OPENTABLE INC
Form S-1/A
May 06, 2009

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As filed with the Securities and Exchange Commission on May 6, 2009

Registration No. 333-157034

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 4
TO
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

OPENTABLE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**7389**	**94-3374049**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

799 Market Street, 4th Floor
San Francisco, CA 94103
(415) 344-4200

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey D. Jordan
Chief Executive Officer
OpenTable, Inc.
799 Market Street, 4th Floor
San Francisco, CA 94103
(415) 344-4200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies To:

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(650) 328-4600	(650) 752-2000

Approximate date of commencement of the proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value $0.0001 per share	3,450,000	$14.00	$48,300,000	$2,696

(1) Includes 450,000 shares that the underwriters have the option to purchase to cover overallotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) A filing fee of $1,572 was previously paid in connection with the initial filing of this Registration Statement on January 30, 2009. The aggregate filing fee of $2,696 is being offset by the $1,572 payment previously made in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated May 6, 2009

PROSPECTUS

3,000,000 Shares

Common Stock

This is the initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. We are offering 1,572,684 shares of the common stock offered by this prospectus, and the selling stockholders are offering 1,427,316 shares. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders. The initial public offering price of our common stock is expected to be between $12.00 and $14.00 per share. We have applied to have our common stock approved for listing on The Nasdaq Global Market under the symbol "OPEN."

Investing in our common stock involves a high degree of risk. See "Risk Factors" on page 10 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to OpenTable, Inc.	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters have a 30-day option to purchase up to an additional 450,000 shares of common stock from us to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2009.

Merrill Lynch & Co.

Allen & Company LLC

Stifel Nicolaus

ThinkEquity LLC

The date of this prospectus is , 2009.

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. We and the selling stockholders are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Company

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions for restaurants include our Electronic Reservation Book, or ERB, which combines proprietary software and computer hardware that computerizes restaurant host-stand operations and replaces traditional pen-and-paper reservation books. Our ERB streamlines and enhances a number of business-critical functions and processes for restaurants, including reservation management, table management, guest recognition and email marketing. The ERBs at our restaurant customers connect via the Internet to form an online network of restaurant reservation books. Our solutions for diners include our popular restaurant reservation website, www.opentable.com, which enables diners to find, choose and book tables at restaurants on the OpenTable network in real time, overcoming the inefficiencies associated with the traditional process of reserving by phone. Restaurants pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Our online reservation service is free to diners.

We initially focused on acquiring a critical mass of local restaurant customers in four metropolitan areas: Chicago, New York, San Francisco and Washington, D.C. These markets have since developed into active, local networks of restaurants and diners that continue to grow. We have applied and continue to apply the same fundamental strategy in developing and penetrating our other markets. As of March 31, 2009, the OpenTable network included approximately 10,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated approximately 100 million diners through OpenTable reservations, and during the three months ended March 31, 2009, we seated an average of approximately three million diners per month. For the twelve months ended December 31, 2007 and 2008, our revenues were $41.1 million and $55.8 million, respectively. For the twelve months ended December 31, 2007 and 2008, our subscription revenues accounted for 55% and 54% of our total revenues, respectively, and our reservation revenues accounted for 41% and 41% of our total revenues, respectively. For the three months ended March 31, 2008 and 2009, our subscription revenues accounted for 52% and 52% of our total revenues, respectively, and our reservation revenues accounted for 44% and 43% of our total revenues, respectively.

Market Opportunity

We target our solutions, by which we mean our ERB and the OpenTable website, to reservation-taking restaurants and diners, respectively. We believe based on our internal estimates that there are approximately 30,000 reservation-taking restaurants in North America that seat approximately 600 million diners through reservations annually, though this number fluctuates with economic and other conditions.

The ability of the restaurant industry to leverage the power of the Internet for reservation transactions has been inhibited by two key characteristics. First, the reservation-taking restaurant industry has been slow to computerize host-stand operations. Restaurant reservations historically have been largely handled by the traditional pen-and-paper reservation book, despite the inherent operational inefficiencies and potential for error. Second, the reservation-taking restaurant industry is

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highly fragmented, with independent restaurants and small, local restaurant groups comprising a significant majority of restaurant locations. The restaurant industry is also inherently local, making it time-consuming and costly to aggregate the breadth of local restaurant table inventory required to attract a critical mass of diners to make reservations online and create an online restaurant reservation network.

Historically, diners learned about restaurants through word of mouth and local print media, such as dining guides, newspapers and magazines. While diners continue to value personal recommendations, the Internet now puts a wealth of restaurant information at their fingertips. However, the ability to book restaurant reservations has largely been missing from online dining sources. Moreover, reserving by phone remains a highly inefficient and inconvenient process. In order for diners to fully embrace online restaurant reservations, they need real-time access to table inventory across a broad selection of local restaurants and the ability to instantly book confirmed reservations around-the-clock.

We believe the Internet can streamline operations and fill additional seats for reservation-taking restaurants and redefine the reservation experience for diners. In addition, we believe that there is a significant opportunity to provide solutions to reservation-taking restaurants and diners, as the network connecting the two groups is created and expanded.

Our Solution

Reservation-taking restaurants and diners have interconnected needs. Restaurants require cost-effective ways to attract guests and manage their reservations, while diners seek convenient ways to find available restaurants, choose among them and secure reservations. By creating an online network of restaurants and diners that transact with each other through real-time reservations, we have developed a specialized platform for addressing the needs of both.

Essential to this network is building a critical mass of local, computerized restaurant reservation books. We achieve this by offering software that provides important operational benefits for the restaurant, bundling it with computer hardware and installing this solution at the restaurant host stand, thereby creating a compelling solution for restaurants. We provide our solutions to individual restaurants within a market, one by one, via a direct sales force. We believe that we deliver a strong return on investment for our restaurant customers by streamlining their operations, filling additional seats and improving their quality of service. As a result, we have historically enjoyed high customer satisfaction and retention rates.

The OpenTable website gives diners real-time access to tables at restaurants on the OpenTable network. As more local restaurants are added to the network, the utility provided to diners increases and more diners discover the benefits of researching restaurants and making reservations on our website. The more diners who use our website to make their dining decisions, the more value we deliver to our restaurant customers and the more restaurants are attracted to our network.

Benefits of OpenTable to Reservation-Taking Restaurants

In response to the needs of reservation-taking restaurants, we offer the OpenTable ERB, a bundled solution consisting of proprietary OpenTable software, which is installed on a touch-screen computer system and supported by various asset-protection and security tools. Additionally, we provide restaurants with access to diners via our website as well as through reservation links on our partners' websites and on restaurants' own websites. Our solutions help restaurants participating in the OpenTable network to:

- fill seats that might otherwise remain empty and minimize "no-shows" by offering the convenience of online reservations directly through the OpenTable website as well as indirectly through the websites of our partners and restaurant customers;

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- create operational efficiencies by replacing the restaurant's pen-and-paper system with a computerized reservation book and helping restaurants maximize seat utilization, facilitate server rotations and improve table turns;
- boost guest recognition and overall guest service by recording diner preferences and histories and by collecting and delivering feedback from OpenTable diners;
- computerize their host-stand operations by providing a solution that combines proprietary software and computer hardware and customized, on-site installation, training and technical support; and
- market to a targeted audience with measurable results by giving restaurants valuable marketing exposure during the diners' decision-making process and requiring payment by restaurants only for those diners whom they ultimately serve.

Benefits of OpenTable to Diners

In response to the needs of diners, we offer the OpenTable website, a destination website for those seeking a convenient way to research restaurants and make reservations. Our website enables diners to:

- find available tables by allowing diners to search for reservations by location, date, time and party size and view real-time table availability across a variety of restaurants;
- choose a restaurant by providing diners with restaurant information such as restaurant descriptions, photos and menus as well as lists of restaurants that are most highly rated by OpenTable diners in different categories; and
- book instantly-confirmed reservations for free by allowing diners to make reservations through the OpenTable website, which are instantly recorded in the ERB located at the restaurant.

