OneTravel Holdings, Inc.
Form 8-K/A
August 01, 2005

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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 15, 2005

ONETRAVEL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**1-8662**	**23-2265039**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

6836 Morrison Blvd., Ste. 200, Charlotte, North Carolina	**28211**
(Address of principal executive offices)	(Zip Code)

(704) 366-5054
(Registrant's telephone number, including area code)

RCG COMPANIES INCORPORATED
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

As previously reported, on April 15, 2005 OneTravel Holdings, Inc., f/k/a RCG Companies Incorporated ("the Company") closed the acquisition by merger of OneTravel, Inc. ("OneTravel"), pursuant to the previously announced Agreement and Plan of Merger, dated February 10, 2005, by and among OneTravel, OT Acquisition Corporation, Terra Networks Asociadas, S.L., Amadeus Americas, Inc. and Avanti Management, Inc. (collectively, the "Shareholders").

On April 19, 2005 the Company filed a current report on Form 8-K disclosing the completion of the acquisition, but pursuant to Item 9.01(a)(4) and Item 9.01(b)(2) of Form 8-K, omitted the financial statements of the business acquired and the pro forma financial information as it was permitted to do because audited financial statements of the Acquired Properties were not available at the time of the acquisition.

This Amendment No. 1 to the current report on Form 8-K filed April 19, 2005 is being filed to include these previously omitted financial statements.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired

Pursuant to paragraph (a) of Item 9.01 of Form 8-K, the attached financial statements were omitted from the disclosure contained in the Initial 8-K. Attached herewith as Annex A are the audited financial statements of OneTravel, Inc. (formerly OneTravel.com, Inc.) for the years ended December 31, 2004 and December 31, 2003 and the report of the independent public auditors. Attached herewith as Annex B are the unaudited financial statements of OneTravel, Inc. for the three months ended March 31, 2005 and March 31, 2004.

(b) Pro forma Financial Information

Pursuant to paragraph (b) of Item 9.01 of Form 8-K, the following pro forma financial information was omitted from the disclosures contained in the Initial 8-K. Attached herewith as Annex C are the unaudited pro forma combined balance sheet as of March 31, 2005, the unaudited pro forma combined statement of operations for the year ended June 30, 2004 and the nine month period ended March 31, 2005 and the notes to the unaudited pro forma financial information.

Exhibits

23.1	Consent of BDO Seidman, LLP
23.2	Consent of Deloitte & Touche LLP

SIGNATURE

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

OneTravel Holdings, Inc.

/s/ Marc Bercoon
Marc Bercoon
Date: August 1, 2005
By: President

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Annex A

OneTravel, Inc. (formerly
OneTravel.com, Inc.) and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2004 and 2003

[LOGO] BDO(R)
BDO Seidman, LLP
Accountants and Consultants

OneTravel, Inc. (formerly
OneTravel.com, Inc.) and Subsidiary

Contents

[LOGO] BDO(R)
BDO Seidman, LLP
Accountants and Consultants

1700 Market Street, 29th Floor
Philadelphia, Pennsylvania 19103-3962
Telephone:(215)636-5500
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Independent Auditors' Report

OneTravel, Inc.
East Greenville, Pennsylvania

We have audited the accompanying consolidated balance sheet of OneTravel, Inc. (formerly OneTravel.com, Inc.) and subsidiary (collectively, the "Company") as of December 31, 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OneTravel, Inc. (formerly OneTravel.com, Inc.) and subsidiary as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

/s/ BDO Seidman, LLP

April 29, 2005

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of OneTravel.com, Inc.:

We have audited the accompanying consolidated balance sheet of OneTravel.com, Inc. (a subsidiary of Terra Networks, S.A.) and subsidiaries (the "Company") as of December 31, 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company's recurring losses from operations and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 1, the accompanying consolidated financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

August 1, 2005

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OneTravel, Inc. (formerly OneTravel.com, Inc.) and Subsidiary

Consolidated Balance Sheets

December 31,	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 58,676	$ 54,887
Restricted cash	1,000,000	--
Accounts receivable, net of allowance for uncollectible accounts of $268,393 and $268,000, respectively	438,443	874,006
Accounts receivable, stockholder	389,873	271,530
Accounts receivable, affiliate	--	1,470
Prepaid expenses and other assets	69,793	64,441
Total current assets	1,956,785	1,266,334
Restricted cash	203,256	872,985
Property and equipment, net	1,390,507	1,433,532
Deposits and other assets	78,448	38,798
Long-term accounts receivable	151,387	317,074
Intangible assets, net of accumulated amortization of $4,074 in 2004 and $4,000 in 2003	718,925	718,999
Goodwill	1,147,878	1,147,878

Total assets	$ 5,647,186	$ 5,795,600

December 31,	2004	2003
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,331,219	$ 950,550
Accounts payable, affiliate	--	1,158
Accrued expenses	653,021	356,639
Accrued interest, stockholders	92,839	3,098
Current maturities, capital lease obligation	6,768	5,308
Notes payable, stockholders	3,864,970	--
Total current liabilities	5,948,817	1,316,753
Capital lease obligation	5,080	11,848
Notes payable, stockholders	--	715,396
Note payable, affiliate	--	299,574
Total liabilities	5,953,897	2,343,571
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value		
Authorized, 40,000,000 shares		
Issued and outstanding - none	--	--
Common stock, $0.00005 par value		
Authorized 200,000,000 shares		
Issued and outstanding, 198,937,646 shares	9,947	9,947
Additional paid-in capital	58,353,934	58,353,934
(Accumulated deficit)	(58,670,592)	(54,911,852)
Total stockholders' (deficiency) equity	(306,711)	3,452,029
Total liabilities and stockholders' equity	$ 5,647,186	$ 5,795,600

See accompanying notes to consolidated financial statements.

OneTravel, Inc. (formerly

OneTravel.com, Inc.) and Subsidiary

Consolidated Statements of Operations

Year ended December 31,	2004	2003
Revenue		
Commissions	$ 2,679,940	$ 3,204,074
Nonpublished fares	5,165,693	4,877,507
Total revenue	7,845,633	8,081,581
Expenses		
Selling, general and administrative expenses	10,735,944	9,313,156
Depreciation and amortization	798,006	5,447,920
Total expenses	11,533,950	14,761,076
(Loss) from operations	(3,688,317)	(6,679,495)
Interest income	22,959	22,071
Interest (expense)	(93,382)	(5,086)
Net (loss)	$ (3,758,740)	$ (6,662,510)

See accompanying notes to consolidated financial statements.

