 or 4979 of the Code or Section 502 of ERISA.

(e) Any SSI Pension Plan which is intended to be qualified under Section 401(a) of the Code (a "SSI 401(a) Plan") is so qualified and has

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been so qualified during the period from its adoption to date, and the trust

forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. Copies of the determination letters with respect to each such plan have been delivered to HOLL or its counsel.

(f) Item 2.13(f) of the Disclosure Letter lists each employment, severance or other similar contract, arrangement or policy and each plan or arrangement providing for insurance coverage (including any self-insured arrangements), workers' benefits, vacation benefits, severance benefits, disability benefits, death benefits, hospitalization benefits, retirement benefits, deferred compensation, profit-sharing, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits for employees, consultants or directors which (A) is not a SSI Employee Plan, (B) is entered into, maintained or contributed to, as the case may be, by SSI or any Subsidiary and (C) covers any employee or former employee of SSI or any Subsidiary. Such contracts, plans and arrangements as are described in this Section 2.13(f) are herein referred to collectively as the "SSI Benefit Arrangements." SSI has heretofore delivered to HOLL true and complete copies of its and its Subsidiaries' employee manuals, handbooks, policies and benefits. All such policies are in full force and effect, have not been amended or modified in any respect, and have been followed in all material respects by SSI or its Subsidiaries. With respect to each SSI Benefit Arrangement which provides welfare benefits of the type described in Section 3(1) of ERISA: (i) no such SSI Benefit Arrangement provides medical or death benefits with respect to current or former employees or directors of the Company beyond their termination of employment, other than coverage mandated by applicable law; (ii) no such SSI Benefit Arrangement is or is provided through a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA; and (iii) no such SSI Benefit Arrangement has reserves, assets, surpluses, or prepaid premiums not properly accounted for on the Financial Statements.

(g) Except as set forth on Item 2.13(g) of the Disclosure Letter, neither SSI nor any Subsidiary is a party to any (a) agreement with any executive officer or other key employee thereof (i) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving SSI in the nature of any of the transactions contemplated by this Agreement, (ii) providing any term of employment or compensation guarantee, or (iii) providing severance benefits or other benefits after the termination of employment of such employee regardless of the reason for such termination of employment, or (b) agreement or plan, including, without limitation, any stock option plan, stock appreciation rights plan or stock purchase plan, any of the benefits of which will be materially increased, or the vesting of benefits of which will be materially accelerated after the Effective Time, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the

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basis of any of the transactions contemplated by this Agreement, or which will result in any payment (including, without limitation, severance or "golden parachute" payments).

(h) SSI's reported revenue for the period from January 1, 2004 through June 8, 2004 was less than $1,400,000 and, as such, as of June 8, 2004, Lee Zahavi was not entitled to receive the commission that is based on the reported revenue of SSI for the period from January 1, 2004 through June 30, 2004 and which is described in Item 2.13(c) of the Disclosure Schedule. SSI makes no representation as to whether any such commissions will become payable as a result of revenue that is reported subsequent to June 8, 2004.

Section 2.14. Corporate Documents. SSI has made available to HOLL for examination all documents and information listed in the Disclosure Letter or other exhibits called for by this Agreement (it being understood that certain provisions of the foregoing documents and information have been redacted).

Section 2.15. No Brokers. Neither SSI nor any of its Subsidiaries is obligated for the payment of fees or expenses of any investment banker, broker or finder in connection with the origin, negotiation or execution of this Agreement or the Certificate of Merger or in connection with any transaction contemplated hereby or thereby.

Section 2.16. Books and Records. The books, records and accounts of SSI and its Subsidiaries (a) are in all material respects true, complete and correct, (b) have been maintained in accordance with good business practices on a basis consistent with prior years, and (c) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of SSI.

Section 2.17. Real Property.

(a) Neither SSI nor any of its Subsidiaries own any interest in any real property.

(b) Item 2.17 of the Disclosure Letter lists all real property leased or subleased to, or otherwise occupied by, SSI or any of its Subsidiaries. SSI has delivered to HOLL correct and complete copies of the leases and subleases listed in Item 2.17 of the Disclosure Letter (collectively, the "Leases"). With respect to each such Lease, in each case except as would not have a Material Adverse Effect on SSI, the Lease (i) is legal, valid, binding, enforceable and in full force and effect against SSI or its Subsidiary, as applicable, and, to the knowledge of SSI, the other party or parties thereto, and SSI or the SSI Subsidiary which is a party to such Lease enjoys and is entitled to quiet possession thereunder and (ii) to the knowledge of SSI, is not voidable by the other party or parties thereto for any reason; no event has occurred which, through notice or the passage of time or otherwise could result in a material default under the terms of any of the Leases by SSI or its

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Subsidiary or, to the knowledge of SSI, any other party. No party to any Lease has repudiated any provision thereof, and there are no disputes, oral agreements, or forbearances in effect as to the Lease.

Section 2.18. No Material Adverse Change. Except as set forth on Item 2.18 of the Disclosure Letter, since March 31, 2004, there has not been any material adverse change in the business, operations or assets of SSI or its Subsidiaries. Without in any way limiting the generality of the foregoing, there exists no actual or, to SSI's knowledge, threatened terminations, cancellations or limitations of, or any material modification or change in, (i) the current business relationship of SSI or any of its Subsidiaries with any customer or group of customers whose business is material to the operation of SSI's or such Subsidiary's business; or (ii) the current business relationship of SSI or any of its Subsidiaries with any supplier that is material to the operation of SSI's or such Subsidiary's business.

Section 2.19. Interest in Customers, Suppliers and Competitors. Neither SSI nor any of its Subsidiaries, nor, to the actual knowledge of SSI, without

investigation or inquiry, any of SSI's or its Subsidiaries' officers, directors or employees, or any family member or affiliate of any of the foregoing, has any direct or indirect interest in any competitor, supplier or customer of SSI or its Subsidiaries or their respective businesses or in any person or entity from whom SSI or any of its Subsidiaries leases any real or tangible or intangible personal property, or in any other person or entity with whom SSI or any of its Subsidiaries is doing business, except for the ownership of up to 5% of the stock of a publicly traded entity and except in each case for transactions entered into on an arms'-length basis.

Section 2.20. Insurance Policies. The assets, properties and operations of SSI and its Subsidiaries are insured under various policies of general liability and other forms of insurance, all of which are described on Item 2.20 of the Disclosure Letter, which discloses for each policy the risks insured against, coverage limits, deductible amounts, and the effective date and expiration date of such policy. Except in connection with SSI's recently completed arbitration involving Lorraine Zavala, there are no outstanding claims under any of such insurance policies.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDER AGENT

The Shareholder Agent hereby represents and warrants to HOLL and Acquisition Sub as follows:

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Section 3.1. Organization.

(a) The Shareholder Agent is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) As of the Closing, the Shareholder Agent will be duly qualified or licensed and in good standing to do business in the State of New York and such other states as necessary in order for it to carry out the transactions contemplated hereby.

Section 3.2. Power, Authorization and Validity.

(a) Power and Capacity. The Shareholder Agent has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement and all agreements to which it is or will be a party that are required to be executed pursuant to this Agreement (the "Shareholder Agent Ancillary Agreements"). The execution, delivery and performance of this Agreement and the Shareholder Agent Ancillary Agreements have been duly and validly approved and authorized by the Shareholder Agent and its sole member.

(b) No Filings. No filing, authorization or approval, governmental or otherwise, is necessary to enable the Shareholder Agent to enter into, and to perform its obligations under, this Agreement and the Shareholder Agent Ancillary Agreements.

Section 3.3. Binding Obligation. This Agreement and the Shareholder Agent Ancillary Agreements are, or when executed by the Shareholder Agent will be, valid and binding obligations of the Shareholder Agent, enforceable against it in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law governing specific performance, injunctive relief and other equitable remedies.

Section 3.4. No Assets. The Shareholder Agent has no material assets, liabilities or operations and was formed solely to enter into the transactions contemplated hereby

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF HOLL AND ACQUISITION SUB

HOLL and Acquisition Sub hereby represent and warrant to SSI as follows:

Section 4.1. Organization.

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(a) HOLL and Acquisition Sub are each corporations duly organized, validly existing and in good standing under the laws of the State of Delaware and each has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted.

(b) Each of HOLL and Acquisition Sub is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have a Material Adverse Effect on HOLL.

Section 4.2. Power, Authorization and Validity.

(a) Power and Capacity. HOLL and Acquisition Sub each have the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement and all agreements to which HOLL and/or Acquisition Sub is or will be a party that are required to be executed pursuant to this Agreement (the "HOLL Ancillary Agreements"). The execution, delivery and performance of this Agreement and the HOLL Ancillary Agreements have been duly and validly approved and authorized by the Board of Directors of HOLL and Acquisition Sub as required by applicable law, and the Certificate of Incorporation and Bylaws of each of HOLL and Acquisition Sub. The execution, delivery and performance of this Agreement and the HOLL Ancillary Agreements by HOLL do not require the consent of HOLL's stockholders.

(b) No Filings. No filing, authorization or approval, governmental or otherwise, is necessary to enable HOLL or Acquisition Sub to

enter into, and to perform its obligations under, this Agreement and the HOLL Ancillary Agreements, except for the filing of the Certificate of Merger with the Secretary of State of Delaware.

(c) Binding Obligation. This Agreement and the HOLL Ancillary Agreements are, or when executed by HOLL and Acquisition Sub will be, valid and binding obligations of HOLL and Acquisition Sub, enforceable against them in accordance with their respective terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, and (b) rules of law governing specific performance, injunctive relief and other equitable remedies; provided, however, that the Certificate of the Merger will not be effective until filed with the Delaware Secretary of State.

Section 4.3. No Violation of Existing Agreements; Third Party Consents and Approvals. Neither the execution and delivery of this Agreement nor any HOLL Ancillary Agreement, nor the consummation of the transactions contemplated

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hereby or thereby, will conflict with, or (with or without notice or lapse of time, or both) result in a termination, breach, impairment or violation of (a) any provision of the Certificate of Incorporation or Bylaws of HOLL or the charter documents of any Subsidiary of HOLL, as currently in effect, (b) in any material respect, any material instrument or contract to which HOLL or any Subsidiary of HOLL is a party or by which HOLL or any Subsidiary is bound, or (c) in any material respect, any material federal, state, local or foreign judgment, writ, decree, order, statute, rule or regulation applicable to HOLL or any Subsidiary or their respective assets or properties. The consummation of the Merger will not require the consent of any third party that has not been obtained or will not be obtained prior to the Effective Time.

