

Upstream Worldwide, Inc.  
Form PRER14A  
March 02, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. 1)**

Filed by Registrant

Filed by Party other than Registrant

Check the appropriate box:

- |   |  |
|---|--|
| <input type="checkbox"/> Preliminary Proxy Statement                  | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement                   | <input type="checkbox"/> Definitive Additional Materials   |
| <input type="checkbox"/> Soliciting Materials Pursuant to §240.14a-12 |  |

**UPSTREAM WORLDWIDE, INC.**

*(Name of Registrant as Specified In Its Charter)*

*(Name of Person(s) Filing Proxy Statement, if other than the Registrant)*

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

\$\_\_\_\_\_ per share as determined under Rule 0-11 under the Exchange Act.

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Upstream Worldwide, Inc.**

**200 E. Broward Blvd., Suite 1200**

**Ft. Lauderdale, Florida 33301**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To The Shareholders of Upstream Worldwide, Inc., Inc.:

We are pleased to invite you to attend the special meeting of the shareholders of Upstream Worldwide, Inc., which will be held at 9:00 a.m. on March \_\_, 2012 at the offices of our legal counsel Harris Cramer LLP, located at 3507 Kyoto Gardens Drive, Suite 320, Palm Beach Gardens, FL 33410, to approve an amendment to Upstream's Certificate of Incorporation to effect a 1 for 57.6138 reverse stock split.

Upstream's Board of Directors has fixed the close of business on February 3, 2012 as the record date for a determination of shareholders entitled to notice of, and to vote at, this meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of the Shareholders to Be Held on March \_\_, 2012: This Proxy Statement is available at: <https://www.proxyvote.com/>**

**IF YOU PLAN ATTEND**

Please note that space limitations make it necessary to limit attendance to shareholders. Registration and seating will begin at 8:30 a.m. Shares can be voted at the meeting only if the holder is present in person or by valid proxy.

For admission to the meeting, each shareholder may be asked to present valid picture identification, such as a driver's license or passport, and proof of stock ownership as of the record date, such as the enclosed proxy card or a brokerage statement reflecting stock ownership. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

If you do not plan on attending the meeting, please vote your shares via the Internet, by phone or by signing and dating the enclosed proxy and return it in the business envelope provided. Your vote is very important.

**Our Board recommends shareholders vote “FOR” the Amendment to our Certificate of Incorporation to Effect a Reverse Stock Split.**

By the Order of the Board of Directors

/s/ Daniel Brauser

Daniel Brauser

Director

Dated: March \_\_, 2012

**Whether or not you expect to attend in person, we urge you to vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. Promptly voting your shares via the Internet, by phone or by signing, dating, and returning the enclosed proxy card will save the company the expenses and extra work of additional solicitation. An addressed envelope for which no postage is required if mailed in the United States is enclosed if you wish to vote by mail. Submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so, as your proxy is revocable at your option. Your vote is important, so please act today!**

**Upstream Worldwide, Inc.**

**200 E. Broward Blvd., Suite 1200**

**Ft. Lauderdale, Florida 33301**

## **GENERAL INFORMATION**

### **Why am I receiving these materials?**

These proxy materials are being sent to holders of outstanding common and preferred stock of Upstream Worldwide, Inc., a Delaware corporation, in connection with the solicitation of proxies by our Board of Directors, which we refer to the “Board”, for use at a Special Meeting of Shareholders. The meeting will be held at 9:00 a.m. on March \_\_, 2012 at the offices of our legal counsel, Harris Cramer LLP, located at 3507 Kyoto Gardens Drive, Suite 320, Palm Beach Gardens, FL 33410. The proxy materials relating to the meeting are first being mailed to shareholders entitled to vote at the meeting on or about March \_\_, 2012.

### **Who is Entitled to Vote?**

Upstream’s Board has fixed the close of business on February 3, 2012 as the record date for a determination of shareholders entitled to vote at the meeting. On the record date, there were 303,768,031 shares of common stock outstanding, 6,621,000 shares of Series A Preferred Stock (“Series A”), 2,626,250 shares of Series B Preferred Stock outstanding (“Series B”), and 14,797 shares of Series C Preferred Stock (“Series C”) outstanding all of which are classes of voting stock. Each share of Upstream common stock represents one vote that may be voted, each share of Series A is entitled to five votes and each share of Series B is entitled to 50 votes. None of the outstanding shares of Series C is entitled to vote.

### **What is the difference between holding shares as a record holder and as a beneficial owner?**

If your shares are registered in your name with our transfer agent, Island Stock Transfer, you are the “record holder” of those shares. If you are a record holder, these proxy materials have been provided directly to you by Upstream.

