

OVERVIEW OF WORLDRES.COM

WorldRes is a business services company that distributes hotel information and reservations capability to leisure travelers via a global network of website and call center partners. WorldRes enables any hotel property - from a single Bed and Breakfast (B&B) to an international chain of resorts to receive real-time, online reservations from travelers worldwide. With a PC and Internet access, hotels can easily and instantly update information about room rates and availability across the entire WorldRes network.

WorldRes distribution partners generate revenue while providing their website or call center customers the ability to easily find and book the perfect place to stay. WorldRes provides its partners with a range of online reservation solutions that can be implemented on any website or through an easy-to-use, web-based call center interface.

The WorldRes reservation and distribution system is built on state-of-the-art Internet and database technology. The WorldRes system combines the most advanced products and services to ensure availability, flexibility, peak performance, and security of both transactions and personal information. WorldRes constantly upgrades and expands its system to meet the needs of a growing network.

WORLDRES.COM BUSINESS MODEL

Founded in 1995, WorldRes is the online hotel distribution network for leisure travel. For hotels, WorldRes offers an effective, low-cost way to market and sell accommodations via the Internet. For distribution partners, WorldRes offers rich content on a range of unique properties, plus a share of revenues generated by room reservations that are made through partner websites and call centers.



WORLDRES.COM: HOW IT WORKS

WorldRes views itself as an aggregator or “butterfly” company. If the chart above were a butterfly, the center column would be the body and the two outside columns would be the wings. WorldRes would represent the body. One wing would represent the suppliers of hotel space and their activities such as sourcing, negotiating,

and contracting hotel rooms. The other wing would represent the demand for hotel space via Internet distribution. The distribution of rooms could go through Internet portals (Yahoo, AOL, Lycos, Ask Jeeves, Looksmart), niche sites (adventure travel, GORP, Student Travel Guide), travel sites (Frommers, Lonely Planet), online travel agents (Travelocity, CheapTickets, Expedia), or Travel Global Distribution Systems (Sabre, Galileo, Worldspan, Amadeus).

The system has more than 15,000 member properties and over 1,000 distribution partner websites and call centers through which reservations are made. As key distribution points, WorldRes also owns the consumer travel website, PlacesToStay.com[™], and operates a wholly owned subsidiary, BedandBreakfast.com[™], the leading supplier of information about B&Bs.

Member hotel content is stored in a central database connected to WorldRes' network of partners. Hotels can easily update their content in real time - unlike most other distribution systems. When they do, the changes are automatically transmitted to all partners simultaneously. Reservation and database services are provided by easily upgraded UNIX machines. Web services are provided on Windows NT machines that allow for quick and economical server expansion.

The WorldRes system is completely Internet-based and independent of older, mainframe-based airline CRS or intermediary systems. And in contrast to most other major travel websites, hotels are not required to participate in those proprietary systems to receive real-time reservations through WorldRes.

The WorldRes system was built exclusively for the Internet using state-of-the-art technology. The system delivers reservations to hotels at lower cost and with fewer intermediaries than existing legacy systems. The WorldRes interface is intuitive and easy to use for both hotel members who wish to update their content and travelers looking to make reservations

The WorldRes system is designed to handle millions of simultaneous transactions and frequently expanded to ensure the system never exceeds 50% of capacity. The system is also secure and uses Industry-standard Secure Sockets Layer (SSL) protocol to allow for the encryption of any information that is transferred across the Internet. SSL provides data encryption, server authentication and message integrity.

WORLDRES.COM COMPETITION:

The market for business-to-business e-commerce and Internet-based hotel booking is new and rapidly evolving, and competition is intense and is expected to increase significantly in the future. Competitors vary in size and in the scope and breadth of the products and service offered.