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OneTravel, Inc. (formerly
OneTravel.com, Inc.) and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31, 2004 and 2003

	Common Stock		Additional Paid-In	(Accumulat
	Shares	Amount	Capital	Deficit)

Balance, January 1, 2003	198,937,646	$	9,947	$ 58,353,934	$(48,249,3
Net loss			--	--	(6,662,5
Balance, December 31, 2003	198,937,646	$	9,947	$ 58,353,934	(54,911,8
Net loss			--	--	(3,758,7
Balance, December 31, 2004	198,937,646	$	9,947	$ 58,353,934	$(58,670,5

See accompanying notes to consolidated financial statements.

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OneTravel, Inc. (formerly
OneTravel.com, Inc.) and Subsidiary

Consolidated Statements of Cash Flows

Year ended December 31,	2004	2003
Cash flows from operating activities		
Net (loss)	$(3,758,740)	$(6,662,510)
Adjustments to reconcile net (loss) to net cash (used in) operating activities		
Depreciation and amortization	798,006	676,211
Loss from sale of equipment	19,444	--
Impairment of prepaid media	--	4,771,709
Provision for uncollectible accounts receivable	393	467,262
Changes in operating assets and liabilities		
Accounts receivable	600,857	(50,455)
Accounts receivable, stockholder	(118,343)	(271,530)
Accounts receivable, affiliate	1,470	(1,470)
Prepaid expenses and other assets	(5,352)	13,183
Other assets	(39,650)	(289,093)
Accounts payable	380,669	440,874
Accrued interest, stockholders	89,741	3,098
Accounts payable, affiliate	(1,158)	1,158
Accrued expenses	296,382	40,772
Net cash (used in) operating activities	(1,736,281)	(860,791)
Cash flows from investing activities		
Capital expenditures	(777,851)	(934,009)
Proceeds from sale of equipment	3,500	--
Restricted cash	(330,271)	2,756

Net cash (used in) investing activities	(1,104,622)	(931,253)

OneTravel, Inc. (formerly
OneTravel.com, Inc.) and Subsidiary

Consolidated Statements of Cash Flows

Year ended December 31,	2004	2003
Cash flows from financing activities		
Proceeds from notes payable, stockholders	$ 2,850,000	$ 715,396
Proceeds from notes payable, affiliate	--	299,574
Principal payments under capital lease obligations	(5,308)	(8,724)
Net cash provided by financing activities	2,844,692	1,006,246
Net increase (decrease) in cash and cash equivalents	3,789	(785,798)
Cash and cash equivalents at beginning of year	54,887	840,685
Cash and cash equivalents at end of year	$ 58,676	$ 54,887
Supplemental disclosure of cash flow information		
Cash paid during the year for Interest	$ 3,641	$ 1,988
Supplemental schedule of noncash financing activities		
Asset acquired under capital lease	$ --	$ 18,868
Transfer of notes payable, affiliate to notes payable, stockholders	299,574	--

See accompanying notes to consolidated financial statements.

OneTravel, Inc. (formerly
OneTravel.com, Inc.) and Subsidiary

Notes to Consolidated Financial Statements

1. Organization

OneTravel, Inc. (formerly OneTravel.com, Inc.) and subsidiary (collectively, "OneTravel" or the "Company") was incorporated on July 17, 1999 in the state of Texas. The Company is a travel company that offers its customers the ability to make air, hotel, car, vacation and cruise bookings over the internet or through a call center. The Company manages its business as a single operating segment, is domiciled entirely in the U.S. and substantially all of the Company's revenue is derived from the sale of airline tickets, the booking of hotel rooms and car reservations and air segment commissions.

Basis of Presentation

Terra Networks, S.A. (the "Parent") and Amadeus NHC Holdings, Inc. ("Amadeus") (collectively, the "Majority Stockholders") own 54.1% and 38.9%, respectively, of the outstanding shares of the Company as of December 31, 2004 and 2003.

The accompanying consolidated financial statements have been prepared on a historical-cost basis and exclude any adjustments required to push down the purchase accounting applied by the Parent to the Company in its consolidated financial statements.

The accompanying 2003 financial statements have been prepared assuming the Company will continue as a going concern. The Company incurred net operating losses and negative cash flows from operations of $6,662,510 and $860,791, respectively, for the year ended December 31, 2003. As of December 31, 2003, the Company had an accumulated deficit of $54.9 million. In addition, the Company's current liabilities exceeds its current assets at December 31, 2003. Such conditions and financial measures raise substantial doubt that the Company will be able to continue as a going concern.

The Company's ability to continue as a going concern is contingent upon its ability to obtain additional debt or equity financing, and ultimately to achieve positive cash flow from operations. Majority Shareholders have funded operations in the past, and the Company has received additional funding of approximately $1,000,000 in March and April 2004 (see Note 8). Management believes that the Majority Shareholders will continue to fund operations. The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

While there can be no assurance, management believes, based upon its 2004 plan, the Company will have sufficient liquidity through December 31, 2004. Should the Company's 2004 performance be less than planned, or if the Majority Shareholders cease to support the Company, the Company will have to consider additional actions, including, among other things, reducing the level of employment, spending and development activities and the possible sale of all or portions of the business.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of OneTravel, Inc. (formerly OneTravel.com, Inc.) and its wholly owned subsidiary, 11th Hour Vacations, Inc. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of certain contingent assets and liabilities at the date of the financial

statements, and the reported amounts of revenue and expenses recognized during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates fair value. The Company considers all highly liquid debt securities with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents cash whose use is limited by vendor-imposed restrictions in order to guarantee payment to vendors for the purchase of published fares through the Airline Reporting Corporation. (See Note 11 for additional information.)

Accounts Receivable

Trade accounts current and long-term, and other receivables primarily consist of commissions and volume bonuses from travel service providers. The Company values accounts receivable net of an allowance for uncollectible accounts. The allowance is calculated based upon the Company's evaluation of specific customer accounts where the Company has information that the customer may have an inability to meet its financial obligations (bankruptcy, etc.). In these cases, the Company uses its judgment, based on the best available facts and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. The long-term portion of accounts receivable is comprised of commissions from one travel service provider with payment terms that are due beyond one year.

Accounts Receivable/Accounts Payable - Shareholders and Affiliates

Amounts owed by the Company to the Parent are for various expenditures disbursed by the Parent on behalf of the Company and certain expense allocations from the Parent to the Company. Such amounts owed to the Parent or its affiliates are denominated in U.S. dollars, payable or callable on demand and do bear interest. As a result of these transactions and allocations, the separate results reported by the Company may not necessarily be indicative of the results that would have existed had the Company been operated as an unaffiliated company.