Our Strategy

As our network of reservation-taking restaurants and diners grows, the value we deliver grows as well. Because the foundation of our network is building a critical mass of computerized reservation books, we enhance our offering to diners by adding new restaurant customers. In turn, as more diners use the OpenTable website to make their dining decisions and book their reservations, we deliver more value to our restaurant customers by helping them fill more of their seats. In this process, we grow the value of our business. The key elements of this strategy include:

Continue to Build the OpenTable Network in North America

The value of the OpenTable network grows as participation among restaurants and diners grows. Experience in our earliest markets provided a successful model that we have implemented while entering new markets, and, as a result, our newer North American markets have grown relatively predictably over time. We intend to continue to build our North American network in the United States, Canada and Mexico by employing this proven model, which includes the following elements:

- producing and maintaining superior solutions by continuing to evolve our ERB based on nearly a decade of in-field experience as well as feedback from our installed base of approximately 10,000 restaurant customers, and optimizing our website through insights gained from the experience of seating approximately 100 million diners through online reservations;
- providing excellent customer service and support by continuing to employ highly trained operational teams to provide installation and training services for our restaurant customers

- and continuing to augment our in-house support staff with contract support services to deliver superior customer assistance;

- leveraging our direct sales force, which is experienced in selling the benefits of OpenTable to reservation-taking restaurants, which operate in a highly fragmented industry; and

- continuing to attract diners to our website by offering the best reservation experience through enhanced ease of use and restaurant content, thereby increasing market adoption of our solutions, building our brand awareness and driving word-of-mouth referrals to our website.

Expand Internationally

We intend to augment our growing North American business by selectively expanding into countries outside of North America that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. We currently have operations in Germany, Japan and the United Kingdom, each supported with a direct sales force and operational staff. We have approximately 1,000 restaurant customers in these markets. In general, our strategy internationally is to replicate the model we have successfully employed in North America. In particular, our initial focus in new international markets is to increase our restaurant customer base, and we believe the localized versions of our software solution will compete favorably against competitive software offerings, enabling us to expand our network of computerized reservation books across a broad selection of local restaurants.

Risk Factors

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary, that primarily represent challenges we face in connection with the successful implementation of our strategy and the growth of our business. Our limited operating history makes it difficult for us to accurately forecast revenues and appropriately plan our expenses. We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance. Such factors include deteriorating global economic conditions and our ability to maintain an adequate rate of growth, effectively manage our growth, retain and attract restaurant customers and visitors to our website, provide a high-quality customer experience through our website and ERB and successfully enter new markets and manage our international expansion.

Corporate Information

We were originally incorporated as easyeats.com, Inc., a California corporation, on October 13, 1998. On June 2, 1999, we changed our name to OpenTable.com, Inc. We subsequently reincorporated in Delaware on September 20, 2000 under our current name, OpenTable, Inc. Our principal executive offices are located at 799 Market Street, 4th Floor, San Francisco, California 94103, and our telephone number is (415) 344-4200. Our website address is www.opentable.com. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only. Unless the context requires otherwise, the words "OpenTable," "we," "company," "us" and "our" refer to OpenTable, Inc. and our wholly owned subsidiaries.

OpenTable®, the OpenTable logo and other trademarks or service marks of OpenTable appearing in this prospectus are the property of OpenTable. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

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THE OFFERING

Common stock offered:	
By OpenTable, Inc.	1,572,684 shares (or 2,022,684 shares if the underwriters exercise their overallotment option in full)
By the selling stockholders	1,427,316 shares
Shares outstanding after the offering	21,604,587 shares (or 22,054,587 shares if the underwriters exercise their overallotment option in full)
Use of proceeds	We expect the net proceeds to us from this offering, after expenses, to be approximately $16.1 million based on an assumed initial public offering price of $13.00 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, sales and marketing activities, general and administrative matters and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in complementary technologies, solutions or businesses or to obtain rights to such complementary technologies, solutions or businesses. There are no agreements or understandings with respect to such a transaction at this time.
Risk factors	See "Risk Factors" beginning on page 10 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Proposed Nasdaq Global Market symbol	"OPEN"

The number of shares of our common stock outstanding after this offering is based on 20,031,903 shares outstanding as of March 31, 2009, and excludes:

- an aggregate of 162,836 shares of common stock reserved for issuance under our 1999 Stock Plan;
- 1,240,104 additional shares of common stock, subject to increase on an annual basis, reserved for issuance under our 2009 Equity Incentive Award Plan, which we plan to adopt in connection with this offering;
- 2,402,605 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock granted pursuant to our 1999 Stock Plan at a weighted average exercise price of $7.33 per share; and
- 182,059 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $3.85 per share.

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Except as otherwise indicated, information in this prospectus reflects or assumes the following:

- a 1-for-12.5 reverse stock split of our common stock and preferred stock to be effected immediately prior to the effectiveness of our initial public offering registration statement;
- that our amended and restated certificate of incorporation, which we will file in connection with the completion of this offering, is in effect;
- the automatic conversion of all of our outstanding preferred stock into an aggregate of 9,075,737 shares of common stock upon completion of this offering; and
- no exercise of the underwriters' overallotment option to purchase up to 450,000 additional shares of our common stock.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize the consolidated financial data for our business. You should read this summary financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, all included elsewhere in this prospectus.

We derived the consolidated statements of operations data for the years ended December 31, 2006, 2007 and 2008 from our audited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated statements of operations data for the three months ended March 31, 2008 and 2009, and the unaudited consolidated balance sheet data as of March 31, 2009, are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited information on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements and assumes a 1-for-12.5 reverse stock split of our common stock and preferred stock to be effected immediately prior to the effectiveness of our initial public offering registration statement. Results for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2009. Our historical results are not necessarily indicative of the results to be expected in the future.

Pro forma basic net income (loss) per share has been calculated assuming the conversion of all outstanding shares of our preferred stock into 9,075,737 shares of common stock upon the completion of this offering. The balance sheet data as of March 31, 2009 is presented:

- on an actual basis;

- on a pro forma basis to reflect a 1-for-12.5 reverse stock split of our common stock and preferred stock to be effected immediately prior to the effectiveness of our initial public offering registration statement and the automatic conversion of all outstanding shares of our preferred stock into 9,075,737 shares of common stock in connection with the completion of this offering; and

- on a pro forma as adjusted basis to reflect the pro forma adjustments and the sale by us of 1,572,684 shares of common stock offered by this prospectus at an assumed initial public offering price of $13.00 per share after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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	Years Ended December 31,			Three Months Ended March 31,	
	2006	2007	2008	2008	2009
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
REVENUES	$27,168	$41,148	$55,844	$13,263	$15,995
COSTS AND EXPENSES:					
Operations and support(1)	9,548	12,603	17,760	4,012	5,106
Sales and marketing(1)	7,675	11,326	14,830	3,591	3,798
Technology(1)	4,024	5,863	9,511	2,175	2,712
General and administrative(1)	5,972	12,212	13,117	3,144	3,547
Total costs and expenses	27,219	42,004	55,218	12,922	15,163
Income (loss) from operations	(51)	(856)	626	341	832
Other income, net	421	951	468	180	55
Income before taxes	370	95	1,094	521	887
Income tax expense (benefit)	176	(9,121)	2,118	608	521
NET INCOME (LOSS)	$ 194	$ 9,216	$ (1,024)	$ (87)	$ 366
Net income (loss) per share:					
Basic	$ 0.02	$ 0.97	$ (0.10)	$ (0.01)	$ 0.04
Diluted	$ 0.01	$ 0.46	$ (0.10)	$ (0.01)	$ 0.02
Weighted average shares outstanding:					
Basic	9,132	9,522	10,016	9,850	10,276
Diluted	19,523	20,019	10,016	9,850	21,017
Pro forma net income (loss) per share basic and diluted (unaudited)			$ (0.05)		$ 0.02
Pro forma weighted average shares outstanding used in calculating net income (loss) per share (unaudited):					
Basic			19,092		19,352
Diluted			19,092		21,017

(1) Stock-based compensation included in above line items:

	2006	2007	2008	2008	2009
Operations and support	$ 58	$ 290	$ 339	$ 77	$ 86
Sales and marketing	67	709	878	228	223
Technology	64	288	694	132	174
General and administrative	520	1,816	2,059	547	476
Total	$ 709	$ 3,103	$ 3,970	$ 984	$ 959

	2006	2007	2008	2008	2009
Other Operational Data:					
Installed restaurants (at period end):					
North America	5,583	7,391	9,295	7,823	9,548
International	204	470	1,040	581	1,097
Total	5,787	7,861	10,335	8,404	10,645
Seated diners (in thousands):					