If your shares are held in a stock brokerage account, a bank or other holder of record, you are considered the “beneficial owner” of those shares held in “street name.” If your shares are held in street name, these proxy materials have

been forwarded to you by that organization. As the beneficial owner, you have the right to instruct this organization on how to vote your shares

If your shares are held in street name, you must instruct the organization who holds your shares how to vote your shares. Because the reverse stock split proposal requires a majority of our outstanding shares to vote "FOR" approval, if you do not instruct the organization on how to vote, it is equivalent to a vote against the proposal.

## Who May Attend the Meeting?

Record holders and beneficial owners may attend the meeting. If your shares are held in street name, you will need to bring a copy of a brokerage statement or other documentation reflecting your stock ownership as of the record date. Please see below for instructions on how to vote at the meeting if your shares are held in street name.

## How Do I Vote?

### Record Holder

1. Vote by Internet. The website address for Internet voting is on your proxy card.
2. Vote by phone . Call 1 (800) 690-6903 and follow the instructions on your proxy card.
3. Vote by mail. Mark, date, sign and mail promptly the enclosed proxy card (a postage-paid envelope is provided for mailing in the United States).
4. Vote in person. Attend and vote at the meeting.

If you vote by Internet or phone, please DO NOT mail your proxy card.

### Beneficial Owner (Holding Shares in Street Name)

1. Vote by Internet. The website address for Internet voting is on your vote instruction form.
2. Vote by mail. Mark, date, sign and mail promptly the enclosed vote instruction form (a postage-paid envelope is provided for mailing in the United States).
3. Vote in person. Obtain a valid legal proxy from the organization that holds your shares and attend and vote at the meeting.

## What Constitutes a Quorum?

To carry on the business of the meeting, we must have a quorum. A quorum is present when a majority of the outstanding shares of stock entitled to vote, as of the record date, are represented in person or by proxy. Shares owned by Upstream are not considered outstanding or considered to be present at the meeting. Abstentions are counted as present for the purpose of determining the existence of a quorum.

**How Many Votes are Needed for the Reverse Stock Split Proposal to Pass and is Broker Discretionary Voting Allowed?**

Proposal	Vote Required	Broker Discretionary
Reverse Stock Split	Majority of the Outstanding Voting Power	<b>Vote Allowed</b> No

**How are abstentions treated?**

Abstentions only have an effect on the outcome of any matter being voted on that requires the approval based on our total voting stock outstanding. Thus, abstentions have an effect of a vote against the Proposal.

### **What Are the Voting Procedures?**

In voting by proxy you may vote in favor of the Proposal or against it.

### **Is My Proxy Revocable?**

You may revoke your proxy and reclaim your right to vote up to and including the day of the meeting by giving written notice to the Corporate Secretary of Upstream, by delivering a proxy card dated after the date of the proxy or by voting in person at the meeting. All written notices of revocation and other communications with respect to revocations of proxies should be addressed to: Upstream, Inc., 200 E. Broward Blvd., Suite 1200, Ft. Lauderdale, Florida 33301, Attention: Corporate Secretary.

### **Who is Paying for the Expenses Involved in Preparing and Mailing this Proxy Statement?**

All of the expenses involved in preparing, assembling and mailing these proxy materials and all costs of soliciting proxies will be paid by Upstream. In addition to the solicitation by mail, proxies may be solicited by our officers and regular employees by telephone or in person. Such persons will receive no compensation for their services other than their regular salaries. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the shares held of record by such persons, and we may reimburse such persons for reasonable out of pocket expenses incurred by them in so doing. We may hire an independent proxy solicitation firm.

### **What Happens if Additional Matters are Presented at the Meeting?**

Other than the item of business described in this Proxy Statement, we are not aware of any other business to be acted upon at the meeting. If you grant a proxy, the persons named as proxy holders, Messrs. Daniel Brauser and Michael Brachfeld, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

### **What is “householding” and how does it affect me?**

## Edgar Filing: Upstream Worldwide, Inc. - Form PRER14A

Record holders who have the same address and last name will receive only one copy of their proxy materials, unless we are notified that one or more of these record holders wishes to continue receiving individual copies. This procedure will reduce our printing costs and postage fees. Shareholders who participate in householding will continue to receive separate proxy cards.

If you are eligible for householding, but you and other record holders with whom you share an address, receive multiple copies of these proxy materials, or if you hold Upstream stock in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact our Corporate Secretary at: Upstream Worldwide, Inc., 200 E. Broward Blvd., Suite 1200, Ft. Lauderdale, Florida 33301.