Determining WorldRes' competitors depends on how you view WorldRes in the world of online travel. WorldRes, like many companies in online travel, is forced to both compete and cooperate with many other companies. When viewing WorldRes as an online travel agency, its key competitors are Travelocity, Expedia, CheapTickets, and OneTravel. WorldRes competes with these companies for hotel bookings yet also seeks to strike distribution deals with them. Of the four listed above, only Travelocity features WorldRes as a business partner.

When viewing WorldRes as a company that represents hotels, the major competitors include Pegasus, VIP, Leading Hotels of the World, and Lexington Services. These companies provide a hotel, individually or by chain, with distribution and marketing services. The electronic distribution was originally to travel agents via the Global Distribution System (GDS) but increasingly includes consumer direct deals via the big online travel agencies.

WorldRes does not view itself as a consumer direct hotel website; however they do have two direct sites – Placestostay.com and BedandBreakfast.com – that are for consumers. The largest players in the consumer direct business are Hotel Reservations Network, HotelQuest.com, and Quikbook.com. Of course, the major hotel chains such as Marriott and Hilton have consumer direct sites also.

WorldRes acknowledges that many of its competitors have significantly greater financial, technical, marketing and other resources than WorldRes. These competitors include Expedia, Inc. and Travelocity.com. To remain competitive, WorldRes must respond promptly and effectively to the challenges of technological change, evolving standards and competitors' innovations by enhancing its own system and service offerings, as well as its sales and marketing programs.

THE HISTORY OF WORLDRES.COM

WorldRes was formed in October 1995 and initially focused on raising capital, building the corporate infrastructure, developing relationships with hotels and offering reservation services through its branded web site, PlacesToStay.com. In January 1998, WorldRes refined its business model to focus on expanding its distribution of hotel room inventory by adding a broad array of travel web site partners, creating the WorldRes online reservation network. In August 1999, WorldRes acquired all of the outstanding stock of BedandBreakfast.com in exchange for 1,462,106 shares of the common stock with an estimated fair value of \$7.8 million.

As of February 29, 2000, the WorldRes network had grown to approximately 11,500 properties, located in 142 countries, and 1,075 web sites and call centers. Through that date, WorldRes had successfully processed approximately 325,000 reservations, of which 317,000 had been processed since January 1998. Approximately 73,000 of these reservations came through the PlacesToStay.com web site, while approximately 252,000 came through travel web site partners and other distribution partners. During the three months ended December 31, 1999, approximately 84% of the reservations came through travel web site partners and 16% came through the PlacesToStay.com web site.

In addition, as of February 29, 2000, WorldRes had contracts in place to add approximately 12,900 properties to its network. The properties in the network include hotel/motel chains, independent properties, bed and breakfast properties, inns, resorts and condominiums, providing travel web site and other distribution partners with access to a broad range of global lodging choices.

The following is a sample list of domestic and international properties that can be accessed through the WorldRes reservation system:

WORLDRES.COM: ASSESSMENT OF BUSINESS STRATEGY

<u>Hotel Chains</u>	<u>Independents</u>	<u>Bed & Breakfasts/Inns</u>	<u>Resorts</u>
Accor	Baldwin Hotel	Inn at Pasetiempo	Grand Wailea Resort
Choice Hotels	Bay Park Hotel	Larchwood Inn	Sandestin
Hong Kong Hotel Association	Beach House Inn	Oxford Hotel	South Seas Resorts
Vagabond Inns	Inn by the Sea	Roma Bed & Breakfast	St. Moritz
	Joie de Vivre	Snow Cap Inn	Vail Resort

In addition, WorldRes has entered into contracts with several major hotel chains, including strategic partners Starwood Hotels & Resorts, to add their properties to the WorldRes network.

WorldRes has incurred net losses and experienced negative cash flow from operations since inception. As of December 31, 1999, WorldRes had an accumulated deficit of approximately \$34.9 million. The ability to achieve profitability and positive cash flow from operations will depend upon the ability to grow revenue substantially and achieve other operating efficiencies. WorldRes currently expects its losses to increase in the future and warns that it may be unable to achieve or sustain profitability.