North America	15,171	24,614	33,636	8,395	9,922
International	84	244	542	123	186
Total	15,255	24,858	34,178	8,518	10,108
Headcount (at period end):					
North America	152	192	238	206	245
International	16	34	59	42	55
Total	168	226	297	248	300

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	Years Ended December 31,			Three Months Ended March 31,	
	2006	2007	2008	2008	2009
	(In thousands)				
Additional Financial Data:					
Revenues:					
North America	$26,654	$39,601	$53,065	$12,667	$15,189
International	514	1,547	2,779	596	806
Total	$27,168	$41,148	$55,844	$13,263	$15,995
Income (loss) from operations:					
North America	$ 3,106	$ 4,974	$ 9,088	$ 2,409	$ 2,326
International	(3,157)	(5,830)	(8,462)	(2,068)	(1,494)
Total	$ (51)	$ (856)	$ 626	$ 341	$ 832
Depreciation and amortization:					
North America	$ 2,029	$ 2,817	$ 4,026	$ 877	$ 1,159
International	89	184	350	74	104
Total	$ 2,118	$ 3,001	$ 4,376	$ 951	$ 1,263

	As of March 31, 2009		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(In thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$12,010	$ 12,010	$ 28,067
Short-term investments	13,194	13,194	13,194
Property and equipment, net	11,069	11,069	11,069
Working capital	15,835	15,835	31,892
Total assets	54,587	54,587	70,644
Dining rewards payable	9,221	9,221	9,221
Convertible preferred stock	21,909		
Total stockholders' equity	28,405	28,405	44,462

(1) A $1.00 increase or decrease in the assumed initial public offering price of $13.00 per share would increase or decrease pro forma as adjusted cash and cash equivalents, working capital, total assets and total stockholders' equity by $1.5 million, assuming the number of shares offered by us, as shown on the cover of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before making a decision to invest in our common stock. If any of such risks actually occur, our business, operating results or financial condition could be adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

Our limited operating history makes it difficult for us to accurately forecast revenues and appropriately plan our expenses.

We were formed in October 1998 and have a limited operating history. As a result, it is difficult to accurately forecast our revenues and plan our operating expenses. We base our current and future expense levels on our operating forecasts and estimates of future revenues from restaurants, which pay us an installation fee for our Electronic Reservation Book, or ERB, a monthly subscription fee and a fee for each restaurant guest seated through online reservations. Revenues and operating results are difficult to forecast due to the uncertainty of the volume and timing of obtaining new restaurant customers and of diners seated through OpenTable reservations. Some of our expenses are fixed, and, as a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected shortfall in revenues. This inability could cause our net income in a given quarter to be lower than expected.

The impact of worldwide economic conditions, including the resulting effect on consumer spending, may adversely affect our business, operating results and financial condition.

Our performance is subject to worldwide economic conditions and their impact on levels of consumer spending, which have recently deteriorated significantly and may remain depressed, or be subject to further deterioration, for the foreseeable future. Some of the factors having an impact on discretionary consumer spending include general economic conditions, unemployment, consumer debt, reductions in net worth based on recent severe market declines, residential real estate and mortgage markets, taxation, energy prices, interest rates, consumer confidence and other macroeconomic factors. There can be no assurances that government responses to the disruptions in the financial markets and other factors contributing to the recession we are currently experiencing will restore consumer confidence and positively impact consumer spending.

Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. Because spending for restaurant dining is generally considered to be discretionary, declines in consumer spending may have a more negative effect on our business than on those businesses that sell products or services considered to be necessities. In particular, a significant majority of our restaurant customers are fine-dining restaurants which have been particularly affected by economic downturns such as the one we are currently experiencing. We believe that the total number of reservations, including reservations by phone, seated by our restaurant customers has decreased approximately 10% to 15% for the fourth quarter of 2008 from the same period in 2007.

Unfavorable changes in the above factors or in other business and economic conditions affecting our restaurant customers and diners could result in continued reduced traffic in some or all of the restaurants that use our solutions, result in fewer reservations made through our website or the websites of our partners or restaurant customers and lower our profit margins, cause our restaurant customers to go out of business, cause our restaurant customers to terminate their subscriptions to our solutions or default on their payment obligations to us and have a material adverse effect on our financial condition and operating results.

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Moreover, the majority of our restaurant customers are located in major metropolitan areas like New York City and the San Francisco Bay Area, and to the extent any one of these geographic areas experiences any of the above described conditions to a greater extent than other geographic areas, the material adverse effect on our financial condition and operating results could be exacerbated.

We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Our revenues and operating results could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to accurately forecast revenues and appropriately plan our expenses;
- the impact of worldwide economic conditions, including the resulting effect on consumer spending;
- our ability to maintain an adequate rate of growth;
- our ability to effectively manage our growth;
- our ability to attract new restaurant customers;
- our ability to increase the number of visitors to our website and convert those visitors into diners who reserve a table using our website and then dine with our restaurant customers;
- our ability to retain existing restaurant customers and diners or encourage repeat reservations;
- our ability to provide a high-quality customer experience through our website and ERB;
- our ability to successfully enter new markets and manage our international expansion;
- the impact of fluctuations in currency exchange rates;
- the effects of increased competition in our business;
- our ability to keep pace with changes in technology and our competitors;
- our ability to successfully manage any future acquisitions of businesses, solutions or technologies;
- the success of our marketing efforts;

changes in consumer behavior and any related impact on the restaurant industry, especially in the geographic markets where we operate;

seasonal patterns in restaurant dining;

interruptions in service and any related impact on our reputation;

the attraction and retention of qualified employees and key personnel;

our ability to protect our intellectual property, including our proprietary ERB;

costs associated with defending intellectual property infringement and other claims;

the effects of natural or man-made catastrophic events;

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- the effectiveness of our internal controls; and
- changes in government regulation affecting our business.

As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance. In addition, our operating results may not meet the expectations of investors or public market analysts who follow our company.

Our recent growth rate will likely not be sustainable and a failure to maintain an adequate growth rate will adversely affect our net income and our business.

Our revenues have grown rapidly, increasing from $27.2 million in 2006 to $41.1 million in 2007 to $55.8 million in 2008, representing a compound annual growth rate of 43%. We do not expect to sustain our recent growth rate in future periods, and you should not rely on the revenue growth of any prior quarterly or annual periods as an indication of our future performance. If we are unable to maintain adequate revenue growth, our net income will be adversely affected, and we may not have adequate resources to execute our business strategy.

Growth may place significant demands on our management and our infrastructure.

We have experienced substantial growth in our business. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure to offer an increasing number of customers enhanced solutions, features and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain our ability to maintain reliable service levels for our customers, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

If we fail to increase the number of our customers or retain existing customers, our revenues and our business will be harmed.

In 2008, almost all of our revenues were generated by our restaurant customers, which pay us a one-time installation fee, a monthly subscription fee for our ERB and a fee for each restaurant guest seated through online reservations. Our growth depends in large part on increasing the number of our restaurant customers, increasing the number of visitors to our website and then converting those visitors into diners who use our website to make restaurant reservations. Either category of customers may decide not to continue to use our solutions in favor of other means of reserving tables or because of budgetary constraints or other reasons.

To grow our base of restaurant customers, we must convince prospective restaurant customers of the benefits of our ERB and related solutions and encourage them to forego the traditional pen-and-paper reservation book to which they are likely accustomed. Due to the fragmented nature of the restaurant industry, many prospective restaurant customers may not be familiar with our solutions and will generally favor using more traditional methods of taking reservations.

To increase the number of diners who use our website, we must convince them of the value of our solutions. Our ability to do so is driven in large part by increasing the number of restaurant listings available on our website and also by making the diner's visit to our website a convenient and user-friendly experience.

We cannot assure you that we will be successful in continuing to expand our restaurant customer base or in continuing to attract diners to make reservations on our website. Our future sales and marketing efforts may be ineffective. If diners choose not to use our solutions or decrease their use of our solutions or we are unable to attract new diners, listings on our website could be reduced, search activity on our website could decline, the usefulness of our solutions could be diminished and we could experience declining revenues.

We may be unable to successfully execute our business strategy if we fail to continue to provide our customers with a high-quality customer experience.

