GURUNET CORP
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PROSPECTUS

1,651,491 Shares

[GuruNet Graphic Omitted]
Common Stock

This prospectus relates to 1,651,491 shares of common stock, par value $0.001 per share, of GuruNet Corporation for sale from time to time by the selling stockholders named in this prospectus, or by their pledgees, donees, transferees or other successors in interest. Of these shares, 510,987 shares of common stock were previously registered in Registration Statement No. 333-115424, 1,029,488 shares are issuable upon the exercise of outstanding warrants issued to certain holders of bridge warrants we issued in connection with a bridge financing transaction in January and February 2004, 100,000 shares are issuable upon the exercise of warrants issued to a consultant as consideration for financial consulting services rendered to our company, 3,216 shares of common stock are issuable upon exercise of options granted to certain consultants as consideration for consulting services rendered to our company and 7,800 shares of common stock were issued to a consultant as consideration for consulting services rendered to our company. See "Description of Securities - Other Outstanding Securities - Warrants."

The distribution of securities offered through this prospectus may be effected in one or more transactions that may take place on the American Stock Exchange, including ordinary brokers' transactions, privately negotiated transactions or through sales to one or more dealers for resale of such securities as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the selling stockholders.

The selling stockholders and intermediaries through whom such securities are sold may be deemed "underwriters" within the meaning of the Securities Act, with respect to the securities offered hereby, and any profits realized or commissions received may be deemed underwriting compensation. We have agreed to indemnify the selling stockholders against certain liabilities, including liabilities under the Securities Act.

We will not receive any of the proceeds from the sale of the shares sold pursuant to this prospectus, other than the exercise price, if any, to be received upon exercise of the warrants and options referred to above.

Our common stock is listed on the American Stock Exchange under the symbol GRU. On April 19, 2005, the last reported sale price for our common stock as reported by the American Stock Exchange was $19.00 per share.

These securities involve a high degree of risk. You should not invest in our company unless you can afford to lose your entire investment. See "Risk Factors" beginning on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 21, 2005.

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This prospectus contains service marks, trademarks and trade names of GuruNet Corporation.

You should only rely on the information contained in this prospectus in deciding whether to purchase our shares. We have not authorized anyone to provide you with information different from that contained in this prospectus.

We obtained statistical data, market data and certain other industry data and forecasts used throughout this prospectus from market research, publicly available information and industry publications. Industry publications generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy and completeness of the information. Similarly, while we believe that the statistical data, industry data and forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of the information. We have not sought the consent of the sources to refer to their reports in this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that you should consider before investing in our common stock. Before making a decision to purchase our shares, you should read this entire prospectus, including the audited financial statements and related notes and risk factors. Unless otherwise stated in this prospectus, references to "we," "us" or "our company" refer to GuruNet Corporation and our wholly-owned Israeli subsidiary, GuruNet Israel Ltd.

Overview

Through our flagship Website, www.Answers.com, and our proprietary 1-Click Answers™ software, we provide integrated online reference answers and offer technology that enables rapid delivery of concise information over the Internet. Since our inception in 1998, we have developed and acquired technology that intelligently and automatically integrates and retrieves information from disparate sources and delivers the result in a single consolidated browser view.

Answers.com delivers snapshot, multi-faceted definitions and explanations from attributable reference sources covering the topics in our database. We seek to differentiate ourselves by providing our users with relevant, reference information that enhances results achieved through traditional search engines. Most search engines respond to an Internet user's query by displaying a long list of links to other Websites that may be related in some way to the query term. By contrast, Answers.com automatically displays relevant, content-based responses to a user's query without requiring the user to review a list of hyperlinks offered in response to a query. Answers.com also includes other related information in various formats such as charts, graphs and maps, and provides pointers to relevant sites, blogs and other external search resources.

We seek to monetize visitor traffic to our Website in the form of sponsored links and paid advertisements. We intend to generate this traffic by offering, licensing and co-branding our technology and establishing partnerships with third-party Websites, and through the marketing of our Website.

1-Click Answers™, the software component of our business, is available for users of both Microsoft Windows® and Apple's Macintosh OS X. Utilizing 1-Click Answers™, users need only "alt-click" (on the Macintosh, select the text and Cmd-Shift-G) on a word or phrase within a text and 1-Click Answers™ will access our online library to display information about that word or phrase in a browser window. 1-Click Answers™ can be used when working in almost *any* application such as e-mail, spreadsheet, word processing, database or other program or application. Our 1-Click Answers™ for Windows® analyzes surrounding words in context for a more accurate response. For example, when clicking on the word "Ford" appearing in the context of Ford Motor Company, Harrison Ford or Francis Ford Coppola, the system will process and recognize the context and deliver information on vehicles, movie stars and film directors, respectively. In Windows, 1-Click Answers™ also includes a downloaded toolbar for query lookup while using Microsoft Internet Explorer for Windows® as well as a docked AnswerBar utility. While Web users can access our integrated reference information, some functionality is only available after downloading 1-Click Answers™.

We cull our reference information from over 100 reference sources, such as:

- Houghton Mifflin's American Heritage Dictionary (Fourth Edition);
- Roget's II New Thesaurus, (Third Edition);
- Columbia University Electronic Encyclopedia (Sixth Edition); and
- Wikipedia.

By attributing the source of each piece of our information on each web page, we enable our users to make their own independent evaluation as to the reliability of our information.

Bridge Financing

On January 30, 2004 and February 17, 2004, we completed our bridge financing, consisting of $5,000,000 aggregate principal amount of convertible promissory notes (also referred to as “bridge notes”) bearing interest at an annual rate of 8%. In the aggregate, we paid $287,136 in accrued interest and $161,124 in liquidated damages, representing 1% to 1.5% of the aggregate purchase price of the bridge notes, as a result of our failure to consummate our IPO by July 28, 2004 and August 15, 2004 , as required under the respective bridge notes. Upon the consummation of our IPO, $1,840,000 of the aggregate principal amount of the bridge notes were converted into 490,678 shares of common stock, at a conversion price of $3.75, and the remaining $3,160,000 of the aggregate principal amount of the bridge notes was repaid subsequent to the initial public offering closing date. See “Description of Securities — Bridge Notes” for a more detailed description of the bridge notes.