Section 4.4. Brokers. No broker, finder or investment banker is entitled to any finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of HOLL or Acquisition Sub.

Section 4.5. No Prior Activities of Acquisition Sub. Except for obligations incurred in connection with its incorporation or organization, or the negotiation, execution and consummation of this Agreement and the transactions contemplated hereby, Acquisition Sub has neither incurred any obligation or liability nor engaged in any business or activity of any type or kind whatsoever or entered into any agreement or arrangement with any Person.

Section 4.6. No Financing Condition. HOLL's obligations hereunder are not in any way conditioned upon its ability to obtain any debt or equity financing for the Merger.

Section 4.7. SSI Disclaimer. Except for the representations and warranties expressly made by SSI hereunder or under any of the other documents, instruments or agreements entered into in connection with or pursuant to this Agreement, neither SSI nor any of its Subsidiaries has made any representations or warranties concerning SSI or any of its Subsidiaries, or any of their respective assets, liabilities, financial condition, business or operations, or any other matter.

ARTICLE 5

COVENANTS

Section 5.1. Conduct of Business of SSI. Except as contemplated by this Agreement, during the period from the date hereof to the Effective Time, SSI will, and will cause each of its Subsidiaries to, conduct its operations in the ordinary course of business consistent with past practices, and consistent with such operation, SSI and its Subsidiaries shall use their respective commercially reasonable efforts to preserve intact the goodwill of such business, the present organization of such entity and the relationships of such entity with persons having relationships with it. Without limiting the generality of the foregoing,

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prior to the Effective Time, neither SSI nor any Subsidiary of SSI shall, without the prior consent of HOLL:

(a) amend its Amended and Restated Certificate of Incorporation or Bylaws (or in the case of any Subsidiary, amend its charter documents);

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities or equity equivalents (including any stock options or stock appreciation rights) or convertible or exchangeable securities, except for the issuance of shares of SSI Common Stock upon the exercise of any SSI Stock Option or upon the conversion of any Preferred Stock into SSI Common Stock in accordance with the terms of the Preferred Stock as of the date hereof;

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to any shareholders in their capacities as such, or redeem or otherwise acquire any of its outstanding securities (other than the cancellation of SSI Stock Options following termination of employment with or provision of services to SSI or any Subsidiary);

(d) except for the Merger, adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring or other reorganization of SSI or any Subsidiary, or otherwise alter SSI's or any Subsidiary's corporate structure;

(e) except for equipment leases entered into in the ordinary course of business and which would require not more than $100,000 in total rental payments under the terms of all such leases, (i) incur, assume or forgive any debt or issue any debt securities; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person; (iii) make any loans, advances or capital contributions to or investments in any other Person (other than loans, advances or capital contributions or investments by SSI to or in any wholly owned Subsidiary, by any wholly owned Subsidiary in SSI or by any wholly owned Subsidiary in any other wholly owned Subsidiary); (iv) pledge or otherwise encumber shares of capital stock of SSI or any Subsidiary; or (v) mortgage, pledge or otherwise subject to any Security Interest, any of their assets or properties, tangible or intangible, or create or suffer to exist any Security Interest thereupon;

(f) enter into, adopt, amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation

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right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, health, life, or disability insurance, dependent care, severance or other employee benefit plan, agreement, trust, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer, employee or consultant or pay any benefit not required by any plan and arrangement as in effect on the date hereof and disclosed in the Disclosure Letter (including the granting of stock appreciation rights or performance units);

(g) except for equipment leases entered into in the ordinary course of business and permitted by Section 5.1(e) above, (i) acquire, sell, lease, license or dispose of any assets or property in any single transaction or series of related transactions, other than non-exclusive licenses or sales of its products or services in the ordinary course of business consistent with past practices, or (ii) acquire, sell, lease, license, transfer or otherwise dispose of any Intellectual Property Rights, in each case other than non-exclusive licenses or sales of its products or services in the ordinary course of business consistent with past practices;

(h) make any payments to CMPi in respect of any indebtedness or other obligations to CMPi;

(i) except as may be required as a result of a change in applicable law or in generally accepted accounting principles, change any of the accounting principles, practices or methods used by it;

(j) revalue in any material respect any of its assets or properties, including writing down the value of inventory or writing off notes or accounts receivable, other than in the ordinary course of business; or institute or threaten to institute any action against any third party in connection with any account receivable or act in any manner not commercially reasonable with respect to the collection thereof.

(k) (i) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, limited liability company, partnership or other business organization or division thereof or any equity interest therein; (ii) enter into any contract that would fall within the definition of "Material Contract" (other than agreements for the non-exclusive license or sale of its products or services in the ordinary course of business); (iii) notwithstanding the provisions of Section 5.6 below, amend, modify or waive any material right under any Material Contract or terminate any Material Contract; or (iv) authorize any new capital expenditure or expenditures that are individually or in the aggregate in excess of $10,000;

(l) fail to file any Tax Returns when due (taking into account valid extensions of time to file), or fail to cause such Tax Returns when filed to be true, correct and complete in all material respects;

(m) take or agree in writing or otherwise to take any of the actions described in any of Sections 5.1(a) through 5.1(l).

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Section 5.2. Approval of Shareholders. SSI shall use commercially reasonable efforts to take all actions necessary in accordance with the Delaware GCL and its Amended and Restated Certificate of Incorporation and Bylaws to duly call, give notice of, convene and hold a meeting of the SSI Shareholders or solicit the written consent of the SSI Shareholders as promptly as practicable to consider and vote upon the adoption and approval of this Agreement and the transactions contemplated hereby. SSI shall promptly solicit the votes or the written consents of the SSI Shareholders approving this Agreement and the Merger. The directors of SSI shall recommend approval of this Agreement by the SSI Shareholders. SSI shall comply with the applicable requirements of the Delaware GCL and the rules and regulations promulgated thereunder in connection with the solicitation of votes to approve this Agreement and the Merger from its shareholders. HOLL shall have the right to review and approve all written solicitation materials, which approval shall not be unreasonably withheld or delayed.

Section 5.3. Certain Filings; Reasonable Efforts; Access. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all commercially reasonable efforts to take or cause to be taken all action and to do or cause to be done all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective on the earliest practicable date the transactions contemplated by this Agreement, including executing any additional instruments necessary to consummate the transactions contemplated hereby and taking all commercially reasonable steps necessary or desirable to obtain all necessary consents and approvals of third parties and to otherwise satisfy all conditions precedent to the Closing. Prior to the Effective Time, SSI and its Subsidiaries agree to provide reasonable cooperation with respect to all due diligence investigations conducted by or on behalf of HOLL, and shall provide HOLL and its authorized representatives with reasonable access (a) to all locations at which SSI or its Subsidiaries conduct their business, (b) to all books, records, agreements, documents and other materials and information reasonably related to the transactions contemplated by this Agreement, and (c) to all agents, attorneys, employees, and accountants of SSI or its Subsidiaries; provided, however, that (i) such investigations shall be conducted in a manner that does not materially interfere with normal operations of SSI or its Subsidiaries; and (ii) SSI's CEO shall be notified in advance of any contact with any employees and shall be afforded the opportunity to participate in any discussions or meetings involving such employees. In addition, SSI and its Subsidiaries shall furnish to HOLL such financial information, operating data and other information concerning their businesses as HOLL may reasonably request from time to time.

Section 5.4. Confidentiality; Public Announcements. Each of the parties hereto will hold, and will cause its agents, representatives, consultants and advisers to hold, in confidence all documents and information furnished to it by or on behalf of another party to this Agreement in connection with the transactions contemplated by this Agreement pursuant to the terms of that

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certain Nondisclosure Agreement, dated June 16, 2003, between SSI and HOLL. At all times prior to the Closing, HOLL and SSI will consult with one another before issuing any press release, otherwise making any public statements, or filing any report with the Securities and Exchange Commission on Form 8-K with respect to the transactions contemplated by this Agreement, including the Merger, and shall not issue any such press release or make any such public statement prior to such consultation except as may be required by applicable law.

Section 5.5. Notification of Certain Matters. SSI shall give prompt notice to HOLL and Acquisition Sub, and HOLL and Acquisition Sub shall give prompt notice to SSI, of (i) the occurrence or nonoccurrence of any event, other than any event contemplated or permitted by this Agreement, the occurrence or nonoccurrence of which has caused any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time, and (ii) any failure of SSI, HOLL or Acquisition Sub, as the case may be, to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.5 shall not cure such breach or non-compliance or limit or otherwise affect the remedies available hereunder to the party receiving such notice.

Section 5.6. Additions to and Modification of Disclosure Letter. From time to time prior to the Closing, SSI shall promptly provide to HOLL and Acquisition Sub proposed supplements or revisions to Items on the Disclosure Schedule attached hereto with respect to any matter arising after the date hereof which, if existing or occurring on the date hereof, would have been required to have been disclosed as an exception to any representation or warranty of SSI contained in this Agreement in order to avoid making such representation and warranty inaccurate or misleading in any material respect ("Post-Signing Matters"). HOLL shall have the right to approve or disapprove any such proposed supplement or revisions relating to Post-Signing Matters provided that, unless HOLL delivers to SSI written notice of its disapproval within five (5) business days after receipt of such proposed supplement or revision, HOLL shall be deemed to have approved such supplement or revision. If HOLL disapproves such proposed supplement or revision in a timely manner, HOLL's sole remedy shall be to terminate this Agreement within ten (10) business days after SSI receives written notice of HOLL's disapproval. If this Agreement is terminated pursuant to this Section 5.6, the provisions of Section 7.2 shall apply. Notwithstanding the foregoing, any proposed supplement or revision shall not be subject to or governed by this Section 5.6 to the extent such proposed supplement or revision relates to matters other than Post-Signing Matters or to the extent such proposed supplement or revision arises from acts or omissions of SSI in bad faith for the purpose of avoiding SSI's obligations under this Agreement.