A critical component of our strategy is providing a high-quality customer experience for both restaurants and diners. Accordingly, the effective performance, reliability and availability of our ERB, website and network infrastructure are critical to our reputation and our ability to attract and retain customers. In order to provide a high-quality customer experience, we have invested and will continue to invest substantial resources in our ERB, website development and functionality and customer service operations. If we do not continue to make such investments and as a result, or due to other reasons, fail to provide a high-quality customer experience, we may lose restaurants and diners from our network, which could significantly decrease the value of our solutions to both groups. Moreover, failure to provide our customers with high-quality customer experiences for any reason could substantially harm our reputation and adversely affect our efforts to develop as a trusted website.

We may be unsuccessful in expanding our operations internationally, which could harm our business, operating results and financial condition.

In 2004, we established our European headquarters in London and expanded our North American presence in Canada. In 2006, we opened an office in Tokyo and further expanded our North American presence in Mexico. In 2007, we expanded our European presence with offices in France, Germany and Spain. Our ability to expand internationally involves various risks, including the need to invest significant resources in such expansion, the possibility that returns on such investments will not be achieved in the near future and competitive environments with which we are unfamiliar. Our international operations may not prove to be successful in certain markets. For example, in 2008, we decided to close our offices in France and Spain. In addition, we have incurred and expect to continue to incur significant expenses in advance of generating material revenues as we attempt to establish our presence in particular international markets. Our current and any future international expansion plans we choose to undertake will require management attention and resources and may be unsuccessful. We do not have substantial experience in selling our solutions in international markets or in conforming to the local cultures, standards or policies necessary to successfully compete in those markets, and we must invest significant resources in order to build a direct sales force and operational infrastructure in such markets. Furthermore, in many international markets we are not the first entrant and there exists greater competition with stronger brand names than we have faced in North American markets. Our ability to expand internationally will also be limited by the demand for our solutions and the adoption of the Internet in these markets. Different privacy, censorship and liability standards and regulations and different intellectual property laws in foreign countries may cause our business and operating results to suffer.

Any future international operations may also fail to succeed due to other risks inherent in foreign operations, including:

- difficulties or delays in acquiring a network of restaurant customers in one or more international markets;

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- different restaurant preferences and dining patterns than those in North America;
- varied, unfamiliar and unclear legal and regulatory restrictions;
- unexpected changes in international regulatory requirements and tariffs;
- legal, political or systemic restrictions on the ability of U.S. companies to market services or otherwise do business in foreign countries;
- less extensive adoption of the Internet as a commerce medium or information source and increased restriction on the content of websites;
- difficulties in staffing and managing foreign operations;
- greater difficulty in accounts receivable collection;
- currency fluctuations;
- potential adverse tax consequences;
- lack of infrastructure to adequately conduct electronic commerce transactions; and
- price controls or other restrictions on foreign currency.

As a result of these obstacles, we may find it impossible or prohibitively expensive to expand internationally or we may be unsuccessful in our attempt to do so, which could harm our business, operating results and financial condition.

We face risks associated with currency exchange rate fluctuations.

For the three months ended March 31, 2009, we incurred approximately 18% of our operating expenses in pounds sterling, euros, yen and other foreign currencies, while most of our revenues were denominated in U.S. dollars. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U.S. dollar relative to other currencies affect our revenues, costs and expenses, and operating margins, and result in foreign currency transaction gains and losses. To date, we have not engaged in exchange rate hedging activities. Even if we were to implement hedging strategies to mitigate this risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the hedging activities and potential accounting implications.

The markets for our solutions in North America may become more competitive, and there can be no certainty that we will maintain our current restaurant customers and diners or attract new restaurants and diners or that our operating margins will not be affected by competition.

We expect that the competitive environment for our solutions may become more intense as additional companies enter our North American markets. Currently, our primary competitors in North America are the pen-and-paper reservation book used by most restaurants and the phone used by diners. Secondary competitors include companies who provide computerized reservation management systems with a variety of technologies, as well as allocation-based reservation-taking websites that offer diners the ability to book reservations for a limited selection of restaurant table inventory. These secondary competitors may enhance their technologies to be more competitive, and additional competitors may enter our markets in North America. Any new competitors could have greater name recognition among restaurants and diners and greater financial, technical and marketing resources. Greater financial resources and product development capabilities may allow these competitors to respond more quickly to new or emerging technologies and changes in restaurant and diner

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requirements that may render our solutions obsolete. These competitors could introduce new solutions with competitive price and performance characteristics or undertake more aggressive marketing campaigns than ours. If we lose existing restaurant customers and diners or fail to attract new restaurants and diners as a result of increased competition, our business, operating results and financial condition could be adversely affected.

Rapid technological changes may render our technology obsolete or decrease the attractiveness of our solutions to our customers.

To remain competitive, we must continue to enhance and improve the functionality and features of our website and ERB. The Internet and the online commerce industry are rapidly changing. If competitors introduce new solutions embodying new technologies, or if new industry standards and practices emerge, our existing website, technology and ERB may become obsolete. Our future success will depend on our ability to:

- enhance our existing solutions;
- develop and potentially license new solutions and technologies that address the increasingly sophisticated and varied needs of our prospective customers; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing our ERB, website and other technology entails significant technical and business risks. We may use new technologies ineffectively, or we may fail to adapt our website, transaction processing systems and network infrastructure to consumer requirements or emerging industry standards. For example, our website functionality that allows searches and displays of reservation availability is a critical part of our service, and it may become out-of-date or insufficient from our customers' perspective or in relation to the search and display functionality of our competitors' websites. If we face material delays in introducing new or enhanced solutions, our customers may forego the use of our solutions in favor of those of our competitors.

Future acquisitions could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our offerings and markets and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses, solutions or technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. Furthermore, even if we successfully complete an acquisition, we may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of the company that we acquired, particularly if key personnel of an acquired company decide not to work for us. In addition, we may issue equity securities to complete an acquisition, which would dilute our stockholders' ownership and could adversely affect the price of our common stock. Acquisitions may also involve the entry into geographic or business markets in which we have little or no prior experience. Consequently, we may not achieve anticipated benefits of the acquisitions which could harm our operating results.

We rely on our marketing efforts to attract new customers and must do so in a cost-effective manner; otherwise our operations will be harmed.

A significant component of our business strategy is the promotion of the OpenTable website and ERB. We believe that the attractiveness of our solutions to our current and potential customers,

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both restaurants and diners, will increase as new restaurants provide additional restaurant listings and diners increasingly use our website to conduct searches and make restaurant reservations. This is because an increase in the number of restaurant listings and the number of diners searching those listings increases the utility of our website and its associated search, listing and reservation services. If we do not continue to grow the use of our website and ERB, we may fail to build the critical mass of both restaurant customers and diners required to substantially increase our revenues.

While our marketing efforts do not currently involve significant expenditures, in the future we may find it necessary to invest more heavily in direct marketing or online or traditional advertising. If we are unable to effectively market our solutions to new customers or are unable to do so in a cost-effective manner, our operating results could be adversely affected.

System interruptions that impair access to our website would damage our reputation and brand and substantially harm our business and operating results.

The satisfactory performance, reliability and availability of our ERB, website and network infrastructure are critical to our reputation, our ability to attract and retain both restaurant customers and diners and our ability to maintain adequate customer service levels. Any systems interruption that results in the unavailability of our website or any restaurant connected to our website could result in negative publicity, damage our reputation and brand and cause our business and operating results to suffer. We may experience temporary system interruptions (either to our website or at our restaurant customer locations) for a variety of reasons, including network failures, power failures, software errors or an overwhelming number of visitors trying to reach our website during periods of strong demand. In addition, our primary data center is hosted by a third party. Because we are dependent in part on third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel our ability to develop and successfully market our business could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, technical, finance, creative and sales and marketing personnel. Moreover, we believe that our future success is highly dependent on the contributions of our named executive officers, as defined in "Management-Executive Compensation." All of our U.S. officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay the development and introduction of, and harm our ability to sell, our solutions and harm the market's perception of us. Competition for qualified personnel is particularly intense in the San Francisco Bay Area, where our headquarters are located. Further, our principal overseas operations are based in London and Tokyo, which are cities that, similar to our headquarters region, have high costs of living and consequently high compensation standards. Qualified individuals are in high demand, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing sales, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business will suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Our named executive officers have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, our business, operating results and financial condition will be harmed.