Property and Equipment

Properly and equipment are stated at cost. Equipment held under capital leases is stated at the lower of the present value of the minimum lease payments or estimated fair value of the equipment at the inception of the lease.

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of the related assets, which is generally three years for computers, computer-related equipment and purchased software, and seven years for furniture and other equipment. Leasehold improvements and equipment held under capital leases are amortized on the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter.

Capitalized Software

Capitalized software is composed of both purchased software and software development costs associated with internal use software. The Company accounts for the software development costs associated with internal use software in accordance with Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance regarding when software developed or obtained for internal use should be capitalized,

while costs incurred during the preliminary project stage and post-implementation operation stage should be expensed as incurred. The Company capitalizes and expenses costs associated with developing and maintaining its proprietary web site in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-02, "Accounting for Web Site Development Costs."

Capitalized software development costs are amortized over the estimated life of the related application, and which ranges from two to three years. The Company capitalized $722,274 and $326,316 in software costs for the years ended December 31, 2004 and 2003, respectively. Amortization expense related to software costs totaled $705,012 and $516,816 for the years ended

December 31, 2004 and 2003, respectively.

Impairment of Long-Lived Assets

The Company continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful lives of long-lived assets and certain identifiable intangibles may warrant revision or that the carrying value of these assets may be impaired. To compute whether assets have been impaired, the estimated undiscounted future cash flows for the estimated remaining useful life of the respective asset is compared to the carrying value. To the extent that the undiscounted future cash flows are less than the carrying value, a new fair value of the asset is required to be determined. If such fair value is less than the current carrying value, the asset is written down to its estimated fair value. At December 31, 2004, the Company determined that no impairment existed. (See Note 11 for additional information.)

Capital Lease Obligation

The Company had $18,868 of office equipment under capital leases at December 31, 2004 and 2003. Properly and equipment under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the then-present value of those lease payments. Amortization is computed on the straight-line basis over the estimated useful life of the

asset. Accumulated amortization related to capital leases totaled $7,020 and $1,712 for the years ended December 31, 2004 and 2003, respectively.

Goodwill

Goodwill represents the excess of cost over the fair value of assets acquired. The Company does not amortize existing goodwill and is required to review the carrying value of goodwill for impairment on at least an annual basis. If goodwill becomes impaired, some or all of the goodwill could be written off as a charge to operations. The Company has reviewed the carrying values of its goodwill during 2004 and 2003 by comparing the carrying values to the estimated fair values. Management determined that the carrying values of goodwill did not exceed the fair value and, as a result, believes that no impairment of goodwill existed at December 31, 2004. Goodwill is presented on an historical-cost basis and excludes any adjustments required to push down the purchase accounting applied by the Parent to the Company in its consolidated financial statements. (See Note 11 for additional information.)

Intangible Assets

Intangible assets primarily consist of domain names, franchise agreements, software tools and trade names acquired through business combinations. Amounts are recorded at fair value as of the date of acquisition. The Company does not amortize existing intangible assets. If such assets become impaired, some or all of the carrying value of these assets could be written off as a charge to operations. This comparison must be performed annually or more frequently if circumstances indicate possible impairment. The Company has reviewed the carrying values of its intangible assets by comparing the carrying values to the estimated fair values. Management determined that the carrying values of its intangible assets did not exceed the fair value and, as a result, believes that no impairment of intangible assets existed at December 31, 2004.

Revenue Recognition

Commission revenues are derived from travel services sold at regular published fares and commissions and/or transaction fees on such sales. Based upon its evaluation of these transactions and in accordance with the various indicators identified in EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal Versus Net as an Agent," The Company determined its suppliers of travel services assume the majority of the business risks, which include providing the service. As such, all transactions are recorded at the net amount, which is the amount charged to the customer less the amount to be paid to the supplier of the respective travel service.

Recognition of commissions occurs upon booking when the travel service is noncancelable and nonrefundable. When the travel service is cancelable and refundable, the commission is recognized upon collection from the travel service supplier.

Nonpublished fares are transactions for which the Company is the merchant of record and determines the price to the customer. The Company has agreements with suppliers for inventory (e.g., air tickets or hotel rooms) that the Company sells. The Company presents revenue arising from nonpublished fares based on the net amount retailed from such sales in accordance with EITF Issue No. 99-19. Recognition of nonpublished revenue occurs on the date of ticketing. Such revenue is reported net of an allowance for cancellations and refunds. Due to the restrictive nature of the Company's sales, which are generally noncancelable and nonrefundable, cancellations and refunds are not significant.

Advertising Costs

Advertising costs, included in selling, general and administrative expenses, are expensed as incurred. Advertising expenses were $244,973 and $332,065 for the years ended December 31, 2004 and 2003, respectively.

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Income Taxes

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually using enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. A valuation allowance is provided, if necessary, to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents. The Company has its cash and cash equivalents placed with high quality, creditworthy financial institutions. The balances at such institutions are periodically in excess of federally insured limits. As part of its cash management process, the Company performs periodic evaluation of the relative credit standing of these institutions.

Concentration of Suppliers

The Company currently buys substantially all of its nonpublished fares from two suppliers. Although there are a limited number of companies bringing these fares to market, management believes that other suppliers could provide similar fares on comparable terms. A change in suppliers, however, could cause a temporary shortage of nonpublished fares and a possible loss of sales, which would adversely affect operating results.

Stock-Based Compensation

Stock-based compensation for stock-based awards issued to the Company's employees is recognized using the intrinsic-value method prescribed in Accounting Principles Board ("APB")

Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation is recorded for options issued to employees in fixed amounts and with fixed exercise prices at least equal to the fair market value of the Company's stock at the date of grant.

The Company has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," through disclosure only for options awarded to employees. SFAS No. 123 requires the disclosure of pro-forma net loss as if the Company adopted the fair-value method of valuing its options. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option-pricing models. Had employee compensation cost for the Company's stock plans been determined consistent with SFAS No. 123, the Company's pro-forma net loss would have been as follows:

Year ended December 31,	2004
Net income, as reported (including stock-Based employee compensation costs	$(3,758,740)
Deduct total stock-based compensation expense under SFAS No. 123	(19,658)
Adjusted net (loss)	$(3,778,398)

The weighted-average fair value of stock options granted was $0.09 per option in 2003. The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for grants in 2003: risk-free interest rate of 1.63%; dividend yield of 0% and volatility factor of 67%; and expected life of 4 years. The effect of applying SFAS No. 123 in this pro forma disclosure is not necessarily indicative of the impact on future years since the Company's options vest over several years and additional grants may be made each year.