Section 5.7. Indemnity Escrow Agreement. Effective on and as of the Effective Time, HOLL, the Shareholder Agent and the other parties called for

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therein shall execute and deliver the Indemnity Escrow Agreement in the form attached hereto as Exhibit B, and there shall be delivered to, and directly deposited with, the Indemnity Escrow Agent, for the account and future potential benefit of the holders of Series C Preferred Stock and Series D Preferred Stock, the cash called for by the Indemnity Escrow Agreement; provided, however, that such cash shall be held and disbursed by the Indemnity Escrow Agent pursuant to the terms and conditions of the Indemnity Escrow Agreement.

Section 5.8. D&O Insurance and Indemnification. Prior to the Closing, SSI shall obtain, and pay all premiums required for, an appropriate endorsement to the existing SSI Management Liability Insurance Policy with Admiral Insurance Company (the "D & O Policy) so that such policy shall provide coverage for a period of not less than 36 months from the Closing in an aggregate amount not less than the coverage by the D&O Policy as it currently exists for all covered claims made after the Closing for occurrences prior to or at the Closing, with a deductible amount not to exceed the current deductible under the D&O Policy.

HOLL agrees, on behalf of the Surviving Corporation, as follows with respect to the foregoing: (a) it will not agree to any changes to the D & O Policy without the prior approval of the Shareholder Agent (except that it may extend the policy without such approval); and (b) so long as the D & O Policy is in effect, it will promptly provide the Shareholder Agent with copies of any notices or other correspondence it receives with respect thereto.

Section 5.9. Employee Matters. The Closing shall not affect any individual's status as an employee of SSI or of any SSI Subsidiary, except that all of the SSI Stock Options shall be terminated prior to the Closing in accordance with Section 1.8. In any terminations, layoffs or other actions pertaining to any employee of SSI or any SSI Subsidiary after the Closing, HOLL shall (at its sole cost and expense), and shall cause SSI and each SSI Subsidiary to, comply with all employment contracts, employee manuals, and applicable federal, state and local laws, including, without limitation, those requiring notice or prohibiting discrimination or the Worker Adjustment and Retraining Notification Act of 1988. Furthermore, to the extent that the SSI Board of Directors authorizes payments to any of SSI's officers or employees by reason of the Merger (the "Payments"), such Payments shall be payable to such officers and employees solely out of the Merger Consideration withheld by the Shareholder Agent as provided in Section 1.6(e) hereof.

Section 5.10. Repayment of SSI Note. At the Effective Time, HOLL shall (i) wire transfer funds in the amount of $769,000 to CMPi and (ii) deliver stock certificates representing the HOLL Shares in the name of CMPi or its designee, each pursuant to the Note Repayment Agreement (as defined in Section 5.11 below).

Section 5.11. Delivery of Note Repayment Agreement, Non-Competition Agreement and Letter of Credit. At the Effective Time, HOLL and SSI shall

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execute and deliver to each other and to CMPi (i) a Note Repayment Agreement in the form attached hereto as Exhibit C-1 (the "CMPi Note Repayment Agreement"), and (ii) a Non-Competition Agreement in the form attached hereto as Exhibit C-2 (the "CMPi Non-Competition Agreement"). The obligations of HOLL under the CMPi Non-Competition Agreement shall be secured by an unconditioned irrevocable standby letter of credit issued by the Bank with CMPi as the beneficiary thereof, in the form attached hereto as Exhibit D (the "Letter of Credit").

Section 5.12. Acquisition Proposals. Unless and until this Agreement shall have been terminated by either party pursuant to Section 7.1 hereof, neither SSI nor any of its officers, directors, employees or representatives shall, directly or indirectly, solicit, initiate or encourage the submissions of proposals or offers from any other Person relating to any merger, share exchange or similar transaction or sale of any significant amount of assets, cooperate with any Person in connection with any such transaction, or participate in any discussions or negotiations regarding any such transaction.

Section 5.13. Shareholder Agent. SSI agrees that HOLL may rely on any actions taken by the Shareholder Agent on behalf of the SSI Shareholders in accordance with the terms of the Shareholder Agent Agreement as having been taken by the SSI Shareholders a party thereto.

Section 5.14. Inventory of FF&E. Within three days after the date hereof, SSI shall provide HOLL with a true and correct list of all furniture,

fixtures and equipment owned by SSI or any of its Subsidiaries and which has a depreciated book value of $1,000.00 or more as of such date.

Section 5.15. Accounts Receivable. At the Closing, SSI shall provide HOLL with a schedule (the A/R Schedule") of all accounts receivable (the "Scheduled Receivables") that, as of the Closing Date, are more than 90 days past due. SSI covenants that the Scheduled Receivables will be collected in full, without any set-off (but net of the reserve established for such accounts receivable pursuant to this Agreement), within 75 days after the Closing, and will indemnity HOLL pursuant to Section 8.2 to the extent such accounts receivables are not so collected . Any payments received by SSI and/or the Surviving Corporation from any of the customers set forth on the A/R Schedule shall first be applied to amounts reflected on the A/R Schedule.

ARTICLE 6

CONDITIONS TO CONSUMMATION OF THE MERGER

Section 6.1. Conditions to Each Party's Obligations to Effect the Merger. The respective obligations of each party hereto to effect the Merger and the other transactions contemplated hereby are subject to the satisfaction or waiver at or prior to the Effective Time of each of the following conditions:

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(a) this Agreement and the transactions contemplated hereby shall have been approved and adopted by the requisite vote of the SSI Shareholders, and the SSI Shareholders shall have taken all other corporate actions necessary to authorize the execution, delivery and performance of this Agreement, the consummation of the Merger and the transactions contemplated hereby and thereby; and

(b) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any United States federal or state court or United States federal or state governmental entity that prohibits, restrains, enjoins or restricts the consummation of the Merger.

Section 6.2. Conditions to the Obligations of SSI. The obligations of SSI to effect the Merger and the other transactions contemplated hereby are subject to the satisfaction at or prior to the Closing Date of each of the following conditions (any one or more of which may be waived by SSI in writing):

(a) the representations and warranties of HOLL and Acquisition Sub contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except to the extent such representations specifically relate to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date) unless the failure of such representations and warranties to be so true and correct would not have a Material Adverse Effect on HOLL or materially interfere with the transactions contemplated hereby, and, at the Closing, HOLL and Acquisition Sub shall have delivered to SSI a certificate to that effect, executed on behalf of HOLL by one or more executive officers of each of HOLL and Acquisition Sub;

(b) each of the covenants and obligations of HOLL and Acquisition Sub to be performed on or before the Closing Date pursuant to this Agreement shall have been duly performed in all material respects on or before the Closing Date and, at the Closing, HOLL and Acquisition Sub shall have delivered to SSI a certificate to that effect, executed on behalf of HOLL by one or more executive officers of each of HOLL and Acquisition Sub;

(c) HOLL shall have delivered to CMPi:

(i) the CMPi Note Repayment Agreement and the CMPi Non-Competition Agreement, in substantially the forms attached hereto as Exhibit C-1 and Exhibit C-2, respectively, executed by HOLL effective as of the Closing Date;

(ii) the Letter of Credit, in the form attached hereto as Exhibit D, executed by HOLL and the Bank effective as of the Closing Date; and

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(iii) immediately available funds in the amount of $769,000 and certificates representing the HOLL Shares, as payment in full on the SSI Note.

(d) HOLL and the other parties called for therein (other than SSI and the Shareholder Agent) shall have executed and delivered the Indemnity Escrow Agreement, effective as of the Closing Date; and a deposit of $750,000 as called for therein shall have been delivered to the Escrow Agent.

Section 6.3. Conditions to the Obligations of HOLL and Acquisition Sub. The respective obligations of HOLL and Acquisition Sub to effect the Merger and the other transactions contemplated hereby are subject to the satisfaction or waiver at or prior to the Closing Date of each of the following conditions (any one or more of which may be waived by HOLL in writing, except that the condition specified in subsection (i) may not be waived without the consent of SSI):

(a) the representations and warranties of SSI contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except to the extent such representations specifically relate to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date), unless the failure of such representations and warranties to be so true and correct would not have a Material Adverse Effect on SSI, and, at the Closing, SSI shall have delivered to HOLL and Acquisition Sub a certificate to that effect, executed on behalf of SSI by its CEO;

(b) each of the covenants and obligations of SSI to be performed on or before the Closing Date pursuant to this Agreement shall have been duly performed in all material respects on or before the Closing Date and, at the Closing, SSI shall have delivered to HOLL and Acquisition Sub a certificate to that effect, executed on behalf of SSI by its CEO;

(c) there shall not have occurred a Material Adverse Effect with respect to SSI;

(d) SSI shall have obtained the consents set forth in Item 2.5 of the Disclosure Letter;

(e) HOLL shall have received the CMPi Note Repayment Agreement and the CMPi Non-Competition Agreement, in substantially the forms attached hereto as Exhibit C-1 and Exhibit C-2, respectively, executed by CMPi and SSI effective as of the Closing Date;

(f) HOLL shall have received for cancellation the SSI Note from CMPi;

(g) HOLL shall have received the resignations, effective as of the Closing, of each director and officer of SSI and each of its Subsidiaries

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whom HOLL shall have specified in writing no later than 3 days prior to the Closing;

(h) SSI, the Shareholder Agent and the other parties called for therein (other than HOLL) shall have executed and delivered the Indemnity Escrow Agreement, each effective as of the Closing Date;

(i) HOLL shall have received satisfactory evidence that SSI has given to holders of its Common Stock, Preferred Stock and SSI Stock Options 20 days' notice of the Merger as is required by the terms of SSI's Amended and Restated Certificate of Incorporation and Bylaws, or the SSI Plans, respectively, and the longest of the notice periods required by the Amended and Restated Certificate of Incorporations, Bylaws, or SSI Plans shall have expired, or in lieu thereof with respect to any such required notice, HOLL shall have received satisfactory evidence that such notice has been waived in writing;

(j) HOLL shall have received an opinion from Troy & Gould Professional Corporation to the effect that this Agreement and the Merger have been duly authorized by all requisite corporate action of the directors and shareholders of SSI;

(k) HOLL shall have received satisfactory evidence that each of the Stockholder Agreements have been terminated, and that SSI has no further obligations under any such agreements; and

(l) HOLL shall have received an estoppel certificate from Wilshire Courtyard L.L.C. in substantially the form of Exhibit E attached hereto;

(m) HOLL shall have received from SSI the Estimated Closing Working Capital and the Estimated Closing Cash Balance; and the total of the Cash Makeup and the Working Capital Makeup (as calculated in good faith by HOLL), does not exceed the total of the Cash Makeup and the Working Capital Makeup (as calculated in good faith by SSI), by more than $500,000;

(n) HOLL shall have received a schedule showing the deferred revenue attributable to each of the customers of SSI and its Subsidiaries as of a date not more than five days prior to the Closing Date; and

(o) HOLL shall have received satisfactory evidence that both the Shareholder Agent Agreement and the Voting Agreement of even date herewith by and among SSI, the Shareholder Agent and certain of the SSI Shareholders remain in full force and effect against all parties thereto, and shall not have been modified or amended in any material respect.