Failure to adequately protect our intellectual property could substantially harm our business and operating results.

Because our business is heavily dependent on our intellectual property, including our proprietary software, the protection of our intellectual property rights is crucial to the success of our business. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. These afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary, such as the technology used to operate our website, our content and our trademarks. Moreover, policing our proprietary rights is difficult and may not always be effective. In particular, because we sell our solutions internationally, we may need to enforce our rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States.

We have registered "OpenTable" and our other trademarks as trademarks in the United States and in certain other countries. Competitors may adopt service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to customer confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term OpenTable or our other trademarks. From time to time, we have acquired Internet domain names held by others when such names were causing consumer confusion or had the potential to cause consumer confusion.

We currently hold the "OpenTable.com" Internet domain name and various other related domain names. Domain names generally are regulated by Internet regulatory bodies. If we lose the ability to use a domain name in a particular country, we would be forced to either incur significant additional expenses to market our solutions within that country, including the development of a new brand and the creation of new promotional materials, or elect not to sell solutions in that country. Either result could substantially harm our business and operating results. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize the name OpenTable in all of the countries in which we currently conduct or intend to conduct business.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and could substantially harm our operating results.

Assertions by third parties of infringement by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

Other parties have asserted, and may in the future assert, that we have infringed their intellectual property rights. Future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue, and therefore our own potential patents may provide little or no deterrence. We cannot predict whether assertions of third party intellectual property rights or claims arising from such assertions will substantially harm our business and operating results. If we are forced to defend against any infringement claims, whether they are with or without merit or are determined in our favor, we may face costly litigation and diversion of technical and management personnel. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages, if we are found to have willfully infringed a party's patent or copyright rights; cease making, licensing or using solutions that are alleged to incorporate the intellectual property of others; expend additional development resources to redesign our solutions; and enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. In any event, we may need to license intellectual property which would require us to pay royalties or make one-time payments.

We depend in part on licenses of technologies from third parties in order to deliver our solutions, and, as a result, our business is dependent in part on the availability of such licenses on commercially reasonable terms.

We currently, and will continue to, license certain technologies from third parties. We cannot be certain that these third-party content licenses will be available to us on commercially reasonable terms or that we will be able to successfully integrate the technology into our solutions. These third-party in-licenses may expose us to increased risk, including risks associated with the assimilation of new technology sufficient to offset associated acquisition and maintenance costs. The inability to obtain any of these licenses could result in delays in solution development until equivalent technology can be identified and integrated. Any such delays in services could cause our business, operating results and financial condition to suffer.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our proprietary technology, including the proprietary software component of our ERB, and related processes. In order to protect our proprietary technology and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Our failure to protect confidential information of our customers and our network against security breaches could damage our reputation and brand and substantially harm our business and operating results.

Currently, some of our restaurant customers require that diners enter their credit card information to hold a reservation. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. Any such compromise of our security could damage our reputation and brand and expose us to a risk of loss or litigation and possible liability which would substantially harm our business and operating results. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches.

We rely on a third-party customer support service provider for the majority of our customer service calls. If this service provider experiences operational difficulties or disruptions, our business could be adversely affected.

We depend on a U.S.-based third-party customer support service provider to handle most of our routine support cases. While we have a small customer service center in our San Francisco headquarters, if our customer support service provider experienced operational difficulties, our ability to respond to customer service calls in a timely manner and the quality of our customer service would be adversely affected, which in turn could affect our reputation and results of operations. While we have a contract with our customer support service provider, either party may terminate the contract for convenience by providing the other party at least 90 days prior notice of its intent to terminate. If for any reason our relationship with our customer support service provider were to end, it would require a significant amount of time to either scale up our San Francisco call center or to hire and train a new customer support service provider.

We outsource a portion of our software development to a third-party service provider located in India. Any interruption in our relationship with this service provider could adversely affect our business.

If for any reason our relationship with our third-party software development service provider were to end, it would require a significant amount of time to transition the software development work either in-house or to a new third-party service provider. Our contract with this software development service provider has a term ending on January 31, 2010. Either party may terminate the contract at any time by providing the other party at least 30 days prior notice of its intent to terminate. If our third-party software development service provider fails to perform its obligations in a timely manner or at satisfactory quality levels, our ability to bring solutions to market and our reputation could suffer. In addition, our third-party software development service provider is located in India and, as a result, may be subject to geopolitical uncertainty.

We may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances. If such capital is not available to us, our business, operating results and financial condition may be harmed.

We may require additional capital to expand our business. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. For example, any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we do not have funds available to enhance our solutions, maintain the competitiveness of our technology or pursue business opportunities, we may not be able to service our existing customers or acquire new customers. In addition, if we do not have funds available to make strategic acquisitions, we may not be able to expand our business. The inability to raise additional capital could have an adverse effect on our business, operating results and financial condition.

If we issue additional shares of common stock to raise capital, it may have a dilutive effect on your investment.

If we raise additional capital through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of us. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock, including shares of common stock sold in this offering.

A further tightening of the credit markets may have an adverse effect on our ability to obtain short-term debt financing.

The recent deterioration of the global economy threatens to cause further tightening of the credit markets, more stringent lending standards and terms and higher volatility in interest rates. Persistence of these conditions could have a material adverse effect on our access to short-term debt and the terms and cost of that debt. As a result, we may not be able to secure additional financing in a timely manner, or at all, to meet our future capital needs which may have an adverse effect on our business, operating results and financial condition.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. Our U.S. corporate offices and the facility we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity. In addition, acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in our or our restaurant customers' businesses or the economy as a whole. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential customer data. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting the San Francisco Bay Area, and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems and the Internet to conduct our business and provide high quality customer service, such disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt our restaurant customers' businesses, which could have an adverse affect on our business, operating results and financial condition.

We will incur increased costs as a result of being a public company, which may adversely affect our operating results and financial condition.

As a public company, we will incur significant accounting, legal and other expenses that we did not incur as a private company. We will incur costs associated with our public company reporting requirements. We also anticipate that we will incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as well as rules implemented by the SEC and The Nasdaq Stock Market. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. Furthermore, these laws and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

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New laws and regulations as well as changes to existing laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules adopted by the SEC and by The Nasdaq Stock Market, would likely result in increased costs to us as we respond to their requirements.

Risks Related to Our Industry

Seasonality may cause fluctuations in our financial results.

We generally experience some effects of seasonality due to increases in restaurant dining tied to certain holidays and restaurant industry promotions. Accordingly, the number of reservations made through our system has generally increased at a higher rate in the first and fourth quarters compared to the second and third quarters. Although historically our revenue has increased in each quarter as we have added restaurant customers and diners, in the future this seasonality may cause fluctuations in our financial results. In addition, other seasonality trends may develop and the existing seasonality and consumer behavior that we experience may change.

If use of the Internet, particularly with respect to online restaurant reservations, does not continue to increase as rapidly as we anticipate, our business will be harmed.

Our future net profits are substantially dependent upon the continued use of the Internet as an effective medium of business and communication by our target customers. Internet use may not continue to develop at historical rates, and consumers may not continue to use the Internet and other online services as a medium for commerce. In addition, the Internet may not be accepted as a viable long-term marketplace or resource for a number of reasons, including:

- actual or perceived lack of security of information or privacy protection;
- possible disruptions, computer viruses or other damage to Internet servers or to users' computers; and
- excessive governmental regulation.

Our success will depend, in large part, upon third parties maintaining the Internet infrastructure to provide a reliable network backbone with the speed, data capacity, security and hardware necessary for reliable Internet access and services. Our business, which relies on a contextually rich website that requires the transmission of substantial data, is also significantly dependent upon the availability and adoption of broadband Internet access and other high-speed Internet connectivity technologies.

Government regulation of the Internet is evolving, and unfavorable changes could substantially harm our business and operating results.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet. Existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet. Unfavorable resolution of these issues may substantially harm our business and operating results.

Risks Related to Owning Our Common Stock

An active, liquid and orderly market for our common stock may never develop or be sustained.