If you participate in householding and wish to receive a separate copy of these proxy materials, or if you do not wish to continue to participate in householding and prefer to receive separate copies of these documents in the future, please contact our Corporate Secretary as indicated above. Beneficial owners can request information about householding from their brokers, banks or other holders of record.

### **Do I Have Dissenters' (Appraisal) Rights?**

Appraisal rights are not available to Upstream shareholders with respect to the Proposal to be brought before the meeting.

### **Can a Shareholder Present a Proposal To Be Considered At the 2012 Annual Meeting?**

If you wish to submit a proposal to be considered at the 2012 Annual Meeting, the following is required:

.. Because we did not hold an Annual Meeting in 2011, for a shareholder proposal to be considered for inclusion in Upstream's Proxy Statement and proxy card for the 2012 Annual Meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, our Corporate Secretary must receive the written proposal no later than a reasonable time before Upstream begins to print and send its proxy materials. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company sponsored materials.

.. Our Bylaws include advance notice provisions that require shareholders desiring to recommend or nominate individuals to the Board or who wish to present a proposal at the 2012 Annual Meeting must do so in accordance with the terms of the advance notice provisions. For a shareholder proposal or a nomination that is not intended to be included in Upstream's Proxy Statement and proxy card under Rule 14a-8, our Corporate Secretary must receive the written proposal no less than no later than close of business on the 10<sup>th</sup> day after public disclosure of the 2012 Annual Meeting is made. If a shareholder fails to meet these deadlines and fails to satisfy the requirements of the Securities Exchange Act of 1934, we may exercise discretionary voting authority under proxies we solicit to vote on any such proposal as we determine appropriate. Your notice must contain the specific information set forth in our Bylaws.

.. Additionally, you must be a record holder at the time you deliver your notice to the Corporate Secretary and are entitled to vote at the 2012 Annual Meeting.

A nomination or other proposal will be disregarded if it does not comply with the above procedures. All proposals and nominations should be sent to Upstream Worldwide, Inc., 200 E. Broward Blvd., Suite 1200, Ft. Lauderdale, Florida 33301. We reserve the right to amend our Bylaws and any change will apply to the 2012 Annual Meeting unless otherwise specified in the amendment.

**Is My Vote Confidential?**

Yes, your vote is confidential. Only the following persons have access to your vote: election inspectors, individuals who help with processing and counting your votes and persons who need access for legal reasons. If you write comments on your proxy card, your comments will be provided to Upstream, but how you vote will remain confidential.

## **PROPOSAL: APPROVAL OF AN AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT**

Our Board has adopted and is submitting for shareholder approval an amendment to our Certificate of Incorporation to effect a 1-for-57.6138 reverse stock split. Except as may result from the payment of cash for fractional shares resulting from the reverse stock split and as to those shareholders owning fewer than 58 shares, each shareholder will hold the same percentage of common stock outstanding immediately following the reverse stock split as each shareholder did immediately prior to the reverse stock split.

### **Overview**

To effect the reverse stock split, our Board has authorized our management to file a certificate of amendment to our Certificate of Incorporation, which we refer to as the “Certificate,” with the Delaware Secretary of State. The par value of our common stock would remain unchanged at \$0.001 per share and the number of our authorized shares of common stock would remain unchanged. Our Board may elect not to implement the approved reverse stock split at its sole discretion, even if the proposed reverse stock split is approved by our shareholders.

The form of amendment to the Certificate that will be filed with the Delaware Secretary of State is attached hereto as Appendix A.

### **Purpose of the Reverse Stock Split**

Our common stock is currently quoted on the Over-The-Counter Bulletin Board, which we refer to as the “Bulletin Board,” under the symbol “UPST”. On March \_\_\_\_\_, 2012, the last sale price of our common stock was \$0.\_\_\_\_\_ per share. Our Board believes that our relatively low per-share market price of our common stock impairs the acceptability of the common stock to potential investors and certain members of the investing public, including institutional investors. Our Board also believes that the reverse stock split will provide us with additional shares of common stock that it can issue in the future without otherwise having to increase our authorized shares. The Board believes that this will provide us with additional flexibility should it decide to raise additional capital, conduct an acquisition or issue shares or equity equivalents as compensation. The ratio was chosen in order to reduce the outstanding share count to approximately 10,000,000 not including outstanding Series A which will be convertible into 33,105,000 shares of common stock. This amount was arbitrarily chosen.

### **Reasons for the Reverse Stock Split**

The Board believes that a reverse stock split is desirable and should be approved by shareholders for a number of reasons, including:

***Increase in Eligible Institutional and Other Investors.*** We believe a reverse stock split may increase the price of our common stock or potentially decrease its volatility, and thus may allow a broader range of investors with the ability to invest in our stock. For example, many funds and institutions have investment guidelines and policies that prohibit them from investing in stocks whose price is below a certain threshold. Many investors are concerned about purchasing stock which trades so low. We believe that increased institutional and other investor interest in Upstream and our common stock will potentially increase the overall market for our common stock.