ARTICLE 7

TERMINATION

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Section 7.1. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Closing whether before or after approval and adoption of this Agreement by the SSI Shareholders:

(a) by mutual written consent of HOLL, Acquisition Sub and SSI;

(b) by HOLL and Acquisition Sub or SSI if any court of competent jurisdiction in the United States or other United States federal or state governmental entity shall have issued a final order, decree or ruling, or taken any other final action, restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or shall have become non-appealable;

(c) by SSI or HOLL after September 30, 2004 if the Merger has not been consummated on or before such date due to no fault of the terminating party (such date the "Final Date");

(d) by SSI if (i) there shall have been a material breach of any representation or warranty of HOLL or Acquisition Sub set forth in this Agreement or if any such representation or warranty of HOLL or Acquisition Sub shall have become untrue such that the condition set forth in Section 6.2(a) would be incapable of being satisfied by the Final Date, provided that SSI has not breached any of its representations and warranties or obligations hereunder in any material respect; or (ii) there shall have been a material breach by HOLL or Acquisition Sub of any of its covenants or agreements hereunder and HOLL or Acquisition Sub, as the case may be, has not cured such breach within fifteen (15) business days after notice by SSI thereof, provided that SSI has not breached any of its representations and warranties or obligations hereunder in any material respect; or

(e) by HOLL and Acquisition Sub if (i) there shall have been a material breach of any representation or warranty on the part of SSI set forth in this Agreement or if any such representation or warranty of SSI shall have become untrue such that the condition set forth in Section 6.3(a) would be incapable of being satisfied by the Final Date, provided that neither HOLL nor Acquisition Sub has breached any of its representations and warranties or obligations hereunder in any material respect; or (ii) there shall have been a material breach by SSI or the Shareholder Agent of any of its or his covenants or agreements hereunder, and SSI or the Shareholder Agent, as the case may be, has not cured such breach within fifteen (15) business days after notice by HOLL or Acquisition Sub thereof, provided that neither HOLL nor Acquisition Sub has breached any of its representations and warranties or obligations hereunder in any material respect.

Section 7.2. Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 7.1, this Agreement shall forthwith become void and have no effect without any liability on the part of any party hereto or any of its affiliates, directors, officers and shareholders; provided, however, that Section 7.3 shall survive any such termination. Nothing

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contained in this Section 7.2 shall relieve any party from liability for any breach of this Agreement prior to such termination.

Section 7.3. Fees and Expenses. Except as specifically provided herein, each party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby. SSI agrees that all transaction fees and expenses it incurs in connection with the negotiation and execution of this Agreement and the transactions contemplated hereby shall be satisfied by SSI prior to the Closing.

ARTICLE 8

REMEDIES FOR AGREEMENT BREACHES

Section 8.1. Time Limitation. Each party's right to make any claim or bring any legal action against any other party based upon the other party's breach of its representations, warranties and agreements herein shall forever expire if written notice of such claim or legal action (along with a reasonably detailed written notice of the alleged facts underlying such claim or action) is not delivered to the other party (or the Shareholder Agent, as applicable) on or before the three hundred sixty-fifth (365th) day following the Closing Date.

Section 8.2. Post-Closing Indemnification Provisions for Benefit of HOLL. In the event (i) that SSI or the Shareholder Agent has breached any of its respective representations, warranties or agreements contained herein or in any document, instrument or agreement entered into pursuant to or in connection with this Agreement, and (ii) HOLL makes a written claim for indemnification pursuant to this Section 8.2 before the expiration of the time period set forth in Section 8.1 above, then the SSI Shareholders shall indemnify, defend and hold harmless HOLL, the Surviving Corporation, their respective Subsidiaries, and their respective officers, directors, employees, agents and representatives (collectively, the "HOLL Indemnitees") from and against the entirety of any Adverse Consequences (as defined below) which such HOLL Indemnitees may suffer through and after the date of the claim for indemnification resulting from, arising out of, relating to, or caused by the breach by SSI. Notwithstanding any other provision of this Agreement, (i) the SSI Shareholders shall not be liable to the HOLL Indemnitees for the breach of any representation or warranty hereunder until such time as the aggregate Adverse Consequences of all such breaches exceeds Fifty Thousand Dollars ($50,000) (the "Deductible"), in which event the SSI Shareholders shall only be responsible for such Adverse Consequences in excess of Fifty Thousand Dollars ($50,000); and (ii) the total liability of the SSI Shareholders to the HOLL Indemnitees under this Agreement shall not exceed the deposit under the Indemnity Escrow Agreement, which shall consist of Seven Hundred Fifty Thousand Dollars ($750,000) in cash (the "Cap"). "Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid

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in settlement, liabilities, obligations, taxes, liens, losses, expenses, and fees, including court costs and attorneys' fees and expenses, in each case net of any insurance recoveries actually received by the HOLL Indemnitees. Notwithstanding the foregoing, any limitation on liability of the SSI Shareholders or the Shareholder Agent contained in this Section shall not apply to any amounts payable out of the Accounts Receivable Escrow pursuant to Section 1.6(c) hereof or any amounts due or payable to HOLL pursuant to Section 1.6(d)(vi) hereof (whether payable out of the Working Capital Escrow or

otherwise), and none of such amounts shall be subject to the Deductible or the Cap.

Section 8.3. Post-Closing Indemnification Provisions for Benefit of SSI Shareholders. In the event that (i) HOLL has breached any of its representations, warranties or agreements contained herein or in any document, instrument or agreement entered into pursuant to or in connection with this Agreement, and (ii) the Shareholder Agent, on behalf of the SSI Shareholders, makes a written claim for indemnification against HOLL pursuant to this Section 8.3 before the expiration of the time period set forth in Section 8.1 above, then HOLL shall indemnify, defend and hold harmless the Shareholder Agent and the SSI Shareholders, and their respective officers, directors, employees, agents and representatives (collectively, the "SSI Indemnitees") from and against any Adverse Consequences, but not lost profits of SSI which the SSI Indemnitees may suffer directly resulting from, arising out of, relating to or caused by the breach. Notwithstanding any other provision of this Agreement, and except with respect to claims relating to the payment by HOLL of the Merger Consideration, HOLL shall not be liable to the SSI Indemnitees for the breach of any representation or warranty hereunder until such time as the aggregate Adverse Consequences of all such breaches exceeds Fifty Thousand Dollars ($50,000), in which event HOLL shall only be responsible for such Adverse Consequences in excess of Fifty Thousand Dollars ($50,000).

Section 8.4. Matters Involving Third Parties.

(a) If any third party shall notify any party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against any other party (the "Indemnifying Party") under this Article 8, then the Indemnified Party shall promptly notify each Indemnifying Party, thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless the Indemnifying Party is materially prejudiced thereby.

(b) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as the Indemnifying Party notifies the Indemnified Party in writing, within fifteen (15) days after

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the Indemnified Party has given notice of the Third Party Claim, that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Adverse Consequences that the Indemnified Party may suffer directly resulting from, arising out of, relating to or caused by the Third Party Claim.

(c) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 8.4(b) above, (A) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (B) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be withheld unreasonably), and (C) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably).

Section 8.5. Exclusive Remedy. Notwithstanding any other provision of this Agreement, from and after the Closing, and except as expressly provided to the contrary in Section 9.9 hereof, the Indemnity Escrow shall be the sole and exclusive remedy of the HOLL Indemnitees for any claims arising under this Agreement, whether such claims arise pursuant to this Section 8 or otherwise (except that any claims arising by reason of a breach of the covenants made in Section 5.15 of this Agreement shall be governed by the provisions of the last sentence of this Section and nothing herein shall affect HOLL's right to payment out of the Accounts Receivable Escrow or the Working Capital Escrow in accordance with the terms thereof). Notwithstanding any other provision of this Agreement, the aggregate liability of each holder of shares of Series C Preferred Stock and Series D Preferred Stock pursuant to this Agreement shall be limited to such shareholder's proportionate interest in the Indemnity Escrow, except as specifically set forth in the last sentence of Section 8.2. The holders of shares of SSI Common Stock, Series A Preferred Stock and Series B Preferred Stock shall have no liability whatsoever to the HOLL Indemnitees for any claims under this Agreement. Notwithstanding any other provision of this Agreement, from and after the Closing, the Accounts Receivable Escrow shall be the sole and exclusive remedy of the HOLL Indemnitees for any claims arising by reason of a breach of the covenants made in Section 5.15 of this Agreement.

ARTICLE 9

MISCELLANEOUS

Section 9.1. Entire Agreement; Assignment. This Agreement (including the Disclosure Letter and the Exhibits hereto) (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings both written and oral between the parties with respect to the subject matter hereof and (b) shall not be assigned by operation of law or otherwise; provided, however, that

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Acquisition Sub may assign any or all of its rights and obligations under this Agreement to any direct or indirect wholly owned subsidiary of HOLL, but no such assignment shall relieve Acquisition Sub of its obligations hereunder if such assignee does not perform such obligations.

Section 9.2. Validity. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and to such end the provisions of this Agreement are agreed to be severable.

Section 9.3. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by reputable overnight courier (e.g., Federal Express), by facsimile or by registered or certified mail (postage prepaid, return receipt requested) to each other party as follows:

(a) If to HOLL or Acquisition Sub: Hollywood Media Corp. 2255 Glades Road, Suite 221A Boca Raton, FL 33431
Attn: CEO
Facsimile Number: (561) 998-2974

with copies to:

Hollywood Media Corp.
2255 Glades Road, Suite 221A
Boca Raton, FL 33431
Attn: Melissa Siesel, Esq.
Facsimile Number: (561) 998-2974

Weissmann, Wolff, Bergman, Coleman, Grodin & Evall, LLP.
9665 Wilshire Boulevard, Suite 900
Beverly Hills, CA 90212
Attn: Andrew Schmerzler, Esq.
Facsimile Number: (310)- 550-7191

(b) If to SSI:

Studio Systems, Inc.
5700 Wilshire Boulevard, 6th Floor
Los Angeles, CA 90036
Attn: President
Facsimile Number: (310) 634-3525

with a copy to:

Lawrence P. Schnapp, Esq.