In connection with the issuance of the bridge notes, we issued bridge warrants to purchase an aggregate of 1,700,013 shares of common stock, exercisable at $7.20 per share, commencing on December 31, 2004 . In the third quarter of 2004, our board of directors authorized the issuance of an aggregate of 750,002 additional warrants to the bridge noteholders. On October 7, 2004, the date on which we filed our registration statement related to our initial public offering, each noteholder received a pro rata share of these additional warrants (approximately .44 warrant for each bridge warrant held). These additional warrants contained terms identical to the bridge warrants, except for certain expiration provisions. In October 2004, the National Association of Securities Dealers, Inc. determined that shares issuable upon conversion of bridge notes and upon exercise of bridge warrants held by certain bridge noteholders in our bridge financing constituted underwriter's compensation, because of the relationship between these noteholders and one of the underwriters involved in our IPO. As a result, these noteholders were contractually obligated to surrender their warrants to purchase 648,534 shares of common stock to us without consideration and had $1,350,000 aggregate principal amount of bridge notes entirely repaid instead of converted into common stock. See "Description of Securities — Other Outstanding Securities — Bridge Warrants" for a more detailed description of the bridge warrants.

Holders of the bridge warrants have entered into lock-up agreements under which they have agreed not to sell or otherwise dispose of their shares of common stock underlying the bridge warrants without the consent of the underwriters involved in our IPO, except as follows: Until April 11, 2005, sales of shares underlying the bridge warrants may be made at prices no less than $7.50 per share; and, after April 11, 2005 through October 13, 2005, sales of shares underlying the bridge notes and bridge warrants may be made at prices no less than $5.00 per share. The bridge warrants became exercisable on December 31, 2004. The underwriters involved in our IPO have advised us that in determining whether to give or withhold their consent to any sale within the applicable lock-up period, they will consider the market price and volume of our stock at such time and whether such sale would have an adverse effect on the market for our common stock. See "Description of Securities — Other Outstanding Securities — Lock-Up Agreements" for a more detailed description of the lock-up agreements.

Initial Public Offering

On October 13, 2004, we completed our initial public offering. On November 18, 2004, the underwriters involved in our IPO exercised their over-allotment option and purchased 352,500 additional shares of our common stock, at $5.00 per share. We received total proceeds from our initial public offering, including the exercise of the over-allotment option, of approximately $10,800,000, net of underwriting fees and offering expenses of approximately $2,700,000. In conjunction with the offering, $1,840,000 of the $5,000,000 principal amount of promissory notes we owed to bridge noteholders, converted into 490,678 shares of common stock and the remaining $3,160,000 was repaid from the net proceeds of the offering

Warrant Reload

On February 4, 2005, we entered into an agreement with certain holders of the bridge warrants, under which the holders of the bridge warrants exercised an aggregate of 1,871,783 bridge warrants at the exercise price of $7.20 per share (with the exception of Vertical Ventures LLC, which held a warrant exercisable at $3.75 per share) for aggregate proceeds to us of approximately $12,220,000, net of fees and expenses. As an incentive to the holders to exercise their respective bridge warrants, we issued to the holders 1,029,488 new warrants to purchase such number of shares of common stock (equal to 55% of the number of shares of common stock underlying their respective bridge warrants) at an exercise price of $17.27 per share. The warrants are presently exercisable and expire on February 4, 2010.

For a detailed description of all outstanding securities issued by the Company, see "Description of Securities - Other Outstanding Securities."

Corporate Information

We were incorporated as a Texas corporation in December 1998, and reorganized as a Delaware corporation in April 1999. In January 2004, we changed our name from Atomica Corporation to GuruNet Corporation. Our principal executive office is located at Jerusalem Technology Park, Building 98, Jerusalem 91481, Israel, and our telephone number is +972-2-649-5000. Our corporate Website is located at http://www.gurunet.com. Information contained in our Website shall not be deemed to be a part of this prospectus.

THE OFFERING

Securities offered by Selling Stockholders	1,651,491 shares of common stock
Common stock outstanding before the offering	6,945,292
Common stock to be outstanding after the offering	8,204,099
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock offered in this prospectus, other than the exercise price, if any, to be received upon exercise of certain outstanding warrants or options. See "Use of Proceeds" beginning on page 13.
American Stock Exchange symbol	GRU
Risks	As part of your evaluation of us, you should take into account not only our business approach and strategy, but also special risks we face in our business. For a detailed discussion of these risks and others, see "Risk Factors" beginning on page 5.

Except as set forth in the financial statements and related notes or as otherwise specifically stated, all capitalization information in this prospectus excludes:

- *1,188,635 shares of common stock reserved for issuance upon exercise of outstanding options granted under our stock option plans;*

- *256,304 shares of common stock reserved for issuance upon exercise of options available for future grant under our 2004 Stock Plan;*

- *150,978 shares of common stock reserved for issuance upon exercise of options granted to certain consultants outside of our stock option plans; and*

- *2,172 shares of common stock reserved for issuance upon exercise of a warrant granted to Comerica Bank-California in connection with a Loan and Security Agreement entered into by the company in April 2002.*

SUMMARY FINANCIAL DATA

The following table summarizes relevant financial data of GuruNet Corporation as of December 31, 2004 and for the years ended December 31, 2004 and 2003. The balance sheet data and the statement of operations data presented below have been derived from our consolidated financial statements, which have been audited by Somekh Chaikin, a member of KPMG International and an Independent Registered Public Accounting Firm. The information presented below should be read in conjunction with our audited financial statements and their accompanying notes appearing elsewhere in this prospectus, and the discussions appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year ended December 31,			
	2004		2003	
	Audited		Audited	
Summary of operations:				
Revenue	$	193,283	$	28,725
Operating Expenses	$	3,091,040	$	2,067,701
Operating loss	$	(3,544,812)	$	(2,762,325)
Net loss	$	(6,590,519)	$	(2,808,783)
Basic and diluted net loss per share	$	(2.90)	$	(7.93)

The following table summarizes our balance sheet data as of December 31, 2004. The as adjusted information gives effect to the issuance of 7,800 shares of restricted common stock, the exercise of 1,941,215 bridge warrants and the exercise of 75,726 stock options in the first quarter of 2005.