All stock-based awards to nonemployees are accounted for at their fair value in accordance with SFAS No. 123 and EITF Issue No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

4. Property and Equipment

A summary of property and equipment is as follows:

December 31,	2004	2003

Computer equipment and software	$3,878,497	$3,120,815
Leasehold improvements	124,380	124,380
Furniture and fixtures	55,412	70,540
	4,058,289	3,315,735
Less accumulated depreciation and amortization	2,667,782	1,882,203
	$1,390,507	$1,433,532

Depreciation and amortization expense was $798,006 and $676,211 for the years ended December 31, 2004 and 2003, respectively.

5. Accrued Expenses

A summary of accrued expenses is as follows:

December 31,	2004	2003
Accrued compensation	$ 66,764	$110,326
Other accrued expenses	546,153	159,782
Deferred revenue	40,104	86,531
	$653,021	$356,639

6. Stockholders' Equity

Stock Option Plan

In June 1999, the Company established the 1999 Stock Option Plan (the "Plan") that provides for the grant of stock options and warrants to officers, directors and other key employees of the Company to purchase a maximum of 4,981,081 shares of common stock. The Plan provides for granting of both incentive stock options, as defined in Section 422 of the Internal Revenue Code (the "Code"), and options that do not qualify under Section 422 of the Code ("nonqualified options"). Grants under the Plan expire 10 years from the date of the grant and generally vest over a three-year period. The exercise price of all incentive options granted under the Plan must be at least 100% of the fair value on the date of grant and in the case of nonqualified stock options, shall be no less than 85% of the fair market value. The Plan, as amended, provides for the issuance of 18,100,000 shares of common stock. As of December 31, 2004 and 2003, the Company had 191,998 and 556,513 shares, respectively, available for future grant value under the Plan.

In July 2000, the Company established the 2000 Independent Contractor Incentive Plan of OneTravel, Inc. and Subsidiary (the "Incentive Plan") that provides for the grant of stock options to nonemployees of the Company to purchase a maximum of 540,000 shares of common stock. Grants under this plan expire 10 years from the date of the grant and are vested immediately upon the date of the grant. As of December 31, 2004 and 2003, the Company had 396,198 shares available for future grant value under the Incentive Plan.

The following table summarizes stock option activity under the plans in 2004 and 2003:

	Number of Shares	Exercise Price Range Per Share
Outstanding, January 1, 2003	14,291,956	$0.17-$1.23
Granted	3,655,000	0.17
Exercises		
Canceled or forfeited (including exchange program)	(3,988,469)	0.17-1.23
Outstanding, December 31, 2003	13,958,487	0.17-1.23
Granted in exchange program	1,704,515	0.25
Canceled or forfeited	(1,340,000)	0.17
Outstanding, December 31, 2004	14,323,002	$0.17-$1.23

The following table summarizes information about stock options outstanding at December 31, 2004:

Exercise Price	Number of Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable
$ 0.17	11,670,000	7.63 years	$ 0.17	11,670,000
$ 1.23	948,489	4.98 years	$ 1.23	948,489
$ 0.25	1,704,513	9.03 years	$ 0.25	1,704,513
	14,323,002	7.62 years	$ 0.25	14,323,002

Exchange Program

In June 2003, the Board of Directors approved an Option Exchange Program (the "Program") to be offered to certain employees. The Program allows the employees to exchange current options for new options to be issued at a later date. The new options will be granted after a minimum period of six months and one day has elapsed from June 11, 2003, and each option shall have an exercise price equal to the fair market price of the common stock at the date of grant of the new options. In connection with the Program, 3,585,000 options were canceled during the year ended December 31, 2003. In January 2004, 1,704,513 options were reissued under the options exchange program.

7. Income Taxes

The Company has no provision for income taxes in 2004 and 2003.

The deferred tax asset as of December 31, 2004 and 2003 is $17.6 million and $16.3 million for federal income tax purposes. This amount is composed of the tax benefit of a net operating loss carryforward of approximately $48.3 million and $44.6 million at December 31, 2004 and 2003. There were no other temporary differences. The federal net operating loss carryforwards expire between 2008 and 2020 if not utilized.

The Company has provided a full valuation allowance against its deferred tax asset. The Company believes it is more likely than not that some portion or all of the deferred tax asset will not be realized.

8. Related Party Transactions

During the normal course of business, the Company does business with Amadeus (the "Shareholder"). The Company owed $92,504 and $-0- as of December 31, 2004 and 2003, respectively.

Media Credit

In February 2000, the Company entered into a three-year agreement with IGT Services, Inc. ("IGT") to purchase media time and advertising (the "Media Agreement"). Under the terms of the Media Agreement, IGT agreed to make available to the Company not less than $15 million worth of media from IGT's current and future inventory. The purchase price for the media was to be paid 33.3% in cash and 66.7% in shares of the Company's common stock.

During 2003, management evaluated the realizability of the prepaid advertising and concluded that an impairment existed as management did not expect to utilize the full amount of the media credit. The impairment of approximately $4.8 million has been classified as a component of amortization expense in the accompanying consolidated statement of operations.

Affiliate Agreements

During 2003, the Company entered into an Operating Agreement with Terra Lycos, Inc. (the "Affiliate") to provide travel products to the customers of the Affiliate's Web sites. The Company shares the revenue derived from those transactions with the Affiliate. The amount earned by the Affiliate in 2003 was $2,951, of which $1,158 was payable as of December 31, 2003.

In addition, the Affiliate and the Company entered into a Revenue Share Agreement (the "Revenue

Share") whereby the Affiliate provides advertising marketing services to the Company. The Affiliate shares the revenue derived from the provision of those services with the Company and in 2003, the Company earned $10,181 as a result of the Revenue Share, of which $1,470 is recorded as accounts receivable as of December 31, 2003.

During 2004, Terra Lycos was sold by its parent. As a result, as of December 31, 2004, Terra Lycos, Inc. is no longer an affiliate.

Segment Fees

In 2000, the Company entered into an agreement with Amadeus (the "Shareholder") whereby the Company receives segment fees for each segment booked in the Amadeus GDS system. A booked segment is a take-off and landing for an air transaction without a change in flight number, a hotel booking or a car booking. The fees range from $1.25 to $2.00 per segment depending upon productivity requirements associates with booked transactions. Fees for these segments were $1,114,851 and $791,227 for the years ended December 31, 2004 and 2003, respectively. The Company has accounts receivable from the Shareholder of $389,873 and $141,864 relating to these transactions as of December 31, 2004 and 2003, respectively.