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Troy & Gould Professional Corporation
1801 Century Park East, 16th Floor
Los Angeles, CA 90067-2367
Facsimile Number: (310) 201-4746

(c) If to the Shareholder Agent to:

SSI Investments, LLC
c/o United Business Media
810 Seventh Avenue, 27th Floor
New York, NY 10019
Attention: Scott Mozarsky
Facsimile Number: (212) 782-2929

or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth above. Notice given in person or by overnight delivery service as set forth above shall be deemed delivered on the day of delivery; notice given by mail as set forth above shall be deemed delivered on the fifth day following the date the same is postmarked; notice given by facsimile shall be deemed delivered when received if during normal business hours on a business day (or if not, the next business day after delivery) provided that such facsimile is legible and that at the time such facsimile is sent the sending party receives written confirmation of receipt.

Section 9.4. Governing Law; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the principles of conflicts of law thereof except for specific provisions relating to the Merger which will be governed by Delaware law.

(b) Each of the parties hereto consents to the jurisdiction of any state or federal court located within New York County, and irrevocably agrees that all actions or proceedings relating to this Agreement or the transactions contemplated hereby shall be litigated in one of such courts, and each of the parties waives any objection that it may have based on improper venue or forum non conveniens to the conduct of any such action or proceeding in any such court and waives personal service of any and all process upon it, and consent to all such service of process made in the manner set forth in Section 9.3. Nothing contained in this Section 9.4(b) shall affect the right of any party to serve legal process on any other party in any other manner permitted by law.

(c) Each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in

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respect of any litigation directly or indirectly arising out of or relating to this agreement or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (i) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, (ii) each such party understands and has considered the implications of this waiver, (iii) each such party makes this waiver voluntarily, and (iv) each such party has been induced to enter into this agreement by, among other things, the waivers and certifications in this Section 9.4(c).

Section 9.5. Descriptive Headings; Section References. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. All references herein to Articles, Sections, subsections, paragraphs and clauses are references to Articles, Sections, subsections, paragraphs and clauses of this Agreement unless specified otherwise.

Section 9.6. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns and, except as expressly provided herein, nothing in this

Agreement is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.7. Certain Definitions. For the purposes of this Agreement the term:

(a) "business day" means any day other than a day on which banks in California or Florida are required or authorized by law to be closed;

(b) "include" or "including" means "include, without limitation" or "including, without limitation," as the case may be, and the language following "include" or "including" shall not be deemed to set forth an exhaustive list;

(c) "knowledge" or "known" means, with respect to any matter in question, the actual knowledge of such matter of Gary Hiller and any other executive officer or director of SSI or any director or executive officer of HOLL, as the case may be, and, unless otherwise stated herein, after due investigation and inquiry;

(d) "Material Contract" means the following with respect to SSI or any of its Subsidiaries: (i) any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of $20,000 per annum; (ii) any agreement (or group of related agreements) for the purchase or sale of personal property, or for the furnishing

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or receipt of services, the performance of which will involve consideration in excess of $20,000 per annum; (iii) any agreement (or group of related agreements) under which SSI or a Subsidiary of SSI has created, incurred, assumed, or guaranteed any indebtedness for borrowed money, or any capitalized lease obligation, in excess of $20,000; (iv) any collective bargaining agreement, any agreement relating to the employment or engagement of any individual on a full-time, part-time, consulting, or other basis or any agreement providing severance benefits, and all SSI Employee Plans, SSI Pension Plans and SSI Benefit Arrangements; (v) any agreement under which SSI or any SSI Subsidiary is a guarantor or otherwise is liable for any liability or obligation (including indebtedness) of any other Person ; (vi) any agreement to which SSI or any of its Subsidiaries is a party or by which SSI or any of its Subsidiaries is bound with a remaining term of in excess of 12 months (inclusive of any renewal or option terms) which agreement can not be terminated by SSI without liability on notice of 30 days or less; (vii) any other agreement (or group of related agreements) the performance of which involves consideration in excess of $20,000 per annum; (viii) any agreements which limit or restrain SSI or any of its Subsidiaries from engaging or competing in the Business (as such term is defined in the CMPi Agreement); and (ix) any agreements granting a right of first refusal or first offer or negotiation with respect to any properties or rights of SSI or any of its Subsidiaries.

(e) "Person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other legal entity including any governmental entity; and

(f) "Security Interest" means any mortgage, pledge, lien, encumbrance, charge or other security interest, other than (a) mechanic's,

materialmen's and similar liens for debts not yet due and payable, (b) liens for taxes not yet due and payable, and (c) purchase-money liens and liens securing rental payments under capital lease arrangements.

(g) "Subsidiary" or "Subsidiaries" of SSI, HOLL, the Surviving Corporation or any other Person means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which SSI, HOLL, the Surviving Corporation or any such other Person, as the case may be (either alone or through or together with any other subsidiary), owns, directly or indirectly, more than fifty percent (50%) of the capital stock the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

Section 9.8. Personal Liability. Except as expressly set forth herein, this Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any officer, director, employee, agent, shareholder or representative of any party hereto.

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Section 9.9. Specific Performance. The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the Merger, will cause irreparable injury to the other parties, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder, without the necessity of posting a bond.

Section 9.10. Counterparts. This Agreement may be executed by facsimile and in one or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 9.11. Amendment. This Agreement may be amended by action taken by SSI, HOLL and Acquisition Sub at any time before or after approval of the Merger by the SSI Shareholders but after any such approval no amendment shall be made that requires the approval of such shareholders under applicable law without such approval. This Agreement may be amended only by an instrument in writing signed on behalf of the parties hereto.

Section 9.12. Extension; Waiver. At any time prior to the Effective Time, each party hereto may (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document, certificate or writing delivered pursuant hereto or (iii) waive compliance by another party with any of the agreements or conditions contained herein. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument, in writing, signed by such party. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

Section 9.13. Drafting Presumption. It is acknowledged that the parties and their respective legal counsel have participated in an arms'-length negotiation in the preparation of this Agreement. As a consequence, the parties agree that no presumption shall be applied in any interpretation of this Agreement that the terms hereof shall be more strictly construed against one

party by reason of any rule of construction that a document is to be construed more strictly against the party who prepared the same, whether through such party's legal counsel or otherwise.

Section 9.14. Recovery of Costs. In the event that any arbitration, legal action, equitable suit or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default,

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misrepresentation, termination or invalidity in connection with any provision of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred in such proceeding, in addition to any other relief to which such party may be entitled.

Section 9.15. Further Assurances. Each of the parties hereto agrees that it will, forthwith upon any request by any other party, cooperate fully in the preparation, execution, acknowledgment, delivery and recording of any agreements, instruments, memoranda or documents which are reasonably necessary or appropriate to evidence or consummate the transactions contemplated by this Agreement. In addition, no party shall take or fail to take any action for the purpose of impairing such party's ability to perform its obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"HOLL"
HOLLYWOOD MEDIA CORP.

By: /s/ Mitchell Rubenstein

Its: Chief Executive Officer

"SSI"
STUDIO SYSTEMS, INC.

By: /s/ Gary Hiller

Its: President and Chief Executive Officer

"Acquisition Sub"
SSI ACQUISITION SUB, INC.

By: /s/ Mitchell Rubenstein

Its: Chief Executive Officer

"Shareholder Agent"
SSI INVESTMENTS LLC

By Vavasseur Overseas Holdings Limited,
as sole member

By Crosswall Nominees Limited,
a director of Vavasseur Overseas
Holdings Limited

By /s/ Andrew Crow

Name: Andrew Crow
Title: Director

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Exhibit 10.3

EXTENSION AND AMENDMENT AGREEMENT
FOR
EMPLOYMENT AGREEMENT
BETWEEN
HOLLYWOOD MEDIA CORP. AND
MITCHELL RUBENSTEIN

THIS EXTENSION AND AMENDMENT AGREEMENT (the "Agreement") is entered into effective as of the 31st day of May, 2004 (the by and between HOLLYWOOD MEDIA CORP., a Florida corporation (the "Company") and MITCHELL RUBENSTEIN (the "Executive").

WITNESSETH:

WHEREAS, the Executive has served as Chairman of the Board and Chief Executive Officer of the Company since its inception, and presently serves in this capacity pursuant to a written Employment Agreement with the Company entered into as of July 1, 1993, as amended by that certain Extension and Amendment Agreement entered into as of July 1, 1998 between the Company and the Executive, and by that certain Extension and Amendment Agreement entered into as of July 1, 2003 between the Company and the Executive (collectively, the "Current Employment Agreement");

WHEREAS, the current term of the Current Employment Agreement ends June 30, 2004, subject to annual automatic renewals as provided therein (subject to nonrenewal if notice of termination is given as provided therein);

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company, its policies, methods and personnel;

WHEREAS, the Compensation Committee of the Board of Directors (the "Committee") of the Company recognizes that the Executive's contribution to the growth and success of the Company has been and will continue to be substantial and desires to assure the Company of the Executive's continued employment in an executive capacity and to compensate Executive therefore;

WHEREAS, the Committee has determined that entering into this Agreement to extend and update the Current Employment Agreement will reinforce and encourage the Executive's continued attention and dedication to the Company; and

WHEREAS, the Executive is willing to make his services available to the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual benefits to be derived hereby and thereby, and the promises, representations, warranties, covenants and other good and valuable consideration provided for herein and

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therein, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows, and the Current Employment Agreement is hereby extended and amended as follows, provided, however, that in the event of any inconsistency between the Current Employment Agreement and this Agreement, this Agreement shall take precedence:

Unless otherwise expressly defined herein, all capitalized terms used herein shall have the meanings set forth in the Current Employment Agreement.