From inception, WorldRes has continually increased its level of spending to build its infrastructure and develop the network. WorldRes intends to continue to increase sales, marketing, technology, development and administrative activities. WorldRes anticipates these expenses will significantly precede any revenue generated by this increased spending.

WORLDRES ECONOMICS

Reservation revenue equals the commission WorldRes charges hotels for reservations made at their properties. Reservation revenue is recognized at the scheduled checkout date, net of a provision for cancellations. WorldRes uses gross value of hotel bookings¹ as a key indicator of general business activity, success of promotional efforts and capacity to handle customer demand. In addition, WorldRes believes that gross value of hotel bookings may provide a useful comparison between historical periods insofar as such information provides a useful measure of market acceptance of the network.

The gross value of hotel bookings has increased significantly in all quarters presented as compared to the prior year period due to the expansion of the network of travel web site partners, the increase in supply of hotel rooms on the network, the growth in repeat purchases by existing consumers and increased customer acceptance of e-commerce generally. Reservation revenue has grown consistent with the growth in gross value of hotel bookings in every quarter.

The cost of reservation revenue consists of the percentage of commissions that WorldRes shares with certain of travel web site partners. Cost of reservation revenue also includes payroll, software and hardware costs associated with processing

¹ Gross value of hotel bookings equals the number of nights per stay times the hotel room rate for all the reservations processed through the system. Gross value of hotel bookings does not represent reservation revenue or backlog. Reservations are subject to cancellation at any time. Therefore, the amount of revenue calculated using gross value of hotel bookings would be expected to exceed actual reservation revenue realized by us from such bookings. Accordingly, gross value of hotel bookings is not equivalent to reservation revenue and should not be viewed as a substitute for revenue.

reservations. The cost of other revenue consists of costs directly related to agreements with hotels and travel web sites to provide them with additional services. Subsequent to the acquisition of BedandBreakfast.com, cost of other revenue also includes payroll, software and hardware costs associated with operating BedandBreakfast.com's web site.

Technology and development expenses consist principally of payroll and related expenses for designing and implementing the reservation system, developing applications for the network and improving the technology infrastructure and database. Sales and marketing expenses consist primarily of personnel costs, advertising, placement fees, public relations and participation in trade shows and other industry events as well as an allocation of facility and related overhead costs. General and administrative expenses primarily represent personnel costs, allocated facility and related overhead costs as well as the legal and accounting expenses.

A key element of the WorldRes strategy is to market the WorldRes solution directly to the sales and distribution managers of hotels that are the primary suppliers to the Internet-based lodging distribution network. WorldRes devotes significant sales, marketing and management resources to this sales process, without any assurance that the hotels will use the network for distribution of their inventory.

ONLINE TRAVEL INDUSTRY BACKGROUND

Growth of Business-to-Business Commerce on the Internet

The Internet is emerging as one of the most significant global communications media in history, enabling millions of people to share information and conduct business electronically. International Data Corporation estimates that the number of users on the Internet will grow from 142 million at the end of 1998 to over 500 million by the end of 2003. This growth in users, combined with the unique functionality of the Internet, creates tremendous opportunities for businesses to conduct e-commerce. Specifically, the Internet enables businesses to reach other businesses without regard to geographic or temporal limitations, to deliver detailed and interactive content to one or more users on a real-time basis at little incremental cost and to create trading networks among groups of fragmented customers, suppliers and distributors.

With an increasing number of businesses migrating to the Internet to leverage its flexibility, reach and cost-effectiveness, business-to-business e-commerce is poised for rapid growth. Business-to-business e-commerce is expected to be a significantly larger opportunity than business-to-consumer e-commerce. According to Forrester Research, the business-to-business e-commerce market in the U.S. alone was \$43 billion in 1998, while the business-to-consumer e-commerce market was \$8 billion. Forrester Research further reports that business-to-business e-commerce is expected to grow to \$2.7 trillion in 2004.