Prior to this offering there has been no market for shares of our common stock. An active trading market for our common stock may never develop or be sustained, which could depress the market price of our common stock and could affect your ability to sell your shares. The initial public offering price will be determined through negotiations between us and the representative of the underwriters and may bear no relationship to the price at which our common stock will trade following the completion of this offering. The trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this prospectus, these factors include:

- our operating performance and the operating performance of similar companies;
- the overall performance of the equity markets;
- the number of shares of our common stock publicly owned and available for trading;
- threatened or actual litigation;
- changes in laws or regulations relating to our solutions;
- any major change in our board of directors or management;
- publication of research reports about us or our industry or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- large volumes of sales of our shares of common stock by existing stockholders; and
- general political and economic conditions.

In addition, the stock market in general, and the market for Internet-related companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition. In addition, the recent distress in the financial markets has also resulted in extreme volatility in security prices.

Our directors, executive officers and principal stockholders will continue to have substantial control over us after this offering and could delay or prevent a change in corporate control.

After this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, approximately 77.97% of our outstanding common stock, assuming no exercise of the underwriters' option to purchase additional shares of our common stock in this offering. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

delaying, deferring or preventing a change in corporate control;

impeding a merger, consolidation, takeover or other business combination involving us; or

discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Future sales of shares of our common stock by existing stockholders could depress the price of our common stock.

If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the 180-day contractual lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly and could decline below the initial public offering price. Based on shares outstanding as of March 31, 2009, upon completion of this offering, we will have outstanding approximately 21,604,587 shares of common stock, assuming no exercise of the underwriters' overallotment option and no exercise of outstanding options and warrants. Of these shares, 3,000,000 shares of common stock will be immediately freely tradable, without restriction, in the public market. Merrill Lynch may, in its sole discretion, permit our officers, directors, employees and current stockholders to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to this offering expire and based on shares outstanding as of March 31, 2009, an additional 18,604,587 shares will be eligible for sale in the public market. In addition, (i) the 2,402,605 shares subject to outstanding options under our 1999 Stock Plan, as amended, as of March 31, 2009, (ii) the 1,240,104 shares reserved for future issuance under our 2009 Equity Incentive Award Plan and (iii) the 162,836 shares remaining available for issuance under our 1999 Stock Plan, as amended, as of March 31, 2009, that will become available for issuance under our 2009 Equity Incentive Award Plan, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our common stock could decline substantially.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion to use the net proceeds to us from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply the net proceeds from this offering in ways that increase the value of your investment. We expect to use the net proceeds to us from this offering for working capital and other general corporate purposes, including the funding of our marketing activities and the costs of operating as a public company, as well as further investment in the development of our proprietary technologies. We may also use a portion of the net proceeds for the acquisition of businesses, solutions and technologies that we believe are complementary to our own, although we have

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no agreements or understandings with respect to any acquisition at this time. We have not allocated the net proceeds from this offering for any specific purposes. Until we use the net proceeds to us from this offering, we plan to invest them, and these investments may not yield a favorable rate of return. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Certain provisions in our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our certificate of incorporation and bylaws that will be in effect prior to the closing of this offering will contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions will include:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our ability to accurately forecast revenues and appropriately plan our expenses;
- the impact of worldwide economic conditions, including the resulting effect on consumer spending;
- our ability to maintain an adequate rate of growth;
- our ability to effectively manage our growth;
- our ability to attract new restaurant customers;
- our ability to increase the number of visitors to our website and convert those visitors into diners who reserve a table using our website and then dine with our restaurant customers;
- our ability to retain existing restaurant customers and diners or encourage repeat reservations;
- our ability to provide a high-quality customer experience through our website and ERB;
- our ability to successfully enter new markets and manage our international expansion;
- the impact of fluctuations in currency exchange rates;
- the effects of increased competition in our business;
- our ability to keep pace with changes in technology and our competitors;
- our ability to successfully manage any future acquisitions of businesses, solutions or technologies;
- the success of our marketing efforts;

interruptions in service and any related impact on our reputation;

the attraction and retention of qualified employees and key personnel;

our ability to protect our intellectual property, including our proprietary ERB;

costs associated with defending intellectual property infringement and other claims;

the effects of natural or man-made catastrophic events;

the effectiveness of our internal controls;

changes in government regulation affecting our business; and

other risk factors included under "Risk Factors" in this prospectus.

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In addition, in this prospectus, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "potential" and similar expressions, as they relate to our company, our business and our management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date of this prospectus. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares of common stock offered by us will be approximately $16.1 million, or approximately $21.5 million if the underwriters' overallotment option is exercised in full, based on an assumed initial public offering price of $13.00 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of common stock by the selling stockholders.

A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) the net proceeds to us from this offering by approximately $1.5 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, or approximately $1.9 million if the underwriters' overallotment option is exercised in full, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We currently intend to use the net proceeds to us from this offering primarily for general corporate purposes, including working capital, sales and marketing activities, general and administrative matters and capital expenditures. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement our business. We have no present understandings, commitments or agreements to enter into any acquisitions or investments. Our management will have broad discretion over the uses of the net proceeds in this offering. Pending these uses, we intend to invest the net proceeds from this offering in short-term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

By establishing a public market for our common stock, this offering is also intended to facilitate our future access to public markets.

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our common stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

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CAPITALIZATION

The following table shows:

- our capitalization as of March 31, 2009;
- our capitalization as of March 31, 2009, on a pro forma basis, giving effect to the automatic conversion of all outstanding preferred stock into an aggregate of 9,075,737 shares of common stock as if such conversions had occurred on March 31, 2009; and
- our capitalization as of March 31, 2009, on a pro forma as adjusted basis, giving effect to the sale by us of 1,572,684 shares of common stock in this offering, at an assumed initial public offering price of $13.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	As of March 31, 2009		
	Actual	**Pro Forma**	**Pro Forma, as Adjusted(1)**
	(In thousands)		
Cash, cash equivalents and short-term investments	$ 25,204	$ 25,204	$ 41,261
Stockholders' equity:			
Convertible preferred stock	$ 21,909	$	$
Common stock	1	2	2
Additional paid-in capital	65,361	87,269	103,326
Treasury stock	(647)	(647)	(647)
Accumulated other comprehensive loss	(242)	(242)	(242)
Accumulated deficit	(57,977)	(57,977)	(57,977)
Total stockholders' equity	28,405	28,405	44,462
Total capitalization	$ 28,405	$ 28,405	$ 44,462

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) the amount of additional paid-in capital, total stockholders' equity and total capitalization by approximately $1.5 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The outstanding share information set forth above is as of March 31, 2009 and excludes:

- an aggregate of 162,836 shares of common stock reserved for issuance under our 1999 Stock Plan;
- 1,240,104 additional shares of common stock, subject to increase on an annual basis, reserved for issuance under our 2009 Equity Incentive Award Plan, which we plan to adopt in connection with this offering;

2,402,605 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock granted pursuant to our 1999 Stock Plan at a weighted average exercise price of $7.33 per share; and

182,059 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $3.85 per share.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after the offering.

The historical net tangible book value of our common stock as of March 31, 2009 was $28.4 million, or $2.59 per share. Historical net tangible book value per share is determined by dividing the net tangible book value by the number of shares of outstanding common stock. If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma as adjusted net tangible book value per share of our common stock.

After giving effect to the (i) a 1-for-12.5 reverse stock split of our common stock and preferred stock to be effected immediately prior to the effectiveness of our initial public offering registration statement, (ii) automatic conversion of our outstanding preferred stock into common stock in connection with this offering and (iii) receipt of the net proceeds from our sale of 1,572,684 shares of common stock in this offering at an assumed initial public offering price of $13.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2009 would have been approximately $44.5 million, or $2.06 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $0.64 per share to existing stockholders and an immediate dilution of $10.94 per share to new investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price		$13.00
Net tangible book value per share as of March 31, 2009	$ 2.59	
Decrease per share attributable to conversion of preferred stock	(1.17)	
Pro forma net tangible book value before this offering	1.42	
Increase per share attributable to this offering	0.64	
Pro forma net tangible book value, as adjusted to give effect to this offering		2.06
Dilution in pro forma net tangible book value per share to new investors in this offering		$10.94

A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) the pro forma net tangible book value, as adjusted to give effect to this offering, by $0.07 per share and the dilution to new investors by $0.93 per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated expenses payable by us.