1. EXTENSION OF TERM OF CURRENT EMPLOYMENT AGREEMENT. The "Term" of the Current Employment Agreement (as defined in Section 1.1 thereof, as amended) is hereby extended for an additional period beginning on June 30, 2004 (the last

day of the current Term) and ending on December 31, 2004, unless sooner terminated pursuant to the terms of said Current Employment Agreement; provided, however, the Current Employment Agreement shall automatically renew for successive one (1) year periods, unless either party provides the other party with written notice of termination thirty (30) days prior to the end of the applicable term.

2. GRANT OF RESTRICTED STOCK. In consideration for the Executive's services under the Current Employment Agreement as amended hereby and for the Executive's execution and delivery hereof, the Company hereby agrees to grant the Executive the following:

> 400,000 shares of restricted stock of the Company's Common Stock, issued in accordance with and pursuant to the Company's 2000 Stock Incentive Plan, said grant to vest at the rate of 25,000 shares (or 6.25%) per calendar quarter, commencing with the first 25,000 shares vesting on October 1, 2004, with subsequent vesting on the following dates in each consecutive following quarter, respectively, until all shares are vested: January 1, April 1, July 1, and October 1; provided, however, that in the event that a "Change of Control" (as defined in the Current Employment Agreement, as amended) of the Company occurs prior to the end of such four-year period, or in the event that the Executive's employment ends at any time prior to the end of such four-year period other than for "Cause" (as defined in the Current Employment Agreement), said grant shall vest in full immediately.

3. SURVIVAL. Other than as specifically set forth above, no provision of this Agreement shall be deemed to enlarge, alter or amend the terms or provisions of the Current Employment Agreement. Except as provided in this Agreement, all other provisions, terms and benefits set forth in the Current Employment Agreement shall remain in full force and effect.

4. COUNTERPARTS. This Agreement may be executed in counterparts, each of which, when executed, shall be deemed to be an original and all of which

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together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have or have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

COMPANY:

HOLLYWOOD MEDIA CORP.,
a Florida corporation

By: /s/ Nicholas Hall

Name: Nicholas Hall
Title: Chief Operating Officer

EXECUTIVE:

/s/ Mitchell Rubenstein

Mitchell Rubenstein

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Exhibit 10.4

EXTENSION AND AMENDMENT AGREEMENT
FOR
EMPLOYMENT AGREEMENT
BETWEEN
HOLLYWOOD MEDIA CORP. AND
LAURIE S. SILVERS

THIS EXTENSION AND AMENDMENT AGREEMENT (the "Agreement") is entered into effective as of the 31st day of May, 2004 (the by and between HOLLYWOOD MEDIA CORP., a Florida corporation (the "Company") and LAURIE S. SILVERS (the "Executive").

WITNESSETH:

WHEREAS, the Executive has served as President of the Company since its inception, and presently serves in this capacity pursuant to a written Employment Agreement with the Company entered into as of July 1, 1993, as amended by that certain Extension and Amendment Agreement entered into as of July 1, 1998 between the Company and the Executive, and by that certain Extension and Amendment Agreement entered into as of July 1, 2003 between the Company and the Executive (collectively, the "Current Employment Agreement");

WHEREAS, the current term of the Current Employment Agreement ends June 30, 2004, subject to annual automatic renewals as provided therein (subject to nonrenewal if notice of termination is given as provided therein);

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company, its policies, methods and personnel;

WHEREAS, the Compensation Committee of the Board of Directors (the "Committee") of the Company recognizes that the Executive's contribution to the growth and success of the Company has been and will continue to be substantial and desires to assure the Company of the Executive's continued employment in an executive capacity and to compensate Executive therefore;

WHEREAS, the Committee has determined that entering into this Agreement to extend and update the Current Employment Agreement will reinforce and encourage the Executive's continued attention and dedication to the Company; and

WHEREAS, the Executive is willing to make her services available to the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual benefits to be derived hereby and thereby, and the promises, representations, warranties,

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covenants and other good and valuable consideration provided for herein and therein, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows, and the Current Employment Agreement is hereby extended and amended as follows, provided, however, that in the event of any inconsistency between the Current Employment Agreement and this Agreement, this Agreement shall take precedence:

Unless otherwise expressly defined herein, all capitalized terms used herein shall have the meanings set forth in the Current Employment Agreement.

1. EXTENSION OF TERM OF CURRENT EMPLOYMENT AGREEMENT. The "Term" of the Current Employment Agreement (as defined in Section 1.1 thereof, as amended) is hereby extended for an additional period beginning on June 30, 2004 (the last

day of the current Term) and ending on December 31, 2004, unless sooner terminated pursuant to the terms of said Current Employment Agreement; provided, however, the Current Employment Agreement shall automatically renew for successive one (1) year periods, unless either party provides the other party with written notice of termination thirty (30) days prior to the end of the applicable term.

2. GRANT OF RESTRICTED STOCK. In consideration for the Executive's services under the Current Employment Agreement as amended hereby and for the Executive's execution and delivery hereof, the Company hereby agrees to grant the Executive the following:

400,000 shares of restricted stock of the Company's Common Stock, issued in accordance with and pursuant to the Company's 2000 Stock Incentive Plan, said grant to vest at the rate of 25,000 shares (or 6.25%) per calendar quarter, commencing with the first 25,000 shares vesting on October 1, 2004, with subsequent vesting on the following dates in each consecutive following quarter, respectively, until all shares are vested: January 1, April 1, July 1, and October 1; provided, however, that in the event that a "Change of Control" (as defined in the Current Employment Agreement, as amended) of the Company occurs prior to the end of such four-year period, or in the event that the Executive's employment ends at any time prior to the end of such four-year period other than for "Cause" (as defined in the Current Employment Agreement), said grant shall vest in full immediately.

3. SURVIVAL. Other than as specifically set forth above, no provision of this Agreement shall be deemed to enlarge, alter or amend the terms or provisions of the Current Employment Agreement. Except as provided in this Agreement, all other provisions, terms and benefits set forth in the Current Employment Agreement shall remain in full force and effect.

4. COUNTERPARTS. This Agreement may be executed in counterparts, each

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of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have or have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

COMPANY:

HOLLYWOOD MEDIA CORP.,
a Florida corporation

By: /s/ Nicholas Hall

Name: Nicholas Hall
Title: Chief Operating Officer

EXECUTIVE:

/s/ Laurie S. Silvers

Laurie S. Silvers

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Exhibit 10.5

EXTENSION AND AMENDMENT AGREEMENT
FOR
EMPLOYMENT AGREEMENT
BETWEEN
HOLLYWOOD MEDIA CORP. AND
MITCHELL RUBENSTEIN

THIS EXTENSION AND AMENDMENT AGREEMENT (the "Agreement") is entered into effective as of the 1st day of July, 2003 (the "Effective Date") by and between HOLLYWOOD MEDIA CORP., a Florida corporation (the "Company") and MITCHELL RUBENSTEIN (the "Executive").

WITNESSETH:

WHEREAS, the Executive has served as Chairman of the Board and Chief Executive Officer of the Company since its inception, and presently serves in this capacity pursuant to a written Employment Agreement with the Company entered into as of July 1, 1993, as amended by that certain Extension and Amendment Agreement entered into as of July 1, 1998 between the Company and the Executive (collectively, the "Current Employment Agreement");

WHEREAS, the five-year term of the Current Employment Agreement ends July 1, 2003;

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company, its policies, methods and personnel;

WHEREAS, the Compensation Committee of the Board of Directors (the "Committee") of the Company recognizes that the Executive's contribution to the growth and success of the Company has been and will continue to be substantial and desires to assure the Company of the Executive's continued employment in an executive capacity and to compensate Executive therefore;

WHEREAS, the Committee has determined that entering into this Agreement to extend and update the Current Employment Agreement will reinforce and encourage the Executive's continued attention and dedication to the Company; and

WHEREAS, the Executive is willing to make his services available to the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual benefits to be derived hereby and thereby, and the promises, representations, warranties, covenants and other good and valuable consideration provided for herein and therein, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows, and the Current Employment Agreement is hereby extended and amended as follows, provided, however, that in the event of any inconsistency between the Current Employment

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Agreement and this Agreement, this Agreement shall take precedence:

Unless otherwise expressly defined herein, all capitalized terms used herein shall have the meanings set forth in the Current Employment Agreement.

1. EXTENSION OF TERM OF CURRENT EMPLOYMENT AGREEMENT. The "Term" of the Current Employment Agreement (as defined in Section 1.1 thereof, as amended) is hereby extended for an additional one-year term beginning on the Effective Date and ending on June 30, 2004, unless sooner terminated pursuant to the terms of said Current Employment Agreement; provided, however, the Current Employment Agreement shall automatically renew for successive one (1) year periods, unless either party provides the other party with written notice of termination thirty (30) days prior to the end of the applicable term; subject further to the

applicable terms of the Current Employment Agreement and this Agreement in the event of a "Change of Control" (as defined hereinbelow).

2. BASE SALARY AND ANNUAL INCREASES. Section 2.1 of the Current Employment Agreement is hereby amended to provide that the "Base Salary" effective as of July 1, 2003 shall be at the annual rate of $400,000, which Base Salary is subject to cost-of-living increases after such date as provided in the Current Employment Agreement.

3. ISSUANCE OF STOCK OPTIONS AND RESTRICTED STOCK. The Current Employment Agreement is hereby amended by adding the following new Section 2.3:

"2.3 Issuance of Stock Options and Restricted Stock. The Company shall grant the Executive the following:

(a) an option to purchase 350,000 shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), granted on July 1, 2003 (the "Grant Date"), at an exercise price equal to the closing sale price of the Common Stock on the Nasdaq National Market on the trading day immediately preceding the Grant Date, in accordance with and pursuant to the terms and conditions of the Company's 1993 Stock Option Plan, as amended. The options shall vest cumulatively at the rate of twenty-five percent (25%) on each of October 1, 2003, January 1, 2004, April 1, 2004 and July 1, 2004. The options shall have a five-year term from the Grant Date, irrespective of and notwithstanding any termination of Executive's employment for any reason. The options shall also be subject to accelerated vesting in the event of a "Change of Control", such that the option shall be 100% vested in such event. To the extent permissible by law, such option shall be treated as an incentive stock option.