The Worldwide Hotel Industry

The worldwide hotel industry is large and fragmented with international hotel chains and independently owned hotels ranging in size from resorts to smaller inns and bed and breakfasts. According to Smith Travel Research, \$135 billion in hotel room revenue was generated in 1999 from 67,000 properties worldwide with approximately 6.8 million rooms. The total market, however, is significantly larger, with approximately

13 million rooms worldwide in 1997, according to a study by the World Tourism Organization.

The hotel industry spends billions of dollars on marketing and distribution annually and operates at significantly less than full capacity. According to Horwarth International and Smith Travel Research, average occupancy rates for chain hotels was 68% in 1998, while average occupancy rates for independent hotels was even lower at 64%. Unsold hotel rooms represent tens of billions of dollars in lost revenue opportunities. This low capacity utilization, compounded by inefficient distribution practices, highlights the need for a solution designed to more effectively connect the sources of supply and demand for hotel room inventory.

Legacy Hotel Distribution Channels

Hotels typically receive a majority of their reservations over the telephone or fax. In order to sell to as large an audience as possible, however, most hotels also allocate blocks of their inventory to a variety of distribution channels, including:

- . branded chains;
- . representation companies for non-chain hotels;
- . proprietary electronic global distribution systems (GDSs) and switch systems (switches);
- . event managers;
- . tour operators;
- . government-backed destination marketing organizations (DMOs); and
- . wholesalers.

To participate in these distribution channels, hotels often pay fixed-fees as well as significant commissions to various intermediaries. WorldRes believes that the transaction costs charged by these intermediaries can equal more than 20% of hotel room revenue generated by the booking. In addition, because certain distribution channels, such as Global Distribution Systems (GDS), do not work with properties on an individual basis, many independent properties cannot access these distribution channels unless they incur further costs to sign up with a chain or representation company.

An additional limitation of GDSs is that they were initially built primarily for travel agents to book airline and car reservations for business travelers. They were later adapted so that travel agents could access hotel inventory through an electronic interface called a "switch" to book accommodations for business travelers at chain hotels. As a result, these systems are not designed to help properties deliver descriptive information, editorial content or rich images that are critical to the purchasing decisions of many travelers, especially for leisure-oriented trips, which, according to a worldwide hotel industry study conducted by Horwarth International, represents approximately one-half of the total annual hotel market.

Internet-Enhanced Hotel Distribution Channels

The Internet has emerged as a more convenient, efficient and cost-effective medium for hotels to distribute inventory and for travelers to book accommodations than either the phone, fax or many of the other legacy distribution channels. Moreover, online leisure hotel bookings are expected to grow as a result of the rapid adoption of the Internet and the Internet's ability to provide detailed lodging information, including comparisons of available hotel accommodations, amenities and rates. Forrester

Research estimates that online leisure hotel bookings are expected to grow from \$1.1 billion in 1998 to \$10 billion in 2003.

Limitations of Current Internet-Enhanced Distribution Channels

Use of the Internet represents a significant opportunity for both hotels and travel web sites to provide access to real-time lodging information and reservations. The vast majority of current implementations, however, are merely web sites attached to existing legacy distribution channels. As a result, they remain expensive for hotels to use and fail to solve the needs of properties wishing to cost effectively expand distribution, especially to the leisure-oriented travel market.