Notes Payable

During 2004 and 2003, the Company borrowed approximately $2,850,000 and $1,015,000, respectively, from the Majority Stockholders and the Affiliate bearing interest at a rate of the 12-month London InterBank Offered Rate ("LIBOR") rate plus 200 basis points and secured by the assets of the Company. Notes payable of $3,565,396 and $299,574 were borrowed from the Majority Stockholders and the Affiliate, respectively, during 2004 and 2003.

During 2004, note payable due to the Affiliate in the amount of $299,574 was transferred to the common parent of the Affiliate and the Company. Therefore, all notes payable as of December 31, 2004 are classified as notes payable, stockholders.

As part of the sale and merger agreement effective April 15, 2005, all outstanding debt was repaid. Accordingly, notes payable as of December 31, 2004 are classified as current.

9. Commitments and Contingencies

Leases

At December 31, 2004, the Company's minimum rental commitments under noncancelable capital and operating leases for each fiscal year ended December 31, are as follows:

Fiscal Year	Capital Leases	Oper L
2005	$ 8,948	$ 18
2006	5,523	1
2007	--	
Total minimum lease payments	14,471	$ 19
Less amount representing interest	2,623	
Present value of net minimum lease payments	11,848	
Less current maturities	6,768	
Long-term maturities	$ 5,080	

Total rent expense for all operating leases for the years ended December 31, 2004 and 2003 amounted to $191,342 and $166,712, respectively.

Legal Proceedings

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. As of December 31, 2004 and 2003, management is not aware of any asserted or pending litigation or claims against the Company that would have a material adverse effect on the Company's financial condition, results of operations or liquidity.

10. Employee Benefit Plan	The Company maintains a qualified 401(k) Retirement Plan (the "401(k) Plan") that allows eligible employees to contribute a portion of their salary on a pre-tax basis. All full-time employees are eligible to participate in the 401(k) Plan after six months of service. The Company does not make any matching contributions to the 401(k) Plan.
11. Subsequent Event	On February 10, 2005, TERRA NETWORKS ASOCIADAS, S.L., AMADEUS AMERICAS, INC. and AVANTI MANAGEMENT, INC. ("Shareholders") entered into an agreement with RCG COMPANIES INCORPORATED ("RCG") to sell one hundred percent of the outstanding shares of the Company to RCG. The terms of the acquisition provide for a total purchase price of $25,600,000, with $2,500,000 paid as a deposit at signing, $100,000 after 30 days to extend the closing by one month, $10,500,000 paid in cash at closing and $12,500,000 paid in the form of a six-month convertible non-interest bearing promissory notes ("Notes"). RCG may delay the maturity of the Notes up to five times by paying to the holders of such Notes an aggregate amount of $125,000 for each delay. The Notes may be convertible into common stock of RCG, subject to shareholder approval. The conversion price will be determined on the closing of the transaction, but will be no greater than, $2.25 per share. RCG has the right to extend the maturity of the convertible rate by up to six months upon payment of an extension fee to the note holders. The transaction closed on April 15, 2005. The Company had restricted cash on deposit with First Data Inc., the provider of the Company's merchant processing services totaling $1,000,000. In January of 2005, TERRA NETWORKS ASOCIADAS, S.L., AMADEUS AMERICAS, INC. posted a letter of Credit drawn on Citibank for $1,500,000 and First Data released $1,000,000 of restricted cash back to the Company. The Company utilized the funds for general working capital purposes.

Annex B

ONETRAVEL, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AT MARCH 31, 2005
(In thousands)

ASSETS		
Cash and cash equivalents	$	334
Restricted cash		2,835
Accounts receivable, net		2,032
Prepaid expenses and other current assets		216
Total current assets		5,417
Property and equipment, net		1,404
Other assets		75
Other intangible assets		725
Goodwill		1,148
Total assets	$	8,769
LIABILITIES AND STOCKHOLDERS’ DEFICIT		
Accounts payable, accrued expenses and other liabilities	$	4,972
Notes payable, stockholders		3,937
Total current liabilities		8,909
Capital lease obligation		10
Total liabilities		8,919
Commitments and Contingencies		
Stockholders’ equity:		
Common stock		10
Additional paid-in capital		58,354
Accumulated deficit		(58,514)
Total stockholders’ deficit		(150)
Total liabilities and stockholders’ deficit	$	8,769

See notes to unaudited condensed consolidated financial statements.

ONETRAVEL, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS
(In thousands)

	Three Months Ended March 31,			
	2005		2004	
Revenue	$	2,564	$	2,356
Selling, general and administrative expenses		2,243		2,858
Depreciation and amortization		222		235
Operating costs and expenses		2,465		3,093
Operating income (loss)		99		(737)
Interest income, net		57		16
Net income (loss)	$	156	$	(721)

See notes to unaudited condensed consolidated financial statements.

ONETRAVEL, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
(In thousands)

	Three months ended March 31, 2005		2004
Cash flows from operating activities:			
Net income (loss)	$	156	$ (721)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization		222	235
Loss on sale of equipment		-	19
Changes in operating assets and liabilities:			
Accounts receivable		(1,053)	(152)
Prepaid expenses and other assets		(148)	(159)
Accounts payable and accrued expenses		2,889	557
Net cash provided by (used in) operating activities		2,066	(221)
Cash flows from investing activities:			
Purchase of property and equipment		(236)	(225)
Sale of property and equipment		-	4
Restricted cash		(1,632)	(212)
Net cash used in investing activities		(1,868)	(433)
Cash flows from financing activities:			
Notes payable proceeds		79	600
Principal payments under capital lease obligations		(2)	(1)
Net cash provided by financing activities		77	599
Net change in cash and cash equivalents		275	(55)
Cash and cash equivalents at beginning of period		59	55
Cash and cash equivalents at end of period	$	334	$ -

	Three months ended March 31, 2005		2004
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Interest	$	1	$ 1
Non-cash financing activities:			
Transfer of notes payable, affiliate to notes payable, stockholders		300	-

See notes to unaudited condensed consolidated financial statements.

ONETRAVEL, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANANCIAL STATEMENTS

OneTravel, Inc. (formerly OneTravel.com, Inc.) and subsidiary (collectively, “OneTravel” or the “Company”) was incorporated on July 17, 1999 in the state of Texas. The Company is a travel company that offers its customers the ability to make air, hotel, car, vacation, and cruise bookings over the internet or through a call center. The Company manages its business as a single operating segment, is domiciled entirely in the U.S. and substantially all of the company’s revenue is derived from the sale of airline tickets, the booking of hotel rooms and car reservations and air segment commissions.