	As of December 31, 2004			
	Actual (audited)		As Adjusted (unaudited)	
Summary of Balance Sheet:				
Cash and cash equivalents	$	1,565,415	$	15,090,296
Total assets	$	8,907,183	$	22,432,064
Long term liabilities	$	1,078,548	$	1,078,548
Total stockholders' equity	$	6,824,122	$	20,349,003

RISK FACTORS

An investment in our common stock involves a high degree of risk, and should not be made by anyone who cannot afford to lose their entire investment. You should consider carefully the risks set forth in this section, together with the other information contained in this prospectus, before making a decision to invest in our common stock. We believe that the risks and uncertainties described below are all of the material risks that we will face. Our business, operating results and financial condition could be seriously harmed and you could lose your entire investment if any of the following risks were to occur.

Risks Related to our Business

Our current business model, based on monetizing visitor traffic to our Website through sponsored links and paid advertisements, was initiated in early January 2005 and is in its very early stages. Our limited experience executing our new business model and the very short history of metrics available to us, make it difficult to evaluate our future prospects and the risk of success or failure of our business.

Implementation of our current business model, announced on January 3, 2005, is in its very early stages. Under the new model, we will be utilizing sponsored links and advertisements to generate revenues. The introductory stage of executing on our current business model means that we have very limited operating history on which to evaluate potential for future success. Additionally, at the present time we have limited experience in effectively monetizing Answers.com. The combination of the foregoing factors makes it difficult to evaluate the potential for success or failure of our business.

We have experienced significant and continuing operating losses. If such losses continue, the value of your entire investment may decline.

We incurred operating losses of $2,762,325 in 2003 and $7,549,011 in 2002. Furthermore, we incurred operating losses of $3,544,812 in 2004. From our inception in 1998 through October 2004, our operations had been funded almost entirely through the proceeds of approximately $38,000,000 that we received from the issuance of four series of convertible preferred stock between December 1998 and June 2000, and the issuance of the bridge notes in our 2004 bridge financing. On October 13, 2004 we completed our initial public offering ("IPO") of 2,350,000 shares of common stock at $5.00 per share. Total proceeds of the offering were approximately $10,800,000 net of issuance costs, including the over-allotment option exercised by the underwriters involved in our IPO. In February 2005, certain holders of the bridge warrants exercised an aggregate of 1,941,215 bridge warrants at the exercise price of $7.20 per share, with the exception of one holder, who held a warrant with an exercise price of $3.75, resulting in aggregate gross proceeds to us of approximately $13,060,000.

If our existing co-branding partnerships and revenue-sharing arrangements with third-party Websites and service providers are not renewed or continued, we will lose advertising revenue, which would have an adverse effect on our business.

We have entered into co-branding agreements and revenue-sharing arrangements with certain entities, including Comet Systems Inc., a leader in connected, intelligent desktop software and A9.com, a new search engine introduced by A9.com, Inc., a subsidiary of Amazon.com, Inc. These agreements may be terminated or discontinued by our co-branding partners and third-party Websites. Termination of such agreements will result in the loss of advertising revenue and may negatively affect our financial condition.

If Google, Inc. decides to discontinue directing user traffic to Answers.com through its "definition link", we will lose a significant portion of our traffic, which would result in a reduction in our advertising revenues and

would adversely affect our financial condition.

A significant percentage of our direct query traffic is directed to Answers.com by the "definition link" appearing on Google's Website result pages. This arrangement is informal, is not based on a contractual relationship and can be discontinued by Google at its sole discretion, at any given time. Further, as a result of this arrangement, we obtain a significant amount of secondary traffic (i.e. users who visit our site via the "definition link" and perform additional searches on Answers.com.) A decision on Google's part to end this arrangement would significantly reduce our query total as well as damage our branding, and possibly our industry validation. If Google ceases to direct traffic to Answers.com through its "definition link", we will experience a significant reduction in our advertising revenues, which would adversely affect our financial condition.

If search engines were to alter their algorithms or otherwise restrict the flow of consumers visiting our Website, our financial results would suffer.

Search engines and portals serve as origination Websites for consumers in search of information. We rely heavily on search engines for a substantial portion of the users visiting Answers.com. If Google (the primary search engine directing traffic towards our Website), or other search engines were to decide to change the algorithms responsible for directing search queries or if they were to restrict the flow of consumers visiting Answers.com, we would experience a significant decrease in traffic and revenues which would in turn adversely affect our financial condition.

If we are unable to retain current Internet users or attract new Internet users, we will not be able to generate revenues, which would likely result in our inability to continue our business.

Given the wide availability of free search engines and reference sites, we may not be able to retain current Internet users or attract additional Internet users. If the user traffic on our Website and the advertising revenue generated by such Internet users does not increase significantly, our business, results of operations and financial condition could be materially adversely affected.

If we do not continue to develop and provide products and services that are useful to users, we may not remain competitive, and our revenues and operating results could suffer.

Our success depends on developing and providing products and services. Several of our competitors continue to develop innovations in web search, online advertising and providing information to people. As a result, we must continue to invest resources in research and development in order to enhance our web search technology and introduce innovative, easy-to-use products and services. If we are unable to develop useful and innovative products and services, users may become dissatisfied and use our competitors' products.