Hotels have used the following Internet-based options to enhance their distribution:

- Create their own web sites. Many individual hotels have created their own web sites to provide lodging information and, in some cases, real-time reservations. A hotel must have the technological expertise to create and maintain both a web site and online reservation capabilities, and must incur significant marketing costs to attract online travelers to its web site.
- Sell through third-party web sites. In order to gain broader distribution, a hotel can join a hotel chain and be distributed on the chain's web site as well as other third-party travel web sites, such as Travelocity.com and Expedia, Inc., which generally access hotel inventory through GDSs or switches. An independent hotel must pay the fixed costs to affiliate with a chain or representation company, and pay additional costs for each transaction. Moreover, distributing inventory through GDSs or switches limits the ability of hotels to present detailed photographic or multimedia content, which hinders their ability to effectively sell their inventory to leisure travelers. Alternatively, an individual hotel can expand its Internet distribution by creating and maintaining multiple technical links and business relationships with multiple third-party web sites, but at significant expense.

Similarly, many new online distribution sources (e.g., online travel agents, travel web sites and other online intermediaries) have added online reservations as a service on their sites. These travel web sites have used the following Internet-based options to obtain a supply of lodging inventory:

- Link directly to multiple hotels. Travel web sites can link directly to multiple hotels. This requires a travel web site to develop a reservation booking engine, establish business relationships and communication links between its web site or call center and potentially up to tens of thousands of properties. These activities are both costly and time-consuming.
- Link to GDSs or switches. Travel web sites can also link to GDSs or switches for hotel inventory. The Company believes this provides access to less than 20% of hotels worldwide, however, and an even smaller percentage of leisure-oriented hotels. Moreover, in order for a travel web site that links to GDSs or switches to provide rich content and images around available room inventory, it must identify and integrate the content from sources other than the GDSs or switches, which is often costly and inefficient.

The fragmentation of the leisure hotel market and the limitations of current web-enabled distribution create the opportunity for a business-to-business Internet-based e-commerce solution that seamlessly links thousands of hotels with multiple travel web sites and call centers, allowing them to provide travelers with rich content and process real-time reservations online.

THE WORLDRES.COM SOLUTION

WorldRes provides a leading business-to-business e-commerce solution for online marketing and reservations to the highly fragmented global hotel industry. The online hotel distribution network and reservation system comprise an integrated e-commerce platform that connects hotels to a broad array of travel web site and other distribution partners, including tourism offices, convention and visitor bureaus, call centers and travel agents. For hotels, the network provides a low-cost distribution channel to market, differentiate and sell their room inventory. For travel web sites and other distribution partners, the network provides information and real-time e-commerce booking capabilities for a wide range of hotels.

Benefits to Hotels

WorldRes acts as a marketing and distribution partner for hotels, making information about their properties and room inventory available to a variety of travel web site and other distribution partners through a single user interface. This enables any hotel, whether independent or affiliated with a chain or representation company, to reach more customers and increase occupancy. Additionally, hotels can use the robust capabilities of the Internet-based reservation system to differentiate themselves with descriptive content and photographs. Hotels can easily and continuously update their descriptive information, available inventory and pricing across multiple web sites simply by accessing and updating the system. Hotels can also create targeted e-mail promotions for WorldRes to distribute to generate additional reservations and maximize occupancy.

The WorldRes solution provides a low-cost distribution channel for hotels to market and sell their lodging inventory. A hotel pays a commission only after a guest checks out. A hotel pays no initial set-up or fixed monthly fees to participate in the network, and needs to make little or no incremental investment in information technology. In addition, the WorldRes solution often bypasses multiple traditional intermediaries, resulting in lower transaction costs compared with legacy hotel distribution channels. Lastly, a hotel that links to the WorldRes network can reduce its operating costs by automating and streamlining traditional manual paper-intensive processes.

Benefits to Travel Web Site and Other Distribution Partners

The WorldRes business-to-business e-commerce platform enables travel web site and other distribution partners that have traditionally processed hotel bookings offline, to generate transaction revenue from real time online bookings at any of the WorldRes hotel properties. Through the WorldRes system, all travel web site and other distribution partners are able to provide their users with the ability to search for rooms at any network hotels using a variety of criteria, including, price, availability, amenities, location and room type. Such features and enhanced functionality are critical for

enabling partners, with a minimum investment of time and capital, to convert site visitors into actual purchasers of online hotel room inventory.