Basis of Presentation

The Condensed Consolidated Financial Statements are unaudited and include the accounts of OneTravel, Inc. and its wholly owned subsidiary 11th Hour Vacations, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by such generally accepted accounting principles for complete financial statements. In the opinion of the management of the Company, the unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the results of operations for the interim periods presented, with no material retroactive adjustments. The results of operations for interim periods are not indicative of the results that may be expected for a full year due to the seasonality of the business.

Principles of Consolidation

The consolidated financial statements include the accounts of OneTravel, Inc. and its wholly owned subsidiary, 11th Hour Vacations, Inc. All inter-company balances and transactions have been eliminated in consolidation.

Capitalized software

Capitalized software development costs are amortized over the estimated life of the related application, which ranges from two to three years. The Company capitalized $227,500 and $179,462 software costs for the three months ended March 31, 2005 and 2004, respectively. Amortization expense related to software costs totaled $167,721 and $182,431 for the three months ended March 31, 2005 and 2004, respectively.

Stock -Based Compensation

Stock-based compensation for stock-based awards issued to the Company's employees is recognized using the intrinsic-value method prescribed in Accounting Principles Board ("APB"). Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation is recorded for options issued to employees in fixed amounts and with fixed exercise prices at least equal to the fair market value of the Company's stock a the date of grant.

The Company has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," through disclosure only for options awarded to employees. SFAS No. 123 requires the disclosure of pro-forma net loss as if the Company adopted the fair-value method of valuing its options. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models. Had employee compensation cost for the Company's stock plans been determined consistent with SFAS No. 123, the Company's pro-forma net loss would have been as follows (in thousands).

	Period ended Three months ended March 31, 2005	2004
Net income (loss) as reported (including stock based employee compensation costs)	$ 156	$ (721)
Deduct total stock-based compensation expense under SFAS No. 123	(5)	(4)
Adjusted net income (loss)	$ 151	$ (725)

The weighted average fair value of stock options granted was $0.09 per option in the three months ended March 31, 2005 and 2004. The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants in both the March 31, 2005 and 2004 periods, risk free interest rate of 1.63% dividend yield of 0% and volatility factor of 67% and expected life of 4 years. The effect of applying SFAS No. 123 in the pro-forma disclosure is not necessarily indicative of the impact on future years since the Company's options vest over several years and additional grant may be made each year.

All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123 and BITF Issue NO. 96-18. "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services."

RELATED-PARTY TRANSACTIONS

Affiliate Agreements

During 2003, the Company entered into an Operating Agreements with Terra Lycos, Inc. (the “Affiliate”) to provide travel products to the customers of the Affiliate’s Web sites. The Company shared the revenue derived from the travel transactions with the Affiliate. The Affiliate shared revenues derived from the provision of travel services and the Company earned $2,454 and $7,822 for the three months ended March 31, 2005 and 2004, respectively. In addition, the amounts owed to the Affiliate as at March 31, 2005 and 2004 were $0 and $4,158, respectively.

In addition the Affiliate and the Company entered into a Revenue Share Agreement (the “Revenue Share”) whereby the Affiliate provides advertising marketing services to the Company. The Affiliate shared the revenue derived from the provision of those services with the company in 2003, the Company earned $5,391 as a result of the Revenue Share for the three months ended March 31, 2004. As of March 31, 2004 $5,391 was owed by the Affiliate under the Revenue Share agreement.

During 2004 Terra Lycos was sold by its parent. As of March 31, 2005 Terra Lycos, Inc is no longer an affiliate.

Segment fees

In 2000, the Company entered into an agreement with Amadeus (the “Shareholder”) whereby the Company receives segment fees for each segment booked in the Amadeus GDS system. A booked segment is a take-off and landing for an air transaction without a change in flight number, a hotel booking or a car booking. The fees range from $1.25 to $2.00 per segment depending upon productivity requirements associated with booked transactions. Fees for these segments were $549,056 and $409,028 for the three months ended March 31, 2005 and 2004, respectively.

Notes Payable

During the three months ended March 31, 2005 and 2004, the Company borrowed $79,000 and $600,000, respectively. During 2004, note payable due to the Affiliate in the amount of $299,574 was transferred to the common parent of the Affiliate and the Company. Therefore all notes payable as of March 31, 2005 are classified as notes payable, stockholders.

As part of the sale and merger agreement effective April 15, 2005, all outstanding debt was repaid. Accordingly, notes payable as of March 31, 2005 are classified as current.

Legal Proceedings

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. As of March 31, 2005, management is not aware of any asserted or pending litigation or claims against the Company that would have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Subsequent Events

On February 10, 2005 Terra Networks Asociadas, S.L., Amadeus Americas, Inc. and Avanti Management, Inc. ("Shareholders") finalized the agreement with OneTravel Holdings, Inc,. f/k/a RCG Companies Incorporated ("RCG") to sell one hundred percent of the outstanding shares of the Company to RCG. The terms of the acquisition provide for a total purchase price of $25.6 million, with $2.5 million paid as a deposit at signing, $0.1m after 30 days to extend the closing by one month, $10.5 million paid in cash at closing and $12.5 million paid in the form of a six-month convertible non interest bearing promissory notes ("Notes"). RCG may delay the maturity of the Notes up to five times by paying to the holders of such Notes an aggregate amount of $125,000 for each delay. The notes may be convertible into common stock of RCG. The conversion price will be determined on the closing of the transaction, but will be no greater than $2.25 per share. RCG has the right to extend the maturity of the convertible note by up to six months upon payment of an extension fee to the note-holders. The transaction closed on April 15, 2005.

Annex C

ONETRAVEL HOLDINGS, INC.
UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

Introduction

On April 15, 2005, OneTravel Holdings, Inc. f/k/a RCG Companies Incorporated ("the Company" or "Parent"), completed the acquisition by merger of 100% of the capital stock of OneTravel, Inc. ("OneTravel"). The purchase price of $27,044,000, which includes $13,100,000 of the total consideration paid in cash, a Promissory Note valued at $12.9 million based upon the underlying value of the common stock and $600,000 of other acquisition costs. The notes are convertible into our common stock at the option of the note-holder. Our obligation to issue shares of common stock upon conversion is subject in all respects to the rules or regulations of the American Stock Exchange and stockholder approval. The conversion price per share of our common stock will initially equal $0.6875. This conversion price will be adjusted to equal 125% of the market price of our common stock in the event that our contemplated one for ten reverse stock split is approved by stockholders, and the average market value of our common stock is lower that the split adjusted conversion price for the twenty trading days immediately following the effectuation of the reverse stock split. We have the right to extend the maturity of the convertible note by up to five months upon payment of an extension fee to the note-holders of an aggregate of $125,000 per each one-month extension. We have allocated the consideration to the Company’s assets purchased (in general, we assumed that net carrying value of assets on the balance sheet was substantially the same as fair value), liabilities assumed and the closing costs associated with the transaction resulting in a remaining amount of $30,626,000 to be allocated to Goodwill and Other Intangibles (see purchase price allocation adjustment below).