We seek to generate our revenue mostly from paid advertising, and the reduction in spending by or loss of advertisers could seriously harm our business.

We seek to generate our revenue mostly from sponsored links and paid advertisements. Our advertisement providers may discontinue their arrangements with us at any time. If we are unable to generate sufficient Internet traffic and consumers, advertisers will not continue advertising on our Website, which would negatively affect our financial condition.

Our business depends on our ability to strengthen our brand. If we are not able to enhance public awareness of our answer engine product, we will be unable to increase user traffic and will fail to attract advertisers, which may result in lost revenues.

Expanding and strengthening public awareness of our brand is critical to the success of our business. Strengthening our brand may require us to make substantial investments and these investments may not be successful. We have positioned ourselves as an answer engine rather than a traditional search engine, however, in order to maintain and strengthen the brand, we must continue to develop our reference information and continue to provide quality services. If we are unable to continuously deliver quality services, our brand name will suffer.

We face risks relating to the duration of, and our dependence on, our content provider agreements. Our failure to maintain commercially acceptable content provider relationships would result in a less attractive product to consumers, and therefore subject us to lost revenue as a result of a loss of consumers and advertisers.

We are heavily dependent on license agreements with our content providers, which are generally for one-year terms. There can be no assurance that we will be able to renew these contracts at all or on commercially acceptable terms or that our costs with respect to these contracts will not increase prohibitively following any renewal. If we are unable to contain the costs of these agreements or, if renewal is not possible, or we are unable to develop relationships with alternative providers of content or maintain and enhance our existing relationships, our product will be less attractive to Internet users, which could result in a decrease advertising revenues.

We have little control over the content of third-party Websites, and failure to provide users with quality reference information could result in a less attractive product to consumers, and therefore subject us to lost revenue as a result of a loss of consumers and advertisers.

We have little control over the content displayed by third-party Websites on our Website. If these third-party Websites do not contain quality, current information, the utility of our product to the user will be reduced, which could deter new Internet users from using our search engine.

We face risks relating to our limited use of framing third party Websites inside our gurunet.com Website. If our framing functionality is challenged, we may be subject to litigation which could require us to either cease framing or pay the third party Website owner, either of which could decrease the value of our product to users resulting in lost revenues.

Unauthorized "framing" creates potential copyright and trademark issues as well as potential false advertising claims. Framing occurs when we bring to our Website someone else's Website that is being viewed by an Internet user and the other Website becomes "framed" by our site. Though some lawsuits on framing have been filed against certain entities in the market, to our knowledge none so far has resulted in fully litigated opinions. There can be no assurance that our limited framing functionality used on gurunet.com will not be challenged. In the event of a successful challenge, we may be required to cease this functionality, seek a license from the Website owner, pay damages or royalties or otherwise be required to change the way we connect to certain other Websites. Any of these actions could have an adverse effect on our business.

We are dependent upon maintaining and expanding our computer and communications systems. Failure to do so could result in interruptions and failures of our product which would make our product less attractive to consumers, and therefore subject us to lost revenue as a result of a loss of consumers and advertisers.

Our ability to provide high quality customer service largely depends on the efficient and uninterrupted operation of our computer and communications systems to accommodate the consumers and advertisers using our products. Our failure to maintain high capacity data transmission without system downtime and improve our network infrastructure would adversely affect our business and results of operations. We believe that our current network infrastructure is insufficient to support a significant increase in the use of our products. Although we are enhancing and expanding our network infrastructure, we have experienced periodic interruptions and failures including problems associated with customers downloading our products, which we believe will continue to occur.

If we were to lose the services of our key personnel, we may not be able to execute our business strategy which could result in the failure of our business.

Our future ability to execute our business plan depends upon the continued service of our executive officers and other key technology, marketing, sales and support personnel. Except for Robert S. Rosenschein, our Chief Executive Officer, our employment agreements with our officers and key employees are terminable by either party upon 30-90 days notice. If we lost the services of one or more of our key employees, or if one or more of our executive officers or employees joined a competitor or otherwise competed with us, our business may be adversely affected and our stock price may decline. In particular, the services of key members of our research and development team would be difficult to replace. We cannot assure you that we will be able to retain or replace our key personnel. We have key person life insurance in the amount of $1,000,000 for Robert Rosenschein, but not for any of our other officers.

Risks Related to our Industry

Third parties could claim that our company is infringing on their intellectual property rights, which could result in substantial costs, diversion of significant managerial resources and significant harm to the company's reputation.

The industry in which our company operates is characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. We expect that Internet technologies, software products and services may be increasingly subject to third-party infringement claims as the number of competitors in our industry segment grows and the functionality of products in different industry segments overlaps. From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies and software products in various jurisdictions that are important to our business. Additionally, third parties may assert

claims of copyright infringement with respect to the content displayed on our Website. For example, a third party may claim that data displayed on our Website pursuant to a licensing arrangement with our content provider is in violation of a legitimate copyright.

A successful infringement claim against us by any third party, could subject us to:

- substantial liability for damages and litigation costs, including attorneys' fees;

- lawsuits that prevent the company from further use of its intellectual property and require the company to permanently cease and desist from selling or marketing products that use such intellectual property;

- having to license the intellectual property from a third party, which could include significant licensing and royalty fees not presently paid by us and add materially to our costs of operations;

- having to develop as a non-infringing alternative, new intellectual property which could delay projects and add materially to our costs of operations; and

- having to indemnify third parties who have entered into agreements with the company with respect to losses they incurred as a result of the infringement, which could include consequential and incidental damages that are material in amount.

Even if we are not found liable in a claim for intellectual property infringement, such a claim could result in substantial costs, diversion of significant resources and management attention, termination of customer contracts and the loss of customers and significant harm to the reputation of the company.

Misappropriation of our intellectual property could harm our reputation, affecting our competitive position and costing us money.