THE WORLDRES GROWTH STRATEGY

The WorldRes objective is to provide the leading business-to-business e-commerce online marketing and reservation solution for the global hotel industry. Key elements of the WorldRes strategy to achieve this objective include:

- Increase the number of hotels and travel web site partners that comprise the WorldRes network. WorldRes plans to increase the number of reservations made on the network by increasing the number of domestic and international hotels that comprise the network through strategic partnership initiatives and substantial sales and marketing efforts.
- Actively manage hotel and travel web site relationships. WorldRes plans to increase the number of reservations made on the network through active account management of hotels and travel web site partners. WorldRes will continue to work with hotels to improve their occupancy rates by helping them better match online inventory offerings with online demand through targeted promotions and pricing strategies. WorldRes will continue to work with travel web site partners to improve the integration of the Internet-based reservation system into their web sites, thereby improving the conversion rates of browsing consumers. WorldRes intends to continue to improve the quality of its two branded web sites, PlacesToStay.com and BedandBreakfast.com.
- Pursue acquisitions. WorldRes intends to expand its network and the services offered through strategic acquisitions with the goal of increasing the number of reservations booked and transaction revenue generated on the network. For example, in August 1999, WorldRes acquired BedandBreakfast.com to enhance relationships with bed and breakfast properties and to accelerate the addition of these types of properties to the network. BedandBreakfast.com historically focused on building the dominant web-based brand in the bed and breakfast industry and on compiling the largest electronic database of bed and breakfast properties in the world. In October 1999, WorldRes acquired a leading provider of software used by independent lodging properties at their front desks to manage the reservation process and other key operating functions. WorldRes provides this software free of charge to any bed and breakfast providing us with bookable room inventory, and WorldRes believes this will assist us in adding inventory from these properties to the network.
- Expand service offerings. WorldRes intends to use its system and network to expand into complementary services. These services could include packaging of non-lodging and activity-based travel services. In addition, WorldRes plans to enhance data reporting and analytical tools to enable hotels to better manage inventory and provide hotels with insight into promising marketing opportunities.

WORLDRES.COM: ASSESSMENT OF BUSINESS STRATEGY

WORLDRES.COM

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30,		December 31,	Pro Forma Shareholders' Equity at
	1998	1999	1999	December 31, 1999
			(Unaudited)	(Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 4,873	\$ 4,510	\$ 24,242	
Accounts receivable, net	142	562	548	
Prepaid expenses and other current assets.....	205	700	1,863	
	-----	-----	-----	
Total current assets.....	5,220	5,772	26,653	
Property and equipment, net.....	954	2,335	3,871	
Intangible assets.....	--	5,283	5,041	
Other assets.....	43	876	807	
	-----	-----	-----	
	\$ 6,217	\$ 14,266	\$ 36,372	
	=====	=====	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable.....	\$ 227	\$ 470	\$ 1,851	
Accrued liabilities.....	252	2,060	2,168	
Deferred revenue.....	--	175	227	
Current portion of capital lease obligations.....	324	460	468	
	-----	-----	-----	
Total current liabilities...	803	3,165	4,714	
Capital lease obligations and other long term liabilities....	505	690	642	
Commitments				
Shareholders' equity:				
Preferred stock: \$0.001 par value; none authorized	--	--	--	--
Convertible preferred stock: \$0.001 par value, shares authorized at September 30, 1998, 1999 and December 31, 1999; 5,033,319, 7,157,839 and 9,676,098 shares issued and outstanding at September 30, 1998, 1999 and December 31, 1999;	5	7	10	--
Common stock: \$0.001 par value; 24,000,000, 25,000,000 and 25,000,000 shares authorized at September 30, 1998, 1999 and December 31, 1999; 775,567, 3,131,301 and 3,162,956 shares issued and outstanding at September 30, 1998, 1999 and December 31, 1999	1	3	3	14
Additional paid-in capital....	17,196	42,121	71,459	71,458
Notes receivable from officers.....	--	(1,862)	(1,862)	(1,862)
Deferred stock compensation...	--	(4,111)	(3,677)	(3,677)
Accumulated deficit.....	(12,293)	(25,747)	(34,917)	(34,917)
	-----	-----	-----	-----
Total shareholders' equity..	4,909	10,411	31,016	31,016
	-----	-----	-----	-----
	\$ 6,217	\$ 14,266	\$ 36,372	\$ 36,372
	=====	=====	=====	=====