***Increase Analyst and Broker Interest.*** We believe a reverse stock split would help increase analyst and broker-dealer interest in our common stock as many brokerage and investment advisory firms' policies can discourage analysts, advisors, and broker/dealers from following or recommending companies with low stock prices. Because of the trading volatility and lack of liquidity often associated with lower-priced stocks, many brokerage houses have adopted investment guidelines and policies and practices that either prohibit or discourage them from investing or trading such stocks or recommending them to their clients and customers. Some of those guidelines, policies and practices may also function to make the processing of trades in lower-priced stocks economically unattractive to broker-dealers. While we recognize we will remain a "penny stock" under the rules of the Securities and Exchange Commission because a penny stock trades at less than \$5.00, we think the increase from the reverse split will position us better if our business increases as we expect. Additionally, because brokers' commissions and dealer mark-ups/mark-downs on transactions in lower-priced stocks generally represent a higher percentage of the stock price than commissions and mark-ups/mark-downs on higher-priced stocks, the current average price per share of our common stock can result in shareholders or potential shareholders paying transaction costs representing a higher percentage of the total share value than would otherwise be the case if the share price were substantially higher.

***Move Upstream Closer to Listing on Nasdaq or the NYSE Amex.*** By potentially increasing our stock price, the reverse stock split would potentially increase our share price required for the initial listing requirements for The Nasdaq Stock Market or NYSE Amex Stock Exchange. We would like to eventually apply for listing on Nasdaq or the Amex. We currently do not meet their listing requirements of \$4 and \$3 respectively, including the minimum bid price. The reverse stock split will not cause us to meet all of the listing requirements for either Nasdaq or Amex. But we believe the reverse stock split will increase our stock price which may help us move towards eventually meeting the minimum share price requirement. We are not certain that the reverse stock split will have a long-term positive effect on the market price of our common stock, or increase our ability to be listed or approved for trading on either Nasdaq or the Amex.

## **Risks of the Reverse Stock Split**

***The reverse stock split may not increase our stock price, which would prevent us from realizing some of the anticipated benefits of the reverse stock split.*** The market price of our common stock is based on a number of factors which may be unrelated to the number of shares outstanding. These factors may include our performance, general economic and market conditions and other factors, many of which are beyond our control. The market price per share may not rise, or it may remain constant in proportion to the reduction in the number shares outstanding before the reverse stock split. Accordingly, the total market capitalization of our common stock after the reverse stock split may be lower than the total market capitalization before the reverse stock split. In the future, the market price of common stock following the reverse stock split may not equal or exceed the market price prior to the reverse stock split.

The Board expects that the reverse split will increase the price per share of our common stock, which in turn would, among other things, broaden the class of investors who invest in our stock, help increase analyst and broker interest in our stock and position us for eventual listing on a stock exchange. While the Board expects that a reverse stock split of our common stock will increase the market price of our common stock, the effect of a reverse split upon the market price of our common stock cannot be predicted with any certainty. The market price of our common stock is primarily driven by other factors unrelated to the number of shares outstanding, including our current and expected future performance, conditions in the U.S. and the global economy, conditions in our industry and markets, and stock

market conditions generally. Therefore, it is possible that the per share price of our common stock after the reverse stock split will not rise in proportion to the reduction in the number of shares of our common stock outstanding resulting from the reverse stock split, which could cause Upstream to fail to realize the anticipated benefits of the reverse stock split.

## Effects of the Reverse Stock Split

**Reduction of Shares Held by Individual Shareholders.** After the effective date of the proposed reverse stock split, each common shareholder will own fewer shares of our common stock. However, the proposed reverse stock split will affect all of our common shareholders uniformly and will not affect any common shareholder's percentage ownership interests in us, except to the extent that the reverse split results in any of our shareholders owning a fractional share as described below. We will pay of cash in lieu of fractional shares. The number of shareholders of record will not be affected by the proposed reverse stock split (except to the extent that any shareholder holds only a fractional share interest and receives cash for such interest after the proposed reverse stock split). However, if the proposed reverse stock split is approved, it will increase the number of shareholders who own "odd lots" of less than 100 shares of our common stock. Brokerage commissions and other costs of transactions in odd lots may be higher than the costs of transactions of more than 100 shares of common stock.