Our ability to compete with other software companies depends in part upon the strength of our proprietary rights in our technologies. We believe that our intellectual property will be critical to our success and competitive position. We rely on a combination of U.S. and foreign patents, copyrights, trademark and trade secret laws to establish and protect our proprietary rights. If we are unable to protect our intellectual property against unauthorized use by third parties, our reputation could be damaged and our competitive position adversely affected.

Attempts may be made to copy aspects of our products or to obtain and use information that we regard as proprietary. Accordingly, we may not be able to prevent misappropriation of our technology or deter others from developing similar technology. Our strategy to deter misappropriation could be undermined if:

- the proprietary nature or protection of our methodologies are not recognized in the United States or foreign countries;

- third parties misappropriate our proprietary methodologies and such misappropriation is not detected; and

- competitors create applications similar to ours but which do not technically infringe on our legally protected rights.

If these risks materialize, the company could be required to spend significant amounts to defend its rights and divert critical managerial resources. In addition, the company's proprietary methodologies may decline in value or its rights to them may become unenforceable. If any of the foregoing were to occur, our business could be materially adversely affected.

New technologies could block the display of our advertisements, which would diminish the likelihood of generating revenues from advertisements and adversely affect our operating results.

Technologies may be developed to block the display of our advertisements. We expect that a significant portion of our net revenues will be derived from fees paid to us by advertisers in connection with the display of advertisements on our destination Website. As a result, ad-blocking technology could, in the future, adversely affect our operating results.

Government regulation and legal uncertainties may require us to incur significant expenses in complying with any new regulations.

The laws and regulations applicable to the Internet and our products are evolving and unclear and could damage our business. There are currently few laws or regulations directly applicable to access to, or commerce on, the Internet. Due to the increasing popularity and use of the Internet, it is possible that laws and regulations may be adopted, covering issues such as user privacy, pricing, taxation, content regulation, quality of products and services, and intellectual property ownership and infringement. This legislation could expose us to substantial liability as well as dampen the growth in use of the Internet, decrease the acceptance of the Internet as a communications and commercial medium, or require us to incur significant expenses in complying with any new regulations. Because the increased use of the Internet has burdened the existing telecommunications infrastructure and many areas with high Internet usage have begun to experience interruptions in phone services, local telephone carriers have petitioned the FCC to regulate the Internet and to impose access fees. Increased regulation or the imposition of access fees could substantially increase the costs of communicating on the Internet, potentially decreasing the demand for our products. A number of proposals have been made at the federal, state and local level that would impose additional taxes on the sale of goods and services through the Internet. Such proposals, if adopted, could substantially impair the growth of electronic commerce and could adversely affect us. Moreover, the applicability to the Internet of existing laws governing issues such as property ownership, copyright, defamation, obscenity and personal privacy is uncertain. We may be subject to claims that our products violate such laws. Any new legislation or regulation in the United States or abroad or the application of existing laws and regulations to the Internet could damage our business and cause our stock price to decline.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate its transmissions or prosecute us for violations of their laws. We might unintentionally violate these laws. Such laws may be modified, or new laws may be enacted, in the future. Any such development could damage our business.

Our long-term financial viability may depend upon the growth and acceptance of Internet advertising as an effective alternative to traditional advertising media. If the market for Internet advertising does not continue to grow, our revenues and operating results could suffer.

Because our revenues are derived from advertisements, we compete with traditional media including television, radio and print, in addition to other Websites, for a share of advertisers' total advertising expenditures. We may face the risk that advertisers might find Internet advertising to be less effective than traditional media at promoting their products or services and may further reduce or eliminate their expenditures on Internet advertising. Many advertisers and advertising agencies have only limited experience advertising on the Internet and have not devoted a significant portion of their advertising expenditures to Internet advertising. Acceptance of the Internet among advertisers will depend, to a large extent, on the perceived effectiveness of Internet advertising and the continued growth of commercial usage of the Internet. Filter software programs that limit or prevent advertising from being displayed on a user's computer are available. It is unclear whether this type of software will become widely accepted, but if it does, it would negatively affect Internet-based advertising. Our business could be seriously harmed if the market for Internet advertising does not continue to grow.

Risks Related to our Common Stock

Our Common Stock May Be Affected By Limited Trading Volume And May Fluctuate Significantly

Our common stock is traded on the American Stock Exchange. There can be no assurance that an active trading market for our common stock will be sustained. Failure to maintain an active trading market for our common stock may adversely affect our shareholders' ability to sell our common stock in short time periods, or at all. Our common stock has experienced, and may experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock.

There may be substantial sales of our common stock after the expiration of lock-up periods, which could cause our stock price to fall.

Of the 6,945,292 shares of our common stock outstanding on April 6, 2005, 1,543,359 shares are restricted as a result of U.S. federal and state securities laws and various lock-up agreements that holders have signed that restrict their ability to transfer our stock until April 11, 2005 or October 13, 2005, as applicable. The underwriters involved in our IPO may waive or reduce the terms of these lock-ups. After the lock-up periods, all of foregoing shares will be freely tradable without restriction or further registration, other than by any of our *"affiliates"* as defined in Rule 144(a) under the Securities Act, which generally includes officers, directors or 10% stockholders, without restriction or registration under the Securities Act. Sales of a substantial number of shares of our common stock could cause the price of our securities to fall and could impair our ability to raise capital by selling additional securities. See "Other Outstanding Securities — Lock-Up Agreements" for a more detailed description of the lock-up agreements.

We could issue preferred stock in one or more series without stockholder approval with the effect of diluting your percentage equity interest of our company and/or your voting power.