WORLDRES.COM: ASSESSMENT OF BUSINESS STRATEGY

WORLDRES.COM

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Fiscal Years Ended September 30,			Three Months Ended December 31,	
	1997	1998	1999	1998	1999
	(Unaudited)				
Net revenue:					
Reservation.....	\$ 71	\$ 294	\$ 1,322	\$ 151	\$ 479
Other.....	--	162	406	105	179
Total net revenue.....	71	456	1,728	256	658
Cost of revenue:					
Reservation.....	4	30	191	15	65
Other.....	--	28	41	15	27
Total cost of revenue....	4	58	232	30	92
Gross profit.....	67	398	1,496	226	566
Operating expenses:					
Technology and development.....	1,123	1,531	3,178	667	2,005
Sales and marketing.....	2,461	3,948	8,588	1,322	5,511
General and administrative.....	766	1,150	2,204	317	876
Deferred stock compensation and warrant expense.....	--	--	742	15	762
Amortization of intangible assets.....	--	--	386	--	694
Total operating expenses....	4,350	6,629	15,098	2,321	9,848
Loss from operations.....	(4,283)	(6,231)	(13,602)	(2,095)	(9,282)
Interest and other income, net.....	28	236	268	50	152
Interest expense.....	(95)	(152)	(155)	(30)	(40)
Net loss.....	\$ (4,350)	\$ (6,147)	\$ (13,489)	(2,075)	\$ (9,170)
Basic and diluted net loss per share.....	\$ (10.77)	\$ (10.80)	\$ (18.03)	\$ (3.12)	\$ (4.31)
Shares used in computing basic and diluted net loss per share.....	404	569	748	666	2,128
Pro forma basic and diluted net loss per share (unaudited).....			\$ (1.96)		\$ (0.80)
Shares used in computing pro forma basic and diluted net loss per share (unaudited)..			6,865		11,427
Gross value of hotel bookings.....	\$ 1,748	\$ 8,577	\$41,368	\$4,856	\$16,401

WORLDRES.COM: ASSESSMENT OF BUSINESS STRATEGY

WORLDRES.COM

CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

	Fiscal Years Ended September 30,			Three Months Ended December 31,	
	1997	1998	1999	1998	1999
	(Unaudited)				
Operating activities					
Net loss.....	\$ (4,350)	\$ (6,147)	\$ (13,489)	\$ (2,075)	\$ (9,170)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization.....	129	259	636	117	357
Deferred stock compensation and warrant expense.....	--	--	742	15	762
Amortization of intangible assets.....	--	--	386	--	694
Changes in operating assets and liabilities:					
Accounts receivable.....	(7)	(132)	(388)	(104)	14
Prepaid expenses and other current assets....	(2)	(163)	(463)	81	(1,015)
Other assets.....	--	(17)	(833)	(1)	69
Accounts payable.....	151	(63)	40	(18)	1,381
Accrued liabilities.....	76	33	1,719	249	108
Deferred revenue.....	--	--	(32)	--	52
Net cash used in operating activities.....	(4,003)	(6,230)	(11,682)	(1,736)	(6,748)
Investing activities					
Purchases of property and equipment.....	(14)	(225)	(1,466)	(35)	(1,893)
Payment for purchase of Munsenware.....	--	--	--	--	(300)
Net cash used in investing activities.....	(14)	(225)	(1,466)	(35)	(2,193)
Financing activities					
Proceeds from issuance of convertible preferred stock, net.....	3,952	10,598	12,725	--	28,720
Proceeds from issuance of common stock.....	18	2	146	2	31
Proceeds from issuance of note payable to bank, net...	300	--	--	--	--
Repayment of note payable to bank.....	--	(500)	--	--	--
Proceeds from issuance of note payable to officer....	200	--	--	--	--
Repayment of note payable to officer.....	(275)	--	--	--	--
Proceeds from issuance of convertible debt.....	100	1,123	--	--	--
Proceeds from issuance of warrants.....	--	3	--	--	--
Principal payments under capital lease obligations...	(62)	(202)	(86)	(90)	(78)
Cash provided by financing activities.....	4,233	11,024	12,785	(88)	28,673