The Series C convertible preferred stock does not bear a stated annual dividend, subject to approval by the Registrant's stockholders and The American Stock Exchange, is convertible into shares of the Registrant's common stock at $0.55 per share, and if not converted will be mandatorily redeemable one year from issuance. Investors will also receive warrants to purchase an aggregate of 26,019,401 shares of the Registrant's common stock, at an initial exercise price of $0.55 per share, exercisable until the date that is 5 years after the issuance date.

The following unaudited pro forma combined financial information have been prepared to give effect to the combination of the Company and OneTravel accounted for in accordance with Statement of Financial Accounting Standards No. 141, “Business Combinations,” which is referred to as SFAS 141. The merger consideration has been allocated on a preliminary basis to assets acquired and liabilities assumed based on information that was available to management at the time these pro forma financial statements were prepared. The adjustments to the unaudited pro forma combined financial statements are subject to change pending a final analysis of the total purchase price and the fair value of the assets acquired and liabilities assumed. The impact of these changes could be material.

The unaudited pro forma combined balance sheet as of March 31, 2005 combines the historical consolidated balance sheets of the Company and OneTravel as of that date and gives effect to the merger as if it had occurred on March 31, 2005. The only amount in the adjustment (adjustment 4) column not related to OneTravel is a reclassification of Farequest’s (see paragraph below) intangible asset for 8-K/A presentation purposes which was different from the March 31, 2005 10-Q presentation.

The unaudited pro forma combined statements of operations for the nine months ended March 31, 2005, and the year ended June 30, 2004 gives pro forma effect to the merger as if the merger had occurred on the earliest day of the periods presented, July 1, 2003. Potential cost savings from combining the operations have not been reflected in the unaudited pro forma combined statements of operations as there can be no assurance that any such cost savings will occur. We have also presented Farequest Holdings, Inc.’s (“Farequest”) historical financials for pro forma purposes. The acquisition of Farequest by the Company was effective on February 2, 2005 and was previously reported on an 8-K/A filing on April 19, 2005. The Parent historical column for the nine months ended March 31, 2005 includes two months of activity for Farequest. The Farequest column includes seven months of activity in order to properly reflect a full nine months of activity. The Parent historical column for the year ended June 30, 2004 does not include activity for Farequest since it was acquired in February 2005, therefore the Farequest column includes twelve months of activity.

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The unaudited pro forma combined financial information is based upon available information and upon certain estimates and assumptions that are believed to be reasonable. These estimates and assumptions are preliminary, are subject to change upon completion of the valuation of the intangibles and have been made solely for the purposes of developing these pro forma combined financial statements. Unaudited pro forma combined financial statements are presented for illustrative purposes only and do not purport to be indicative of the results of operations or financial position of the combined company that would actually have been achieved had the transaction been completed for the period presented, or that may be obtained in the future. These unaudited pro forma combined financial statements are based upon the respective historical consolidated financial statements of the Company and OneTravel and notes thereto. These unaudited pro forma condensed consolidated financial statements should be read in conjunction “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and all the financial statements and notes thereto contained in the Company’s quarterly financial report on Form 10-Q for the quarter ended March 31, 2005 and the annual report on Form 10-K/A for the year ended June 30, 2004.

ONETRAVEL HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED
BALANCE SHEET DATA
AT MARCH 31, 2005
(In thousands)

	Historical				
	Parent	OneTravel	Preferred C Subscription	Adjustments	Pro Forma Combined Amounts
ASSETS					
			27,129		
Cash and cash equivalents	$ 212	$ 146	$ (a)	$ (13,544)(b)	$ 13,943
Restricted cash	13,780	-			13,780
Accounts receivable, net	1,078	2,105			3,183
Prepaid expenses and other current assets	2,917	206			3,123
Total current assets	17,987	2,457	27,129	(13,544)	34,029
Property and equipment, net	1,430	1,429			2,859
Deferred costs and other assets	2,700	75			2,775
Net non-current assets of discontinued operations	2,739	-			2,739
Other intangible assets		-		14,489(b)	16,906
				2,417(d)	
Goodwill	42,878	1,873		16,137(b)	57,498
				(1,873)(c)	
				900(d)	
				(2,417)(d)	
Total assets	$ 67,734	$ 5,834	$ 27,129	$ 16,109	$ 116,806
LIABILITIES AND SHAREHOLDERS' EQUITY					
Notes payable and other obligations-current portion	$ 9,931	$ -		$ 12,900(b)	$ 22,831
Accounts payable and accrued expenses	14,405	2,032		600 (b)	17,037
Net non-current liabilities of discontinued operations	4,757	-			4,757
Unearned income	13,496	-			13,496
Total current liabilities	42,589	2,032		13,500	58,121
Warrant obligations	1,593	-			1,593
Deferred income taxes				5,500(b)	6,400
				900(d)	
Notes payable and other obligations	5,644	11			5,655
Total liabilities	49,826	2,043		19,900	71,769
			27,129(a)		27,129

Temporary equity - Convertible Series C Preferred stock					
Shareholders' equity:					
Convertible Series B Preferred stock	15	-			15
Common stock	1,172	10		(10)(c)	1,172
Additional paid-in capital	157,630	62,219		(62,219)(c)	157,630
Accumulated deficit	(140,277)	(58,438)		58,438(c)	(140,277)
Treasury stock at cost	(632)	-			(632)
Total shareholders' equity	17,908	3,791		(3,791)	17,908
Total liabilities and shareholders' equity	$ 67,734	$ 5,834	$ 27,129	$ 16,109	$ 116,806

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

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ONETRAVEL HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED MARCH 31, 2005
(In thousands, except share data)