Our certificate of incorporation authorizes the issuance of up to 1,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our board of directors. Accordingly, our board of directors is empowered, without stockholder approval, to issue one or more series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute your percentage equity ownership interest of our company and/or your voting power. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control. Although we do not presently intend to issue any shares of preferred stock, we may do so in the future.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions of our Amended and Restated Certificate of Incorporation and Bylaws could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. For example, our board of directors is divided into three classes, with one class being elected each year by our stockholders, which generally makes it more difficult for stockholders to replace a majority of directors and obtain control of our board. In addition, stockholder meetings may be called only by our board of directors, the chairman of the board and the president, advance notice is required before stockholders may present proposals at our annual or special stockholder meetings and stockholders may not act by written consent. Further, we have authorized but unissued "blank check" preferred stock, making it possible for our board of directors to issue one or more series of preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of GuruNet.

Delaware law also could make it more difficult for a third party to acquire us. Specifically, Section 203 of the Delaware General Corporation Law, to which our company is subject, may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because Internet companies have experienced significant stock price volatility in recent years. If we faced such litigation, it could result in substantial costs and diversion of management's attention and resources, which could adversely affect our business.

Risks Related to our Location in Israel

Conditions in Israel may limit our ability to produce and sell our product, which would lead to a decrease in revenues.

Because our operations are conducted in Israel and our principal offices and sole research and development facilities are located in Jerusalem, Israel, our operations are directly affected by economic, political and military conditions affecting Israel. Specifically, we could be adversely affected by:

- any major hostilities involving Israel;
- a full or partial mobilization of the reserve forces of the Israeli army;
- the interruption or curtailment of trade between Israel and its present trading partners;
- risks associated with the fact that a significant number of our employees and key officers reside in what are commonly referred to as occupied territories; and

· a significant downturn in the economic or financial conditions in Israel.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors and a state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Despite negotiations to effect peace between Israel and its Arab neighbors, the future of these peace efforts is uncertain. Since October 2000, there has been a significant increase in violence, civil unrest and hostility, including armed clashes between the State of Israel and the Palestinians, and acts of terror have been committed inside Israel and against Israeli targets in the West Bank and Gaza Strip. There is no indication as to how long the current hostilities will last or whether there will be any further escalation. Any further escalation in these hostilities or any future conflict, political instability or violence in the region may have a negative effect on our business, harm our results of operations and adversely affect our share price.

Furthermore, there are a number of countries that restrict business with Israel or with Israeli companies, which may limit our ability to make sales in those countries.

Our operations could be disrupted as a result of the obligation of personnel to perform military service.

Our key employees and executive officers all reside in Israel, and many of them are obligated to perform annual military reserve duty. Our operations could be disrupted by the absence for a significant period of one or more of our directors, officers or key employees due to military service. Any such disruption could adversely affect our business, results of operations and financial condition.

We may not be able to enforce covenants not-to-compete under current Israeli law which might result in added competition for our products.

We have non-competition agreements with all of our employees, almost all of which are governed by Israeli law. These agreements prohibit our employees from competing with or working for our competitors, generally during and for up to 12 months after termination of their employment. However, Israeli courts are reluctant to enforce non-compete undertakings of former employees and tend, if at all, to enforce those provisions for relatively brief periods of time in restricted geographical areas and only when the employee has obtained unique value to the employer specific to that employer's business and not just regarding the professional development of the employee.

The change in the exchange rate between the United States dollar and foreign currencies is volatile and may negatively impact our costs which could adversely affect our operating results.

We incur certain of our expenses for our operations in Israel in New Israeli Shekels (NIS) and translate these amounts into United States dollars for purposes of reporting consolidated results. As a result, fluctuations in foreign currency exchange rates may adversely affect our expenses and results of operations as well as the value of our assets and liabilities. Fluctuations may adversely affect the comparability of period-to-period results. In addition, we hold foreign currency balances, primarily NIS, that will create foreign exchange gains or losses, depending upon the relative values of the foreign currency at the beginning and end of the reporting period, which may affect our net income and earnings per share. Although we may use hedging techniques in the future (which we currently do not use), we may not be able to eliminate the effects of currency fluctuations. Thus, exchange rate fluctuations could have a material adverse impact on our operating results and stock price.

The Israeli government tax benefits program in which we currently participate and from which we receive benefits requires us to meet several conditions. These programs or benefits may be terminated or reduced in the future, which may result in an increase in our tax liability.

Our Israeli subsidiary receives tax benefits authorized under Israeli law for capital investments that are designated as "Approved Enterprises." To be eligible for these tax benefits, we must meet certain conditions. If we fail to meet such conditions, these tax benefits could be cancelled, and we could be required to pay increased taxes or refund the amount of tax benefits we received, together with interest and penalties. Israeli governmental authorities have indicated that the government may in the future reduce or eliminate the benefits of such programs. The termination or reduction of these programs and tax benefits could increase our Israeli tax rates, and thereby reduce our net profits or increase our net losses.

We are subject to certain employee severance obligations, which may result in an increase in our expenditures.

Under Israeli law, employers are required to make severance payments to dismissed employees and employees leaving employment in certain other circumstances, on the basis of the latest monthly salary for each year of service. This obligation may result in an increase in our expenditures. All obligations arising from services rendered through

December 31, 2004, have been provided for in the financial statements as of December 31, 2004.

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FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus are forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by our use of words such as "may," "could," "should," "project," "believe," "anticipate," "expect," "plan," "estimate," "forecast," "potential," "intend," "continue" or the negative or other variations of the and other similar words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance, achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others, those discussed in more detail under the heading "Risk Factors" and elsewhere in this prospectus.

Our forward-looking statements are based on our current expectations, intentions and beliefs as of the date of this prospectus. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements or other future events. You should not place undue reliance on our forward-looking statements. The safe harbors for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not apply to the offering made in this prospectus because the safe harbors do not apply to forward-looking statements made in connection with an initial public offering.