(b) 125,000 shares of restricted stock of the Company's Common Stock, issued as of the Grant Date, in accordance with and pursuant to the

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Company's 2000 Stock Incentive Plan, said grant to vest cumulatively at the rate of twenty-five percent (25%) on each of October 1, 2003, January 1, 2004, April 1, 2004 and July 1, 2004; provided, however, that in the event that a "Change of Control" of the Company occurs prior to the end of such twelve (12) month period, said grant shall vest immediately, provided further, that such vesting shall be deemed to have begun on July 1, 2003."

4. EARN-OUT PROVISION. The Current Employment Agreement is hereby amended by adding the following new Section 2.4:

"2.4 Earn-Out Provision. In the event that the Company (or one of its subsidiaries or affiliates) during the Term of this Agreement and while the Executive is employed by the Company (including any subsequent renewal periods), enters into an agreement for carriage of the Company's Totally Hollywood TV network or any successor network thereto ("THTV") or any part of its programming on one or more cable TV systems with (a) two Multiple System Operators ("MSOs") that are among the six MSOs listed on Exhibit A attached hereto, or (b) Comcast Corporation (an "MSO"), (the satisfaction of the foregoing condition, including the foregoing clause (a) or (b), as the case may be, is referred to herein as a "Payment Event") (it being agreed that such an agreement with a subsidiary or affiliate of such an MSO (or with any successor or purchaser of such an MSO) shall qualify as such an agreement with the MSO for purposes of the foregoing clauses (a) or (b), as the case may be), then Executive shall be entitled to payments

equivalent to five percent (5%) of the net income (as determined in accordance with GAAP) generated operationally by each of the Company's THTV and Hollywood.com, Inc. businesses from and after the occurrence of the Payment Event. Such payments (the "Net Income Payments") shall be computed and paid within 45 days after each calendar quarter (or 75 days after the fourth quarter of a fiscal year), based on such net income for such quarter (with adjustments to the fourth quarter Net Income Payment to take into account year end adjustments effecting net income in the prior quarters for such year, so that if the net income for such prior quarters is reduced (or increased) due to year end adjustments, then any Net Income Payment otherwise payable for the fourth quarter would be reduced (or increased) by the amount of overpayment (or underpayment) made for such prior quarters, as the case may be, as determined due to such year end adjustments). In the event that THTV and/or Hollywood.com were sold or transferred by the Company following the occurrence of the Payment Event, the Company shall promptly give written notice of such transaction (including the purchase price for such businesses) to the Executive prior to the closing of such transaction, and the Executive shall have the right to elect, by giving written notice to the Company within 10 days following

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the Executive's receipt of such notice, to receive five percent (5%) of the "net sale proceeds" (defined below) generated from the sale of such business or businesses (a "Sale Payment") in lieu of the Net Income Payments continuing after the sale as to such business or businesses being sold. The Executive may sell, assign, transfer, devise, gift, encumber and/or pledge the foregoing rights to receive payments under this Section 2.4, and such rights shall inure to the benefit of the Executive's heirs, successors and assigns, and such rights are and shall be the obligations of, and binding upon the Company and its successors and assigns. Notwithstanding anything in the Current Employment Agreement or herein to the contrary, these payments rights, once earned by reason of the Payment Event occurring during the Term of employment as provided above, (i) shall survive termination or expiration, for any reason, of Executive's employment with the Company thereafter, and (ii) shall expire upon the cessation of the THTV (or successor) cable channel and Hollywood.com. It is agreed that if THTV changes its name, such as to Hollywood.com TV or Hollywood.com Television (or otherwise), the references to THTV in this Agreement shall constitute references to such renamed business, and the terms of this Agreement shall apply to such renamed business in the same manner as they apply to THTV and the related payment obligations hereunder shall not be affected by reason of such name change.

For purposes of this Section 2.4, the "net sale proceeds" generated from the sale of a business means (A) the sum of (i) the purchase price paid to the Company and/or its subsidiary and/or its affiliate owning such business at the closing of the purchase of such business, plus (ii) any and all debt, payables and other liabilities of the business assumed or acquired by purchaser at the close of such sale less (B) the sum of (x) any and all debt, payables and other liabilities of the business not assumed or acquired by purchaser at the close of such sale, but excluding the Sale Payment to Executive and the Sale Payment to Laurie Silvers under her employment agreement with the Company (in other words, all liabilities of such business that remain liabilities of the Company or any subsidiary of the Company following the closing, other than the Sale Payment to the Executive or to Laurie Silvers), and (y) any and all brokerage or finders fees and other transaction and closing costs and fees incurred or paid by the Company or any subsidiary or affiliate of the Company in connection with such business sale.

For purposes of this Section 2.4, Hollywood.com shall include the "Hollywood.com" website and all successors to it and all other assets acquired in the Company's acquisition of Hollywood.com, Inc. (formerly known as Hollywood Online Inc.) from The Times Mirror Company, excluding the URLs movieticket.com, movietickets.com, theater.com, theaters.com and theatres.com, but including all other URLs (and proceeds of sales of, or profits generated by, said URLs now or in the future) that are or were owned by Hollywood Online Inc."

5. EFFECT OF TERMINATION. The Current Employment Agreement is hereby

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amended by adding the following new Section 4.5:

"4.5 Effect of Termination. The Executive will continue to receive his salary until the expiration of the Term (including any subsequent renewal periods) of this Agreement, as amended, if his employment is

terminated by the Company for any reason other than death, disability or Cause.

6. CHANGE OF CONTROL AND AMENDMENT OF SECTION 6(A) OF THE CURRENT EMPLOYMENT AGREEMENT. Section 6(a) of the Current Employment Agreement is hereby amended by deleting in its entirety the present Section 6(a) and substituting in lieu thereof the following new Section 6(a):

"(a) For purposes of this Agreement, a "Change of Control" shall be deemed to have taken place if: (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, becomes the owner or beneficial owner of Company securities, after July 1, 2003, having 20% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company, or open market purchases approved by the Board of Directors of the Company, as long as the majority of the Board of Directors of the Company approving the purchases is the majority at the time the purchases are made), or (ii) the persons who were directors of the Company before such transaction shall cease to constitute a majority of the Board of Directors of the Company, or any successor to the Company, as the direct or indirect result of or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, or (iii) the sale or transfer of the Company in its entirety or all or substantially all of the assets of the Company through any structure or form of transaction (whether or not in connection with a liquidation of the Company), including, but not limited to, a direct or indirect acquisition, merger, consolidation, restructuring, liquidation or any similar or related transaction."

For purposes of clarity, it is hereby acknowledged and agreed that in the event of a "Change of Control", as defined hereinabove, in addition to the terms included in this Agreement, Executive shall be entitled to all rights set forth in the Current Employment Agreement, which shall remain in full force and effect, except for the revision of the definition of "Change of Control" as set forth hereinabove, and the lump sum payment due Executive under the Current Employment Agreement in the event of a Change of Control if the Company terminates Executive's employment thereafter, shall also be payable if at any

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time within 60 days after such Change of Control, Executive terminates his employment under the Current Employment Agreement (as amended hereby) for any reason.

7. SURVIVAL. Other than as specifically set forth above, no provision of this Agreement shall be deemed to enlarge, alter or amend the terms or provisions of the Current Employment Agreement. Except as provided in this Agreement, all other provisions, terms and benefits set forth in the Current Employment Agreement shall remain in full force and effect.

8. COUNTERPARTS. This Agreement may be executed in counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have or have caused their respective duly authorized representatives to execute this Agreement as of the Effective Date.

COMPANY:

HOLLYWOOD MEDIA CORP.,
a Florida corporation

By: /s/ Nicholas Hall

Name: Nicholas Hall
Title: Chief Operating Officer

EXECUTIVE:

/s/ Mitchell Rubenstein

Mitchell Rubenstein

Exhibit A

Time Warner Cable
Charter Communications, Inc.
Adelphia Communications Corporation

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Advance/Newhouse Communications
Insight Communications
Mediacom Communications Corporation

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Exhibit 10.6

EXTENSION AND AMENDMENT AGREEMENT
FOR
EMPLOYMENT AGREEMENT
BETWEEN
HOLLYWOOD MEDIA CORP. AND
LAURIE S. SILVERS

THIS EXTENSION AND AMENDMENT AGREEMENT (the "Agreement") is entered into effective as of the 1st day of July, 2003 (the "Effective Date") by and between HOLLYWOOD MEDIA CORP., a Florida corporation (the "Company") and LAURIE S. SILVERS (the "Executive").

WITNESSETH:

WHEREAS, the Executive has served as President of the Company since its inception, and presently serves in this capacity pursuant to a written Employment Agreement with the Company entered into as of July 1, 1993, as amended by that certain Extension and Amendment Agreement entered into as of July 1, 1998 between the Company and the Executive (collectively, the "Current Employment Agreement");

WHEREAS, the five-year term of the Current Employment Agreement ends July 1, 2003;

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Company, its policies, methods and personnel;

WHEREAS, the Compensation Committee of the Board of Directors (the "Committee") of the Company recognizes that the Executive's contribution to the growth and success of the Company has been and will continue to be substantial and desires to assure the Company of the Executive's continued employment in an executive capacity and to compensate Executive therefore;

WHEREAS, the Committee has determined that entering into this Agreement to extend and update the Current Employment Agreement will reinforce and encourage the Executive's continued attention and dedication to the Company; and

WHEREAS, the Executive is willing to make her services available to the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual benefits to be derived hereby and thereby, and the promises, representations, warranties, covenants and other good and valuable consideration provided for herein and therein, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows, and the Current

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Employment Agreement is hereby extended and amended as follows, provided, however, that in the event of any inconsistency between the Current Employment Agreement and this Agreement, this Agreement shall take precedence:

Unless otherwise expressly defined herein, all capitalized terms used herein shall have the meanings set forth in the Current Employment Agreement.

1. EXTENSION OF TERM OF CURRENT EMPLOYMENT AGREEMENT. The "Term" of the Current Employment Agreement (as defined in Section 1.1 thereof, as amended) is hereby extended for an additional one-year term beginning on the Effective Date and ending on June 30, 2004, unless sooner terminated pursuant to the terms of said Current Employment Agreement; provided, however, the Current Employment Agreement shall automatically renew for successive one (1) year periods, unless either party provides the other party with written notice of termination thirty (30) days prior to the end of the applicable term; subject further to the

applicable terms of the Current Employment Agreement and this Agreement in the event of a "Change of Control" (as defined hereinbelow).