	Historical				
	Parent	OneTravel	Farequest Holdings, Inc.	Adjustments	Pro Forma Combined Amounts
Revenue	$ 57,677	$ 4,378	$ 2,693		$ 64,748
Cost of revenue	57,983		196		58,179
Gross (loss) profit	(306)	4,378	2,497		6,569
Selling, general and administrative expenses	9,992	5,855	5,205		21,052
Depreciation and amortization	495	536	332	3,436(e)	4,849
Operating costs and expenses	10,487	6,441	5,537	3,436	25,901
Operating loss	(10,793)	(2,063)	(3,040)	(3,436)	(19,332)
Interest expense, net	993	24	121	801(f)	1,939
Other expense	592	-	-	-	592
Loss from continuing operations before extraordinary items	(12,378)	(2,087)	(3,161)	(4,237)	(21,863)
Gain on debt restructuring	2,257	-	-	-	2,257
Loss from continuing operations	(10,121)	(2,087)	(3,161)	(4,237)	(19,606)
Preferred stock dividends	(1,229)	(13,145)		(1,509)(g)	(15,883)
Loss from continuing operations attributable to common stock shareholders	$ (11,350)	$ (15,232)	$ (3,161)	$ (5,746)	$ (35,489)
Basic and diluted loss per share:					
Loss from continuing operations	$ (0.43)	-	-		$ (0.84)
Loss from continuing operations attributable to common stock shareholders	$ (0.49)	-	-		$ (1.52)
Weighted average shares outstanding	23,325,513	-	-		23,325,513

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

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ONETRAVEL HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In thousands, except share data)

	Historical				
	*Parent	OneTravel	Farequest Holdings, Inc.	Adjustments	Pro Forma Combined Amounts
Revenue	$ 66,197	$ 8,193	$ 2,934		$ 77,324
Cost of revenue	57,786	-	544		58,330
Gross profit	8,411	8,193	2,390		18,994
Selling, general and administrative expenses	8,818	10,413	4,667		23,898
Depreciation and amortization	253	790	152	4,716(e)	5,911
Goodwill impairment	1,000	-	-		1,000
Operating costs and expenses	10,071	11,203	4,819	4,716	30,809
Operating loss	(1,660)	(3,010)	(2,429)	(4,716)	(11,815)
Interest expense, net	387	(23)	33	1,068(f)	1,465
Gain on investments, net	(120)	-	-		(120)
Other loss (income)	13	-	-		13
Loss from continuing operations	(1,940)	(2,987)	(2,462)	(5,784)	(13,173)
Preferred stock dividends	-	(13,145)	-	(2,011)(g)	(15,156)
Loss from continuing operations attributable to common stock shareholders	$ (1,940)	$ (16,132)	$ (2,462)	$ (7,795)	$ (28,329)
Basic and diluted loss per share:					
Loss from continuing operations	$ (0.12)				$ (0.78)
Loss from continuing operations attributable to common stock shareholders	$ (0.12)				$ (1.69)
Weighted average shares outstanding	16,799,540				16,799,540

*Restated for reclassifications to discontinued operations

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

ONETRAVEL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS

a) Reflects the net cash received by the Company for the Preferred C stock subscription. $13 million of the proceeds were used to pay the sellers of OneTravel.
The convertible preferred stock does not bear a stated annual dividend, subject to approval by the Registrant's stockholders and The American Stock Exchange (see item g below), is convertible into shares of the Registrant's common stock at $0.55 per share, and if not converted will be mandatorily redeemable one year from issuance. Investors will also receive warrants to purchase an aggregate of 26,019,401 shares of the Registrant's common stock, at an initial exercise price of $0.55 per share, exercisable until the date that is 5 years after the issuance date. Effective June 24, 2005, upon approval of the stockholders, the preferred shares were transferred to equity from temporary equity. The preferred shares shall automatically be converted into common shares within 25 days. As the warrants become exercisable as of the shareholder vote, OTV recognized a dividend and a corresponding increase to additional paid in capital at the fair value of the warrant, or approximately $10,783,000.
Effective with the shareholder approval, the Series A Preferred Stock and the warrants to acquire 2,390,625 shares, currently classified as a liability, and certain additional warrants to acquire an aggregate 14,761,608 of common stock, all of which have anti-dilutive features, have been reset to a new exercise price of $0.55 or $1.00, as defined in their agreements. As a result of the change in the price, OTV recorded a dividend of approximately $1.3 million and additional interest of $280,000.

b) Reflects the adjustment to record the purchase price. These estimates and assumptions are preliminary, are subject to change upon completion of the valuation of the intangibles and have been made solely for the purposes of developing these pro forma combined financial statements. All assets and liabilities approximated their fair values, except for the adjustments required as set forth below:

	Useful Life (Yrs)			(in thousands)
Current assets			$	2,457
Other assets				1,504
Goodwill				16,137
Other intangible assets:				
Airline contracts/relationships	4	5,375		
Customer base	5	2,026		
Developed proprietary technology	3	7,088		14,489
Total assets			$	34,587
Deferred taxes				(5,500)
Accounts payable and accrued expenses				(2,032)
Other liabilities				(11)
Net assets acquired			$	27,044
Cash payments			$	13,100
$12.5 million Promissory Note payable, convertible into common stock with a value of $12.9 million				12,900
Additional costs				600
Working capital adjustment				444
Total consideration			$	27,044

c) Elimination of the carrying amounts of Goodwill and Equity accounts from the predecessor owner.

d)

Reflects the reclassification of Farequest's intangible assets from goodwill, and recognition of deferred tax liability upon the finalization of the allocation of the purchase price.

e) Reflects the amortization of identifiable intangible assets based on management's estimated useful life for the period presented.

f) Reflects additional interest for $12.5 million, non-interest bearing six-month OneTravel note. The note provides for five one-month extension periods at $125,000 per month. Interest expense assumes that the note will be refinanced at 9%, which is the expected incremental borrowing rate, considering various risk factors. If the interest rate increases by 1%, interest expense would increase by $125,000 per year. Also reflects interest on Farequest note.

g) Effective June 24, 2005, upon approval of the stockholders, the preferred shares and the related warrants were transferred to equity from temporary equity and liabilities, respectively. The preferred shares shall automatically be converted into common shares within 25 days. The warrants transferred to equity at their fair value, as determined using the Black-Scholes pricing method as of the date of transfer, resulting in a gain of approximately $3 million. In addition, the Company recognized a dividend of approximately $21.3 million, representing value of the conversion of the preferred into 56,563,936 shares of common stock at the closing price of $0.61, less its original carrying value of $13.1 million. Reflects the $3,981,000 of issuance costs for the sale of the series C preferred shares, which should be amortized as a preferred stock dividend over 12 & 9 months divided by 23.75 months (from July 1, 2003 through the period of the shareholder vote).

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