USE OF PROCEEDS

We will not receive any proceeds upon the sale or other disposition of the shares of our common stock being offered through this prospectus by the selling stockholders. We will, however, receive the exercise price, if any, to be paid upon the exercise of any outstanding warrants or options by the selling stockholders. Assuming the exercise of all of the outstanding warrants and options held by the selling stockholders, the total amount of proceeds we would receive is approximately $19,000,000. We expect to use the proceeds we receive from the exercise of the outstanding warrants or options, if any, for sales and marketing, research and development, product support and working capital, general corporate purposes and possibly for corporate acquisitions (although we do not presently have any proposals to make any acquisitions). We will pay all expenses, including legal, accounting, printing, costs and various fees associated with the registration under the Securities Act of the shares of common stock being offered through this prospectus.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the American Stock Exchange under the symbol "GRU". The range of high and low per share sale prices, as reported on the American Stock Exchange in the last two quarters (the only quarters during which our stock had a liquid trading market) is as follows:

Quarter Ended	High	Low
December 31, 2004	$ 9.43	$ 4.40
March 31, 2005	$ 28.50	$ 7.56

As of April 6, 2005, there were 6,945,292 shares of our common stock outstanding and approximately 52 holders of record of our common stock.

DIVIDEND POLICY

Historically, we have not paid any cash or non-cash dividends in respect of our common stock, and we do not expect to pay any cash or non-cash dividends in the foreseeable future as we expect to retain our future earnings for use in operation and expansion of our business.

CAPITALIZATION

The table below sets forth our capitalization on an actual basis as of December 31, 2004 and as adjusted to give effect to the issuance of 7,800 shares of restricted common stock, the exercise of 1,941,215 bridge warrants and the exercise of 75,726 stock options during the first quarter of 2005.

	December 31, 2004	
	Actual (audited)	**As Adjusted (unaudited)**
Long-term liabilities:		
Liability in respect of employee severance obligations:	$ 531,224	$ 531,224
Deferred tax liability, long term:	94,965	94,965
Deferred revenues, long term:	452,359	452,359
Total long-term liabilities	$ 1,078,548	$ 1,078,548
Stockholders' equity (deficit):		
Preferred stock; $0.01 par value; 1,000,000 shares authorized and no shares issued and outstanding as of December 31, 2004.	—	—
Common stock; $0.001 par value; 30,000,000 shares authorized as of December 31, 2004; 4,920,551 and 6,945,292 shares issued and outstanding as of December 31, 2004 and as adjusted, respectively.	4,921	6,946
Additional paid-in capital:	47,488,072	61,162,014
Deferred compensation:	(45,146)	(45,146)
Accumulated other comprehensive loss:	(27,608)	(27,608)
Deficit accumulated during development stage:	$ (40,596,117)	$ (40,747,203)
Total stockholders' equity (deficit):	$ 6,824,122	$ 20,349,003
Total liabilities and stockholders' equity (deficit):	$ 8,907,183	$ 22,432,064

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this prospectus. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under "Risk Factors" and elsewhere in this prospectus, our actual results may differ materially from those anticipated in these forward-looking statements.

General

We possess technology that helps integrate and retrieve online information from disparate sources and delivers the result in a single consolidated browser view. Our answer engine delivers snapshot, multi-faceted definitions and explanations from attributable reference sources about numerous topics in our database. We seek to differentiate ourselves by providing our users with relevant reference information that enhances results achieved through traditional search engines. Most search engines respond to an Internet user's query with a long list of links to more Websites that in some way relate to the query term. Our answer engine automatically displays relevant, narrative responses to a user's query without requiring the user to review a list of hyperlinks sequentially. Our answer engine also directly displays information in various formats such as charts, graphs and maps.

During 2003, we sold lifetime subscriptions to our answer engine product, GuruNet, generally for $40.00. In December 2003, we decided to alter our pricing model and moved to an annual subscription model, generally, $30.00 per year. In conjunction with selling subscriptions, we also offered free access to dictionary, thesaurus, encyclopedia and other basic reference information through our products. Under our business model during those years, our ability to generate revenues was dependent upon our ability to increase the number of subscribers and increase the number of users who used our basic free product. Usage of our basic free product was our means of encouraging users to upgrade to our subscription product and increase our subscription revenue. Although we earned some advertising revenue during those years from pay-per-click keyword advertising in our subscription and free products, such amounts were not significant. Our business model at the time strongly encouraged subscriptions, and thus we limited the amount of content available in our free product. This approach did not facilitate the amount of traffic we needed to earn significant amounts of revenue from advertising. Further, the aforesaid business model required us to maintain an infrastructure for billing and subscriptions, and we met resistance from customers to pay for "information freely accessible on the Internet". A desire to gain more expansive, ubiquitous growth led to our current implementation, in January 2005, of a free-to-customer product, Answers.com and "1-Click Answers" software, containing practically all the content that we used to sell via subscriptions.

On January 3, 2005 the Company announced the release of Answers.com, a website that had been launched in August 2004 in beta version. The Company also released "1-Click Answers" software, allowing users to click anywhere on the screen for instant facts about a word or phrase. 1-Click Answers allows users working in any application such as e-mail, spreadsheet, word processing, database or other program or application to "alt-click" on a word or phrase within a document and access our online library and display information about that word or phrase in a pop-up window. While Web users enjoy our integrated reference information, our Web-based product does not provide the "alt-click" command and context analysis that we include in our software. Our revenue model for these products is based solely on advertising revenue. When a user searches sponsored keywords, a link to an advertiser's Website is displayed in a premium position and identified as a sponsored result to the search. In contrast to the GuruNet product, we do not plan to generate revenues from selling subscriptions.

In conjunction with the release of Answers.com, GuruNet.com began functioning primarily as a corporate site. We are no longer offering new subscriptions to GuruNet or offering downloads of GuruNet software to users who do not have existing subscriptions. Notwithstanding, users who purchased GuruNet subscriptions prior to January 3, 2005, will continue to be fully supported through their subscription periods, and can access GuruNet services through GuruNet software or at GuruNet.com.