The table below summarizes as of March 31, 2009, on a pro forma as adjusted basis described above, the number of shares of our common stock, the total consideration and the average price per share (i) paid to us by existing stockholders and (ii) to be paid by new investors purchasing our common stock in this offering at an assumed initial public offering price of $13.00 per share.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
	(In thousands, other than percentages)				
Existing stockholders	20,032	92.7%	$78,632	79.4%	$ 3.93
New investors	1,573	7.3	20,445	20.6	13.00
Total	21,605	100.0%	$99,077	100.0%	

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The above discussion and tables are based on 20,031,903 shares of common stock issued and outstanding as of March 31, 2009 and excludes:

- an aggregate of 162,836 additional shares of common stock reserved for issuance under our 1999 Stock Plan;
- 1,240,104 additional shares of common stock, subject to increase on an annual basis, reserved for issuance under our 2009 Equity Incentive Award Plan, which we plan to adopt in connection with this offering;
- 2,402,605 shares of common stock issuable upon the exercise of outstanding options to purchase our common stock granted pursuant to our 1999 Stock Plan at a weighted average exercise price of $7.33 per share; and
- 182,059 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $3.85 per share.

Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to 18,604,587 shares or 86.1% of the total number of shares of our common stock outstanding after this offering. If the underwriters' overallotment option is exercised in full, the number of shares held by the existing stockholders after this offering would be reduced to 84.4% of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors would increase to 3,450,000 or 15.6% of the total number of shares of our common stock outstanding after this offering.

To the extent that any outstanding options or warrants are exercised, new investors will experience further dilution.

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected historical consolidated financial data below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included in this prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included in this prospectus.

The consolidated statements of operations data for the years ended December 31, 2006, 2007 and 2008 and the consolidated balance sheets data as of December 31, 2007 and 2008 are derived from our audited consolidated financial statements included in this prospectus. The consolidated statements of operations data for the years ended December 31, 2004 and 2005 and the consolidated balance sheets data as of December 31, 2004, 2005 and 2006 are derived from our audited consolidated financial statements not included in this prospectus. The unaudited consolidated statements of operations data for the three months ended March 31, 2008 and 2009, and the unaudited consolidated balance sheet data as of March 31, 2009, are derived from our unaudited consolidated financial statements that are included elsewhere in the prospectus. We have prepared the unaudited information on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements and assumes a 1-for-12.5 reverse stock split of our common stock and preferred stock to be effected immediately prior to the effectiveness of our initial public offering registration statement. Results for the three months ended March 31, 2009 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2009. Historical results are not necessarily indicative of the results to be expected in the future.

Pro forma basic net income (loss) per share has been calculated assuming the conversion of all outstanding shares of our preferred stock into 9,075,737 shares of common stock upon the completion of this offering.

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	Years Ended December 31,					Three Months Ended March 31,	
	2004	2005	2006	2007	2008	2008	2009
	(In thousands, except per share amounts)						
Consolidated Statements of Operations Data:							
REVENUES	$10,142	$16,715	$27,168	$41,148	$55,844	$13,263	$15,995
COSTS AND EXPENSES:							
Operations and support(1)	5,588	8,016	9,548	12,603	17,760	4,012	5,106
Sales and marketing(1)	4,944	6,529	7,675	11,326	14,830	3,591	3,798
Technology(1)	2,165	2,969	4,024	5,863	9,511	2,175	2,712
General and administrative(1)	2,898	4,191	5,972	12,212	13,117	3,144	3,547
Total costs and expenses	15,595	21,705	27,219	42,004	55,218	12,922	15,163
Income (loss) from operations	(5,453)	(4,990)	(51)	(856)	626	341	832
Other income, net	(3)	323	421	951	468	180	55
Income (loss) before taxes	(5,456)	(4,667)	370	95	1,094	521	887
Income tax expense (benefit)			176	(9,121)	2,118	608	521
NET INCOME (LOSS)	$ (5,456)	$ (4,667)	$ 194	$ 9,216	$ (1,024)	$ (87)	$ 366
Net income (loss) per share:							
Basic	$ (0.73)	$ (0.55)	$ 0.02	$ 0.97	$ (0.10)	$ (0.01)	$ 0.04
Diluted	$ (0.73)	$ (0.55)	$ 0.01	$ 0.46	$ (0.10)	$ (0.01)	$ 0.02
Weighted average shares outstanding:							
Basic	7,496	8,487	9,132	9,522	10,016	9,850	10,276
Diluted	7,496	8,487	19,523	20,019	10,016	9,850	21,017
Pro forma net income (loss) per share basic and diluted (unaudited)					$ (0.05)		$ 0.02
Pro forma weighted average shares outstanding used in calculating net income (loss) per share (unaudited)							
Basic					19,092		19,352
Diluted					19,092		21,017

(1) Stock-based compensation included in above line items:

Operations and support	$ 31	$ 23	$ 58	$ 290	$ 339	$ 77	$ 86
Sales and marketing	50	36	67	709	878	228	223
Technology	30	50	64	288	694	132	174
General and administrative	76	187	520	1,816	2,059	547	476
Total	$ 187	$ 296	$ 709	$ 3,103	$ 3,970	$ 984	$ 959

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	Years Ended December 31,					Three Months Ended March 31,	
	2004	2005	2006	2007	2008	2008	2009
Other Operational Data:							
Installed restaurants (at period end):							
North America	2,423	3,873	5,583	7,391	9,295	7,823	9,548
International		71	204	470	1,040	581	1,097
Total	2,423	3,944	5,787	7,861	10,335	8,404	10,645
Seated diners (in thousands):							
North America	4,574	8,322	15,171	24,614	33,636	8,395	9,922
International		10	84	244	542	123	186
Total	4,574	8,332	15,255	24,858	34,178	8,518	10,108
Headcount (at period end):							
North America	128	143	152	192	238	206	245
International	3	9	16	34	59	42	55
Total	131	152	168	226	297	248	300

	(In thousands)						
Additional Financial Data:							
Revenues:							
North America	$10,142	$16,618	$26,654	$39,601	$53,065	$12,667	$15,189
International		97	514	1,547	2,779	596	806
Total	$10,142	$16,715	$27,168	$41,148	$55,844	$13,263	$15,995
Income (loss) from operations:							
North America	$ (5,326)	$ (3,373)	$ 3,106	$ 4,974	$ 9,088	$ 2,409	$ 2,326
International	(127)	(1,617)	(3,157)	(5,830)	(8,462)	(2,068)	(1,494)
Total	$ (5,453)	$ (4,990)	$ (51)	$ (856)	$ 626	$ 341	$ 832
Depreciation and amortization:							
North America	$ 645	$ 1,260	$ 2,029	$ 2,817	$ 4,026	$ 877	$ 1,159
International		21	89	184	350	74	104
Total	$ 645	$ 1,281	$ 2,118	$ 3,001	$ 4,376	$ 951	$ 1,263

	As of December 31,					March 31,
	2004	2005	2006	2007	2008	2009
	(In thousands)					
Consolidated Balance Sheets Data:						
Cash and cash equivalents	$ 2,475	$ 8,076	$10,264	$21,661	$ 5,528	$ 12,010

Short-term investments	12,000	504			17,259	13,194
Property and equipment, net	2,316	4,619	6,019	8,378	11,125	11,069
Working capital	12,456	5,389	5,655	9,759	14,745	15,835
Total assets	19,816	17,248	21,124	45,814	50,883	54,587
Dining rewards payable	1,224	2,021	3,499	5,836	8,462	9,221
Convertible preferred stock	21,909	21,909	21,909	21,909	21,909	21,909
Total stockholders' equity	12,552	8,324	8,907	22,485	26,684	28,405

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

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

Overview

We provide solutions that form an online network connecting reservation-taking restaurants and people who dine at those restaurants. Our solutions include our proprietary Electronic Reservation Book, or ERB, for restaurant customers and www.opentable.com, a popular restaurant reservation website for diners. The OpenTable network includes approximately 10,000 OpenTable restaurant customers spanning all 50 states as well as select markets outside of the United States. Since our inception in 1998, we have seated approximately 100 million diners through OpenTable reservations; during the three months ended March 31, 2009, we seated an average of approximately three million diners per month. Restaurants pay us a one-time installation fee for onsite installation and training, a monthly subscription fee for the use of our software and hardware and a fee for each restaurant guest seated through online reservations. Our online restaurant reservation service is free to diners. For the twelve months ended December 31, 2008 and the three months ended March 31, 2009, our net revenues were $55.8 million and $16.0 million, respectively. For the twelve months ended December 31, 2008 and the three months ended March 31, 2009, our subscription revenues accounted for 54% and 52% of our total revenues, respectively, and our reservation revenues accounted for 41% and 43% of our total revenues, respectively.