WORLDRES.COM: ASSESSMENT OF BUSINESS STRATEGY

Net increase (decrease) in cash and cash equivalents...	216	4,569	(363)	(1,859)	19,732
Cash and cash equivalents at beginning of period.....	88	304	4,873	4,873	4,510
	-----	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 304	\$ 4,873	\$ 4,510	\$ 3,014	\$ 24,242
	=====	=====	=====	=====	=====
Supplemental disclosure of cash flow information					
Cash paid for interest.....	\$ 110	\$ 152	\$ 153	\$ 27	\$ 39
	=====	=====	=====	=====	=====
Supplemental disclosure of noncash transactions					
Conversion of debt to convertible preferred stock.....	\$ 808	\$ 1,123	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Equipment acquired under capital lease arrangements..	\$ 263	\$ 590	\$ 408	\$ --	\$ --
	=====	=====	=====	=====	=====
Deferred stock compensation..	\$ --	\$ --	\$ 2,374	\$ --	\$ 309
	=====	=====	=====	=====	=====
Issuance of common stock in exchange for BedandBreakfast.com's common stock.....	\$ --	\$ --	\$ 5,343	\$ --	\$ --
	=====	=====	=====	=====	=====

WORLDRES.COM: ASSESSMENT OF BUSINESS STRATEGY

WORLDRES.COM

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended					
	Sep. 30, 1998	Dec. 31, 1998	Mar. 31, 1999	June 30, 1999	Sep. 30, 1999	Dec. 31, 1999
(in thousands)						
Consolidated Statement of Operations Data:						
Net revenue:						
Reservation.....	\$ 167	\$ 151	\$ 245	\$ 329	\$ 597	\$ 479
Other.....	78	105	94	95	112	179
Total net revenue.....	245	256	339	424	709	658
Cost of revenue:						
Reservation.....	12	15	28	46	102	65
Other.....	6	15	16	7	3	27
Total cost of revenue...	18	30	44	53	105	92
Gross profit.....	227	226	295	371	604	566
Operating expenses:						
Technology and development.....	580	667	719	767	1,025	2,005
Sales and marketing.....	1,120	1,322	1,389	2,049	3,828	5,511
General and administrative.....	344	317	314	512	1,061	876
Deferred stock compensation and warrant expense.....	--	15	27	186	514	762
Amortization of intangible assets.....	--	--	--	--	386	694
Total operating expenses.....	2,044	2,321	2,449	3,514	6,814	9,848
Loss from operations.....	(1,817)	(2,095)	(2,154)	(3,143)	(6,210)	(9,282)
Interest and other income (expense), net.....	42	20	(3)	88	8	112
Net loss.....	\$ (1,775)	\$ (2,075)	\$ (2,157)	\$ (3,055)	\$ (6,202)	\$ (9,170)
Supplemental Data:						
Gross value of hotel bookings.....	\$ 3,744	\$ 4,856	\$ 9,332	\$12,466	\$14,714	\$16,401