Revenues

Revenues in 2004 were $193,283 compared to $28,725 in 2003, an increase of $164,558 or 572.9%. Revenues in 2004 resulted primarily from recognition of deferred subscriptions license revenues, amounting to approximately $154,000, maintenance contracts on our corporate enterprise software of approximately $23,000, and advertising revenues of approximately $17,000. In contrast, revenues during 2003 resulted primarily from maintenance contracts on the corporate enterprise systems that we sold in 2002. Subscriptions sold in January 2003 through November 2003 had no impact on 2003 revenues because at that time we sold lifetime subscriptions. Since the obligation to continue serving content had no defined termination date and we could not estimate the time period over which the service would be provided, we did not recognize revenue from those sales. Beginning December 2003, we began offering GuruNet subscriptions to the public on an annual subscription basis, rather than a lifetime fee basis. Revenues from such subscriptions are recognized over the life of the related subscription. Further, during the second quarter of 2004, we began offering selected users who purchased lifetime licenses the opportunity to exchange their lifetime license for an initial free defined-term license to a newer enhanced version of GuruNet. The cash received from previous sales of lifetime subscriptions is being recognized over the new defined-term subscription period for users who agreed to this offer. With the onset of Answers.com, in January 2005, we have ceased making this offer.

Cash received from subscriptions sold in 2004 was approximately $182,000, compared to approximately $537,000 in 2003. The decrease is due to a number of factors, including our offering one-year subscriptions, generally at $30 per year, rather than lifetime subscriptions, generally for $40, beginning December 2003; and that we are in development stage and still testing various marketing approaches, which caused variability in subscription volume. Additionally, in October 2002, we began charging a fee for our individual reference product, now known as GuruNet. Prior to such time, our individual reference product was available to the public for free. During 2003, we converted a significant number of users of our free product, which had been available to the public between 1999 and October 2002, to a paid subscription of our upgraded GuruNet product. This contributed significantly to the amount we sold in 2003.

Cost of Revenues

Cost of revenues in 2004 was $647,055 compared to $723,349 in 2003, a decrease of $76,294 or 10.5%. The net decrease is primarily attributable to higher content costs incurred in the first quarter of 2003 than we typically incur each quarter, offset by additional web hosting costs approximating $40,000.

Cost of revenues is comprised of fees to third party providers of content, web hosting services and technical and customer support salaries, benefits and overhead costs.

Gross Margin

Gross margin in 2004 was ($453,772) compared to ($694,624) in 2003, a decrease in the negative margin of $240,852 or 34.7%. The decrease is due to increased revenues and decreased cost of revenues, as discussed above.

Research and Development Expenses

Research and development expenses in 2004 were $1,033,521 compared to $910,114 in 2003, an increase of $123,407 or 13.6%. The increase is due primarily to compensation-related expense increases as our research and development team grew in order to develop and test newer versions of GuruNet. The salaries, benefits and overhead costs of personnel, conducting research and development of software and Internet products comprise research and development expenses.

Sales and Marketing Expenses

Sales and marketing expenses in 2004 were $932,455 compared to $478,942 in 2003, an increase of $453,513 or 94.7%. The increase is due primarily to increases in advertising, promotion and marketing consulting costs by approximately $280,000 due to our increased focus on promoting our product, and an increase in sales and marketing compensation related expenses of approximately $70,000, due to the addition of sales and marketing employees and agents. Salaries, benefits and overhead costs of personnel, and public relations services and advertising programs, comprise sales and marketing expenses.

General and Administrative Expenses

General and administrative expenses in 2004 were $1,125,064 compared to $678,645 in 2003, an increase of $446,419 or 65.8%. The increase relates primarily to increases in the number of personnel, and salaries of personnel, which resulted in an increase, in aggregate, of approximately $128,000; increased travel of approximately $70,000; increased legal, accounting and other professional costs of $160,000; increased director fees and expenses of approximately $75,000; and increases in our insurance costs of approximately $25,000. The increases in the line expenses that comprise General and Administrative Expenses, including those mentioned previously, are mostly related, directly or indirectly, to the increased costs associated with being a public company. Further, some of those costs actually began, in anticipation and prior to our IPO.

General and administrative expenses consist primarily of salaries, benefits and overhead costs for executive and administrative personnel, e-commerce fees, insurance, fees for professional services, including consulting, legal, and accounting fees, travel costs, non-cash stock compensation expense for the issuance of stock options and other general corporate expenses. Overhead costs are comprised primarily by rent, utilities and depreciation.

Interest Income (Expense), Net

Interest (expense) income, net in 2004 was ($4,382,583), compared to $719 in 2003, representing a net increase in interest expense of $4,383,302. Interest expense, net in 2004 is comprised of approximately $3,962,000 of amortization of note discounts and deferred charges relating to the convertible promissory notes, which are described in the footnotes to the accompanying financial statements. The remainder is comprised of 8% interest on the face of the $5,000,000 convertible promissory notes and of monthly liquidated damages in the amount of 1% to 1.5% of the aggregate purchase price of the bridge notes, approximating $450,000, less interest income of approximately $29,000. Interest income, net in 2003 is comprised primarily of interest income earned.

Gain on extinguishment of debt

Gain on extinguishment of debt, in 2004, of $1,493,445 resulted from the following: In conjunction with the $5,000,000 in bridge notes that we issued in the first quarter of 2004, we recorded a note discount, with a corresponding increase in paid-in capital, of approximately $2,476,000, to account for the beneficial conversion terms that the promissory noteholders received, in comparison to the expected IPO offering price. Upon repayment of approximately 63% of the bridge notes, in October 2004, the percentage of the intrinsic value of the beneficial conversion feature at the date of extinguishment was reversed in paid-in capital, in the amount of approximately $1,493,000, and interest in the same amount, previously recorded relating to the beneficial conversion feature that was reversed in paid-in capital, was functionally reversed by the recording of a gain on extinguishment of debt.