**Change in Number and Exercise Price of Employee and Director Equity Awards.** The proposed reverse stock split will reduce the number of shares of common stock available for issuance under our equity plan and agreements in proportion to the reverse stock split ratio. Under the terms of our outstanding equity and option awards, the proposed reverse stock split will cause a reduction in the number of shares of common stock issuable upon exercise or vesting of such awards in proportion to the ratio of the reverse stock split and will cause a proportionate increase in the exercise price of such awards to the extent they are stock options. The number of shares authorized for future issuance under our equity plan will also be proportionately reduced. The number of shares of common stock issuable upon exercise or vesting of stock option awards will be rounded to the nearest whole share and no cash payment will be made in respect of such rounding. Warrant and other convertible security holders will also see a similar reduction of the number of shares such instruments are convertible into as stock option holders described above.

### ***Effect on Preferred Stock.***

Our outstanding shares of Series B and Series C Preferred Stock votes on an as-converted basis. The conversion price at which Series B and Series C Preferred Stock is convertible into common stock will be proportionately adjusted. As a result, the proportionate voting rights and other rights will not be affected by the reverse stock split.

Our outstanding shares of Series A vote on an as-converted basis. The conversion price of the Series A will not be adjusted by the reverse stock split. However, subject to a 9.99% conversion blocker, all of the Series A converts once we effect the reverse stock split.

**Regulatory Effects.** Our common stock is currently registered under Section 12(g) of the Securities Exchange Act of 1934, and we are subject to the periodic reporting and other requirements of the Exchange Act. The proposed reverse stock split will not affect the registration of the common stock under the Exchange Act or our obligation to publicly file financial and other information with the Securities and Exchange Commission. If the proposed reverse stock split is implemented, our common stock will continue to trade on the Bulletin Board. Additionally, Upstream will obtain a new CUSIP number.

In addition to the above, the reverse stock split will have the following effects upon our common stock:

- The per share loss and net book value of our common stock will be increased because there will be a lesser number of shares of our common stock outstanding;
- The authorized common stock and the par value of the common stock will remain \$0.001 per share;
- The stated capital on our balance sheet attributable to the common stock will be decreased and the additional paid-in capital account will be credited with the amount by which the stated capital is decreased;
- Shares of common stock after the reverse stock split will be fully paid and non-assessable; and
- The shares of common stock after the reverse stock split will have the same voting rights and rights to dividends and distributions and will be identical in all other respects to the shares of common stock prior to the reverse stock split.

#### **Impact of the Series A Offering and Reverse Split on Common Shareholders**

In January 2012, Upstream sold \$5,871,000 of Series A at \$1.00 per share. Each share of Series A will automatically convert into five shares of Upstream's common stock following completing of the reverse stock split. As opposed to the other shares of Upstream's capital stock, the Series A conversion ratio will not be affected by the reverse stock split ratio. The following table reflects the pre and post reverse stock split voting power of holders of Upstream's capital stock as of the record date:

	Pre-Split	Post-Split*
Common Stock	64.7%	13.0%
Series A	7.0%	81.4%
Series B	28.0%	5.6%
Series C	0.3%	0.1%

\* Does not give effect to the Blocker (described below) which precludes conversion or the issuance of some common stock in connection with the acquisition of Acquisition Corp (described below).

Upstream's prior business model was centered around the recycling of gold and other precious metals. While initially Upstream experienced substantial growth resulting from the severe recession and the increase in the price of gold and other precious metals, by the first quarter of fiscal year 2010 its business began to fall rapidly. Ultimately, Upstream's management became convinced that it needed to retrench from the recycling of gold and other precious metals and began focusing on the recycling of cell phones and other small electronics. Initially, Upstream entered into an agreement with ReCellular, Inc. a then leading company which purchased cell phones and small electronics from customers of Upstream. When ReCellular ran into substantial financial difficulty as evidenced by the \$996,000 it owed Upstream, our financial condition was materially and adversely affected. In order to remain operational, we began borrowing funds from our Chief Executive Officer, our new Chairman of the Board and two other individuals. Ultimately, we modified our business model to avoid relying upon a partner adopting a model similar to that employed by Kayak in the travel industry. However, in order to implement that model, we needed substantial working capital for operations and marketing to consumers. As a result, our Board of Directors approved the Series A offering recognizing that the impact would be to substantially dilute all existing shareholders since the Series A investors would not be affected by the reverse stock split. Nonetheless, the group of investors made it clear that without this substantial dilution, we would not be able to raise the necessary capital. As a result of Upstream's dire financial position, in order to entice investors to invest, Upstream had to provide investors with a high potential reward in order to take on such a risky investment.