2. BASE SALARY AND ANNUAL INCREASES. Section 2.1 of the Current Employment Agreement is hereby amended to provide that the "Base Salary" effective as of July 1, 2003 shall be at the annual rate of $350,000, which Base Salary is subject to cost-of-living increases after such date as provided in the Current Employment Agreement.

3. ISSUANCE OF STOCK OPTIONS AND RESTRICTED STOCK. The Current Employment Agreement is hereby amended by adding the following new Section 2.3:

> "2.3 Issuance of Stock Options and Restricted Stock. The Company shall grant the Executive the following:
>
> (a) an option to purchase 350,000 shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), granted on July 1, 2003 (the "Grant Date"), at an exercise price equal to the closing sale price of the Common Stock on the Nasdaq National Market on the trading day immediately preceding the Grant Date, in accordance with and pursuant to the terms and conditions of the Company's 1993 Stock Option Plan, as amended. The options shall vest cumulatively at the rate of twenty-five percent (25%) on each of October 1, 2003, January 1, 2004, April 1, 2004 and July 1, 2004. The options shall have a five-year term from the Grant Date, irrespective of and notwithstanding any termination of Executive's employment for any reason. The options shall also be subject to accelerated vesting in the event of a "Change of Control", such that the option shall be 100% vested in such event. To the extent permissible by law, such option shall be treated as an incentive stock option.

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(b) 125,000 shares of restricted stock of the Company's Common Stock, issued as of the Grant Date, in accordance with and pursuant to the Company's 2000 Stock Incentive Plan, said grant to vest cumulatively at the rate of twenty-five percent (25%) on each of October 1, 2003, January 1, 2004, April 1, 2004 and July 1, 2004; provided, however, that in the event that a "Change of Control" of the Company occurs prior to the end of such twelve (12) month period, said grant shall vest immediately, provided further, that such vesting shall be deemed to have begun on July 1, 2003."

4. EARN-OUT PROVISION. The Current Employment Agreement is hereby amended by adding the following new Section 2.4:

"2.4 Earn-Out Provision. In the event that the Company (or one of its subsidiaries or affiliates) during the Term of this Agreement and while the Executive is employed by the Company (including any subsequent renewal periods), enters into an agreement for carriage of the Company's Totally Hollywood TV network or any successor network thereto ("THTV") or any part of its programming on one or more cable TV systems with (a) two Multiple System Operators ("MSOs") that are among the six MSOs listed on Exhibit A attached hereto, or (b) Comcast Corporation (an "MSO"), (the satisfaction of the foregoing condition, including the foregoing clause (a) or (b), as the case may be, is referred to herein as a "Payment Event") (it being agreed that such an agreement with a subsidiary or affiliate of such an MSO (or with any successor or purchaser of such an MSO) shall qualify as such an agreement with the MSO for purposes of the foregoing clauses (a) or (b), as the case may be), then Executive shall be entitled to payments

equivalent to five percent (5%) of the net income (as determined in accordance with GAAP) generated operationally by each of the Company's THTV and Hollywood.com, Inc. businesses from and after the occurrence of the Payment Event. Such payments (the "Net Income Payments") shall be computed and paid within 45 days after each calendar quarter (or 75 days after the fourth quarter of a fiscal year), based on such net income for such quarter (with adjustments to the fourth quarter Net Income Payment to take into account year end adjustments effecting net income in the prior quarters for such year, so that if the net income for such prior quarters is reduced (or increased) due to year end adjustments, then any Net Income Payment otherwise payable for the fourth quarter would be reduced (or increased) by the amount of overpayment (or underpayment) made for such prior quarters, as the case may be, as determined due to such year end adjustments). In the event that THTV and/or Hollywood.com were sold or transferred by the Company following the occurrence of the Payment Event, the Company shall

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promptly give written notice of such transaction (including the purchase price for such businesses) to the Executive prior to the closing of such transaction, and the Executive shall have the right to elect, by giving written notice to the Company within 10 days following the Executive's receipt of such notice, to receive five percent (5%) of the "net sale proceeds" (defined below) generated from the sale of such business or businesses (a "Sale Payment") in lieu of the Net Income Payments continuing after the sale as to such business or businesses being sold. The Executive may sell, assign, transfer, devise, gift, encumber and/or pledge the foregoing rights to receive payments under this Section 2.4, and such rights shall inure to the benefit of the Executive's heirs, successors and assigns, and such rights are and shall be the obligations of, and binding upon the Company and its successors and assigns. Notwithstanding anything in the Current Employment Agreement or herein to the contrary, these payments rights, once earned by reason of the Payment Event occurring during the Term of employment as provided above, (i) shall survive termination or expiration, for any reason, of Executive's employment with the Company thereafter, and (ii) shall expire upon the cessation of the THTV (or successor) cable channel and Hollywood.com. It is agreed that if THTV changes its name, such as to Hollywood.com TV or Hollywood.com Television (or otherwise), the references to THTV in this Agreement shall constitute references to such renamed business, and the terms of this Agreement shall apply to such renamed business in the same manner as they apply to THTV and the related payment obligations hereunder shall not be affected by reason of such name change.

For purposes of this Section 2.4, the "net sale proceeds" generated from the sale of a business means (A) the sum of (i) the purchase price paid to the Company and/or its subsidiary and/or its affiliate owning such business at the closing of the purchase of such business, plus (ii) any and all debt, payables and other liabilities of the business assumed or acquired by purchaser at the close of such sale less (B) the sum of (x) any and all debt, payables and other liabilities of the business not assumed or acquired by purchaser at the close of such sale, but excluding the Sale Payment to Executive and the Sale Payment to Mitchell Rubenstein under his employment agreement with the Company (in other words, all liabilities of such business that remain liabilities of the Company or any subsidiary of the Company following the closing, other than the Sale Payment to the Executive or to Mitchell Rubenstein), and (y) any and all brokerage or finders fees and other transaction and closing costs and fees incurred or paid by the Company or any subsidiary or affiliate of the Company in connection with such business sale.

For purposes of this Section 2.4, Hollywood.com shall include the "Hollywood.com" website and all successors to it and all other assets acquired in the Company's acquisition of Hollywood.com, Inc. (formerly known as Hollywood Online Inc.) from The Times Mirror Company, excluding the URLs movieticket.com, movietickets.com, theater.com, theaters.com and theatres.com, but including all other URLs (and

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proceeds of sales of, or profits generated by, said URLs now or in the future) that are or were owned by Hollywood Online Inc."

5. EFFECT OF TERMINATION. The Current Employment Agreement is hereby amended by adding the following new Section 4.5:

"4.5 Effect of Termination. The Executive will continue to receive her salary until the expiration of the Term (including any subsequent renewal periods) of this Agreement, as amended, if her employment is terminated by the Company for any reason other than death, disability or Cause.

6. CHANGE OF CONTROL AND AMENDMENT OF SECTION 6(A) OF THE CURRENT EMPLOYMENT AGREEMENT. Section 6(a) of the Current Employment Agreement is hereby amended by deleting in its entirety the present Section 6(a) and substituting in lieu thereof the following new Section 6(a):

"(a) For purposes of this Agreement, a "Change of Control" shall be deemed to have taken place if: (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, becomes the owner or beneficial owner of Company securities, after July 1, 2003, having 20% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company, or open market purchases approved by the Board of Directors of the Company, as long as the majority of the Board of Directors of the Company approving the purchases is the majority at the time the purchases are made), or (ii) the persons who were directors of the Company before such transaction shall cease to constitute a majority of the Board of Directors of the Company, or any successor to the Company, as the direct or indirect result of or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, or (iii) the sale or transfer of the Company in its entirety or all or substantially all of the assets of the Company through any structure or form of transaction (whether or not in connection with a liquidation of the Company), including, but not limited to, a direct or indirect acquisition, merger, consolidation, restructuring, liquidation or any similar or related transaction."

For purposes of clarity, it is hereby acknowledged and agreed that in the event of a "Change of Control", as defined hereinabove, in addition to the terms included in this Agreement, Executive shall be entitled to all rights set forth in the Current Employment Agreement, which shall remain in full force and

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effect, except for the revision of the definition of "Change of Control" as set forth hereinabove, and the lump sum payment due Executive under the Current Employment Agreement in the event of a Change of Control if the Company terminates Executive's employment thereafter, shall also be payable if at any time within 60 days after such Change of Control, Executive terminates her employment under the Current Employment Agreement (as amended hereby) for any reason.

7. SURVIVAL. Other than as specifically set forth above, no provision of this Agreement shall be deemed to enlarge, alter or amend the terms or provisions of the Current Employment Agreement. Except as provided in this Agreement, all other provisions, terms and benefits set forth in the Current Employment Agreement shall remain in full force and effect.

8. COUNTERPARTS. This Agreement may be executed in counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have or have caused their respective duly authorized representatives to execute this Agreement as of the Effective Date.

COMPANY:

HOLLYWOOD MEDIA CORP.,
a Florida corporation

By: /s/ Nicholas Hall

Name: Nicholas Hall
Title: Chief Operating Officer

EXECUTIVE:

/s/ Laurie S. Silvers

Laurie S. Silvers

Exhibit A

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Time Warner Cable
Charter Communications, Inc.
Adelphia Communications Corporation
Advance/Newhouse Communications
Insight Communications
Mediacom Communications Corporation

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Exhibit 31.1

CERTIFICATION

I, Mitchell Rubenstein, as Chief Executive Officer of Hollywood Media Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hollywood Media Corp. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial

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reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004 By: /s/ Mitchell Rubenstein

Mitchell Rubenstein, Chief Executive Officer

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Exhibit 31.2

CERTIFICATION

I, Scott Gomez, as Vice President of Finance and Accounting of Hollywood Media Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hollywood Media Corp. (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial

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reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004 By: /s/ Scott Gomez

Scott Gomez, Vice President of Finance and Accounting

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Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mitchell Rubenstein, as Chief Executive Officer of Hollywood Media Corp. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: (1) the accompanying Form 10-Q report for the quarter ended June 30, 2004 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)); and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2004 By: /s/ Mitchell Rubenstein

Mitchell Rubenstein, Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Gomez, as Vice President of Finance and Accounting (principal financial and accounting officer) of Hollywood Media Corp. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: (1) the accompanying Form 10-Q report for the quarter ended June 30, 2004 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)); and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2004 By: /s/ Scott Gomez

Scott Gomez, Vice President of Finance and Accounting

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