#### **Acquisition of ecoSquid Acquisition, Inc.**

As part of the acquisition of Fort Knox Recycling, LLC, doing business as ecoSquid, Douglas Feirstein, our Chief Executive Officer, Daniel Brauser, our Chief Financial Officer, along with Nik Raman, and Christian Croft, the key managers of ecoSquid formed ecoSquid Acquisition, Inc. ("Acquisition Corp") which was funded by \$150,000 from certain investors including Michael Brauser, our Co-Chairman. On February 29, 2012, Acquisition Corp acquired ecoSquid for \$500,000, which was distributed to the non-management ecoSquid members and future holders. As part of the \$500,000 consideration, Acquisition Corp issued a \$350,000 promissory note payable in 30 days and the balance in 60 days with an interest rate of 0.2% per annum; Upstream co-signed the note with Acquisition Corp. Because Messrs. Michael Brauser and an entity controlled by Barry Honig, a greater than 5% shareholder owe \$350,000 to Acquisition Corp and Upstream has guaranteed the \$350,000 note payable to the ecoSquid members, there is a possible conflict of interest which may arise. Upstream would, as a co-signer, be in a position of suing its Co-Chairman and the father of its President, who is also a director. However, because of the Board's fiduciary duties and belief that the subscriptions owed to Acquisition Corp will be paid, this is more of a theoretical than real concern.

After the Reverse Split is effective, Upstream plans to complete a share exchange with Acquisition Corp whereby Upstream will issue 17.5 million shares of common stock to Acquisition Corp shareholders including 4.5 million shares each to Messrs. Feirstein, Daniel Brauser and Nik Raman and 2.5 million shares to Mr. Michael Brauser and another Upstream shareholder. When Upstream acquires Acquisition Corp, it will own the intellectual property it currently licenses from ecoSquid. In order to implement the Company's new business model, the Board determined that retaining Messrs. Feirstein, Daniel Brauser and Raman was paramount. To incentivize these individuals, the Board thought it was in the best interests of the Company to issue them a significant ownership stake in the Company. Additionally, the Board determined that Messrs. Raman and Croft were key to the future success of the Company because of their familiarity of the intellectual property that was purchased from ecoSquid.

#### **Anti-Takeover Effects of the Reverse Stock Split**

The effective increase in our authorized and unissued shares as a result of the reverse stock split could potentially be used by our Board to thwart a takeover attempt or make it more difficult to remove management. The overall effects of this proposal might be to discourage, or make it more difficult to engage in, a merger, tender offer or proxy contest, or the acquisition or assumption of control by a holder of a large block of our securities and the removal of incumbent management. The proposal could make the accomplishment of a merger or similar transaction more difficult, even if it is beneficial to shareholders. Our Board might use the additional shares to resist or frustrate a third-party transaction, favored by a majority of the independent shareholders that would provide an above-market premium, by issuing additional shares to frustrate the takeover effort.

This proposal is not the result of management's knowledge of an effort to accumulate Upstream's securities or to obtain control of the company by means of a merger, tender offer, solicitation or otherwise. Upstream is not currently aware of any pending or proposed transaction involving a change in control. This proposal is not prompted by any specific effort or perceived threat of takeover and Upstream does not have any current plans, proposals or arrangements to propose any amendment to the Certificate or Bylaws that would have a material anti-takeover effect.

#### **Effective Date**

Once we decide to implement the proposed reverse stock split, it will become effective on the date of filing of a Certificate of Amendment to our Certificate with the office of the Secretary of State of the State of Delaware. However, a Securities and Exchange Commission rule requires us to first give 10 days' prior notice to the Financial Industry Regulatory Authority or FINRA. As a practical matter, there is additional delay before FINRA approves that reverse stock split.

### **Payment for Fractional Shares**

No fractional shares of common stock will be issued as a result of the proposed reverse stock split. Instead, shareholders who otherwise would be entitled to receive fractional shares, upon surrender to the exchange agent of such certificates representing such fractional shares, will be entitled to receive cash in an amount equal to the product obtained by multiplying (a) the closing price of our common stock on the record date for the reverse stock split as reported on the Bulletin Board by (b) the number of shares of our common stock held by such shareholder that would otherwise have been exchanged for such fractional share interest.

### **Exchange of Stock Certificates**

Once we implement the reverse stock split, the share certificates representing the shares will continue to be valid. In the future, new share certificates will be issued reflecting the reverse stock split, but this in no way will affect the validity of your current share certificates. The reverse stock split will occur without any further action on the part of our shareholders. After the effective date of the amendment, each share certificate representing the shares prior to the reverse stock split will be deemed to represent the number of shares shown on the certificate, divided by the number representing the size of the split. Certificates representing the shares after the reverse stock split will be issued in due course as share certificates representing shares prior to the reverse stock split are tendered for exchange or transfer to our transfer agent. As applicable, new share certificates evidencing new shares following the reverse stock split that are issued in exchange for share certificate issued prior to the reverse stock split representing old shares that are restricted shares will contain the same restrictive legend as on the old certificates. Also, for purposes of determining the term of the restrictive period applicable to the new shares after the reverse stock split, the time period during which a shareholder has held their existing pre-split old shares will be included in the total holding period.

As soon as practicable after the reverse split our transfer agent will act as exchange agent for purposes of implementing the exchange of stock certificates for record holders. Record holders of pre-reverse stock split shares will be asked to surrender to the exchange agent certificates representing pre-reverse split shares in exchange for a book entry with the transfer agent or certificates representing post-reverse stock split shares in accordance with the procedures to be set forth in a letter of transmittal to be sent by us. No new certificates will be issued to a shareholder until such shareholder has surrendered such shareholder's outstanding certificate(s) together with the properly completed and executed letter of transmittal to the exchange agent.

**SHAREHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

For street name holders of pre-reverse split shares, your broker will make the appropriate adjustment to the number of shares held in your account following the effective date of the reverse stock split.

### **Accounting Consequences**

The par value per share of our common stock will remain unchanged at \$0.001 per share after the reverse stock split. As a result, on the effective date of the reverse stock split, the stated capital on our consolidated balance sheet attributable to common stock will be reduced and the additional paid-in-capital account will be increased by the amount by which the stated capital is reduced. Per share net loss will be increased because there will be fewer shares of our common stock outstanding. We do not anticipate that any other accounting consequences, including changes to the amount of stock-based compensation expense to be recognized in any period, will arise as a result of the reverse stock split.

## **Material Federal U.S. Income Tax Consequences of the Reverse Stock Split**

*Each shareholder is advised to consult their own tax advisor as the following discussion may be limited, modified or not apply based on your own particular situation.*

The following is a summary of important tax considerations of the proposed reverse stock split. It addresses only shareholders who hold the pre-reverse stock split shares and post-reverse stock split shares as capital assets. It does not purport to be complete and does not address shareholders subject to special rules, such as financial institutions, tax-exempt organizations, insurance companies, dealers in securities, mutual funds, foreign shareholders, shareholders who hold the pre-reverse stock split shares as part of a straddle, hedge, or conversion transaction, shareholders who hold the pre-reverse split shares as qualified small business stock within the meaning of Section 1202 of the Internal Revenue Code of 1986, which we refer to as the “Code”, shareholders who are subject to the alternative minimum tax provisions of the Code, and shareholders who acquired their pre-reverse stock split shares pursuant to the exercise of employee stock options or otherwise as compensation. This summary is based upon current law, which may change, possibly even retroactively. It does not address tax considerations under state, local, foreign, and other laws. Furthermore, we have not obtained a ruling from the Internal Revenue Service or an opinion of legal or tax counsel with respect to the consequences of the reverse stock split.

The reverse stock split is intended to constitute a reorganization within the meaning of Section 368 of the Code. Assuming the reverse stock split qualifies as reorganization, a shareholder generally will not recognize gain or loss on the reverse stock split, except to the extent of cash, if any, received in lieu of a fractional share interest in the post-reverse split shares. The aggregate tax basis of the post-reverse stock split shares received will be equal to the aggregate tax basis of the pre-reverse stock split shares exchanged (excluding any portion of the holder’s basis allocated to fractional shares), and the holding period of the post-reverse stock split shares received will include the holding period of the pre-reverse stock split shares exchanged.

A holder of the pre-reverse stock split shares who receives cash will generally recognize gain or loss equal to the difference between the portion of the tax basis of the pre-reverse stock split shares allocated to the fractional share interest and the cash received. Such gain or loss will be a capital gain or loss and will be short term if the pre-reverse stock split shares were held for one year or less and long term if held more than one year. No gain or loss will be recognized by us as a result of the reverse stock split.

**Our Board recommends shareholders vote “FOR” the Amendment to our Certificate of Incorporation to Effect the Reverse Stock Split.**



**Beneficial Ownership**

The following table sets forth the number of shares of our voting stock beneficially owned (i) as of the record date and (ii) giving effect to the reverse stock split and assuming the acquisition of Acquisition Corp by (i) those persons known by us to be owners of more than 5% of our voting stock, (ii) each director (iii) all named executive officers and (iv) all executive officers and directors of Upstream as a group. Unless otherwise noted below, the address for each shareholder is: c/o Upstream Worldwide, Inc., 200 E. Broward Blvd., Suite 1200, Ft. Lauderdale, Florida 33301. Except where it states otherwise in the table or footnotes below, the ownership amounts are as of the record date and do not give effect to the reverse stock split.

Title of Class (1)	Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Precent of Class (1)		Amount and Nature of Beneficial Ownership (2)	Precent of Class (2)	
		As of Record Date			After Reverse Split and assuming acquisition		
Common Stock	Douglas Feirstein (3)	69,476,463	20.1	%	10,697,221	17.6	%
Common Stock	Daniel Brauser (4)	62,028,547	18.3	%	10,663,411	17.5	%
Common Stock	Chuck Wallace (5)	7,693,030	2.3	%	133,528	*	
Common Stock	Sergio Zyman (6)	2,500,000	*		5,000,000	8.3	%
Common Stock	Michael Brauser (7)	60,791,293	17.0	%	5,498,741	9.1	%
Common Stock	Grant Fitzwilliam (8)	1,806,322	*		31,352	*	
Common Stock	Scott Frohman (9)	8,235,740	2.5	%	142,947	*	
Common Stock	All directors and executive officers as a group (9 persons) (10)	141,579,080	36.1	%	25,848,900	42.3	%
Common Stock	Barry Honig (11)	30,346,426	9.9	%	5,479,080	9.0	%
Common Stock	Todd Oretsky (12)	52,302,811	15.9	%	10,494,602	17.3	%
Common Stock	Hakan Koyuncu (13)	54,406,978	16.5	%	10,531,124	17.4	%
Common Stock	Frost Gamma Investments Trust (14)	30,346,426	9.9	%	6,301,771	10.4	%
Common Stock	John Lemak (15)	18,733,700	5.5	%	1,799,125	3.0	%
Common Stock	Nik Raman (16)	0	0	%	4,500,000	7.4	%

\* Less than 1%.

(1) Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants, convertible notes and preferred stock currently exercisable or convertible or exercisable or convertible within 60 days are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. The table includes shares of common stock, options, warrants, convertible notes and preferred stock exercisable or convertible into common stock and vested or vesting within 60 days. Unless otherwise indicated in the footnotes to this table, we believe that each of the shareholders named in the table has sole voting and investment power with respect to the shares of common stock indicated as beneficially owned by them.

Percentages are based on the following securities outstanding (adjusted as required by rules of the SEC) and entitled to vote, as of the record date:

- 303,768,031 shares of common stock;
- 24,855,000 shares of common stock underlying Series A; and
- 63,812,500 shares of common stock underlying Series B.

Holders of our outstanding preferred stock, excluding directors or officers, are precluded from converting if the conversion would cause them to be a beneficial owner of more than 9.99% of our common stock, which we refer to as the “Blocker”. Messrs. Barry Honig and Dr. Phillip Frost would be deemed to beneficially own more than 9.99% but for the Blocker. Consequently, their ownership disclosure does not include certain shares of common stock underlying their shares of preferred stock and warrants. Additionally, the shareholders are not entitled to vote the shares which are subject to the Blocker. Of the outstanding 6,621,000 shares of Series A (which votes on a five vote for one basis), 4,971,000 are entitled to vote. As mentioned above, no adjustment will be made to the conversion ratio of the Series A as a result of the reverse stock split. Of the outstanding Series B (which votes on a 50 vote for one share basis), 1,276,250 shares are entitled to vote. None of the outstanding shares of Series C (which votes on a 100 vote for one share basis) are entitled to vote at the meeting.

The shares of common stock beneficially owned by each of Messrs. Daniel Brauser, Feirstein, Koyuncu and Oretsky include all shares of common stock subject to a Stockholders Agreement, which terminates when each member of the group beneficially owns less than 100,000 shares. Under the Stockholders Agreement, the group agreed to vote all of their shares of common stock together on any action as determined by a majority of the members of the group still owning 20,000 shares. The shares of common stock individually owned by them as of the record date are:

Mr. Feirstein	29,008,503 shares
Mr. Brauser	9,715,335 shares
Mr. Koyuncu	4,800,001 shares
Mr. Oretsky	8,778,972 shares

Additionally, Messrs. Daniel Brauser, Feirstein and Zyman entered into a Stockholders Agreement in February 2012 in order to subject shares of capital stock Mr. Zyman received for his services as Executive Chairman to similar restrictions as those described above. Mr. Zyman received Series A which converts into 2,500,000 shares of common stock upon effectiveness of the reverse stock split. The shares of Series A that Mr. Zyman recently purchased in our private placement are not subject to this new Stockholders Agreement.

(2) These columns give effect to the issuance of stock to the reporting persons in the ecoSquid transa