In 2004, we began to selectively expand outside of North America into countries that are characterized by large numbers of online consumer transactions and reservation-taking restaurants. To date, we have concentrated our international efforts in Germany, Japan and the United Kingdom. Our revenues outside of North America for the twelve months ended December 31, 2008 and the three months ended March 31, 2009, were $2.8 million and $0.8 million, respectively, or 5% and 5% of our total revenues, respectively. We intend to continue to incur substantial expenses in advance of recognizing material related revenues as we attempt to further penetrate our existing international markets and selectively enter new markets. Some international markets may fail to meet our expectations, and we may decide to realign our focus, as we did when we closed our offices in Spain and France in the fourth quarter of 2008.

Basis of Presentation

General

We report consolidated operations in U.S. dollars and operate in two geographic segments: North America and International. The North America segment is comprised of all of our operations in the United States, Canada and Mexico, and the International segment is comprised of all non-North America operations, which includes operations in Europe and Asia.

Revenues

We generate substantially all of our revenues from our restaurant customers; we do not charge any fees to diners. Our revenues include installation fees for our ERB (including training), monthly subscription fees and a fee for each restaurant guest seated through online reservations. Installation fees are recognized on a straight-line basis over an estimated customer life of approximately seven years. Subscription revenues are recognized on a straight-line basis during the contractual period over which the service is delivered to our restaurant customers. Revenues from online reservations are recognized on a transaction basis as the diners are seated by the restaurant. Revenues are shown net of redeemable Dining Points issued to diners as described below in "Dining Rewards Loyalty Program." See "Critical Accounting Policies and Estimates Dining Rewards Loyalty Program" below.

Costs and Expenses

Operations and support. Our operations and support expenses consist primarily of payroll and related costs, including bonuses and stock-based compensation, for those employees associated with installation, support and maintenance for our restaurant customers, as well as costs related to our outsourced call center. Operations and support expenses also include restaurant equipment costs, such as depreciation on restaurant-related hardware, shipping costs related to restaurant equipment, restaurant equipment costs that do not meet the capitalization threshold, referral payments and website connectivity costs. Operations and support expenses also include amortization of capitalized website and development costs (see "Critical Accounting Policies and Estimates Website and Software Development Costs" below). Also included in operations and support expenses are travel and related expenses incurred by the employees providing installation and support services for our restaurant customers, plus allocated facilities costs.

Sales and marketing. Our sales and marketing expenses consist primarily of salaries, benefits and incentive compensation for sales and marketing employees, including stock-based compensation. Also included are expenses for trade shows, public relations and other promotional and marketing activities, travel and entertainment expenses and allocated facilities costs.

Technology. Our technology expenses consist primarily of salaries and benefits, including bonuses and stock-based compensation, for employees and contractors engaged in the development and ongoing maintenance of our website, infrastructure and software, as well as allocated facilities costs.

General and administrative. Our general and administrative costs consist primarily of salaries and benefits, including stock-based compensation, for general and administrative employees and contractors involved in executive, finance, accounting, risk management, human resources and legal roles. In addition, general and administrative costs include consulting, legal, accounting and other professional fees. Bad debt, third party payment processor, credit card, bank processing fees and allocated facilities costs are also included in general and administrative expenses.

Headcount consists of full-time equivalent employees, as well as full-time equivalent contractors, in all of the sections noted below.

Other Income, Net

Other income, net consists primarily of the interest income earned on our cash accounts. Foreign exchange gains and losses are also included in other income, net.

Income Taxes

We are subject to tax in the United States as well as other tax jurisdictions or countries in which we conduct business. Earnings from our non-U.S. activities are subject to local country income tax and may be subject to current U.S. income tax.

As of December 31, 2008, for federal and state tax purposes, we had $10.4 million of federal and $9.8 million of state net operating loss carryforwards available to reduce future taxable income. These net operating loss carryforwards begin to expire in 2023 and 2009 for federal and state tax purposes, respectively. Our ability to use our net operating loss carryforwards to offset any future taxable income will be subject to limitations attributable to equity transactions that resulted in a change of ownership as defined by Section 382 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. We have $15.0 million in unrecognized tax benefits primarily as a result of the limitations on our net operating loss carryforwards. In the event that any unrecognized tax benefits are recognized, the effective tax rate will be affected. Approximately $14.3 million of the unrecognized tax benefit would impact the effective tax rate if recognized. Our policy is to classify interest accrued or penalties related to unrecognized tax benefits as a component of income tax expense. No such interest or penalties have been recorded to date.

Our net deferred tax assets consist primarily of net operating loss carryforwards generated before we achieved profitability. During the fourth quarter of 2007, we concluded that it was more likely than not that we would be able to realize the benefit of these deferred tax assets in the future. Consequently, we recognized a net tax benefit of $9.4 million in the fourth quarter of 2007 resulting primarily from the release of substantially all of the net deferred tax valuation allowance. We based this conclusion on historical and projected operating performance, as well as our expectation that our operations will generate sufficient taxable income in future periods to be able to realize a portion of the tax benefits associated with the deferred tax assets. We will continue to assess the need for a valuation allowance on the deferred tax asset by evaluating both positive and negative evidence that may exist. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement of the periods that the adjustment is determined to be required.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, the points-based loyalty program, website and software development costs, income taxes and stock-based compensation have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, please see Note 2 of the accompanying notes to our consolidated financial statements.

Revenue Recognition

Our revenues include installation fees for our ERB (including training), monthly subscription fees and a fee for each restaurant guest seated through online reservations. We provide our application as a service, and follow the provisions of SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB No. 104) and FASB Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF No. 00-21). We recognize revenue when all of the following conditions are met: there is persuasive evidence of an arrangement; the service has been provided to the customer; the collection of the fees is reasonably assured; and the amount of fees to be paid by the customer is fixed or determinable. Amounts paid by the customer include the right to use our hardware during the service period. Proportionate revenue related to the right to use our hardware accounts for less than 10% of revenues for the periods presented.

Revenues from the installation of our ERB are recognized on a straight-line basis over the estimated customer life, commencing with customer acceptance. The estimated customer life is approximately six years, based on historical restaurant customer termination activity. Estimates made by us may differ from actual customer lives. These differences may materially impact installation and other revenue by increasing or decreasing revenue, depending on whether the estimated customer life decreases or increases. A change in the estimated customer life by one year in either direction would have a minimal impact to total revenue of less than 1%. Subscription revenues are recognized on a straight-line basis during the contractual period over which the service is delivered. Reservation revenues (or per seated diner fees) are recognized on a transaction-by-transaction basis as diners are seated by our restaurant customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenues or revenues, depending on whether the revenue recognition criteria have been met. Revenues are shown net of redeemable Dining Points issued to diners (as described below).

Dining Rewards Loyalty Program

We provide a points-based loyalty program, OpenTable Dining Rewards, to registered diners who book and honor reservations through the OpenTable website. OpenTable Dining Rewards involves the issuance of "Dining Points," which can be accumulated and redeemed for "Dining Cheques." The standard award is 100 points per reservation, but diners can earn 1,000 points for reservations during featured times under the OpenTable Dining Rewards program. When a diner accumulates a minimum of 2,000 points, he or she may redeem them for a $20 Dining Cheque. Every 100 Dining Points is equal to one dollar. Diners may present Dining Cheques at any OpenTable restaurant and their bill is reduced by the cheque amount. The restaurant then deposits the Dining Cheque to its bank.

If a diner does not make a seated reservation within any 12-month period, then his or her account is considered inactive and the Dining Points balance is reset to zero. As is typical with points-based incentive programs, many Dining Points expire unused. In addition, some Dining Cheques are never used. The recorded expense is an estimate of the eventual cash outlay related to the issued Dining Points and is booked at the time the points are earned by the diner (i.e., when the diner is "seated" by the restaurant). We estimate the cost of the issued Dining Points by analyzing historical patterns of redemption and cheque cashing activity. These historical patterns are evaluated in light of any current or proposed program changes that may impact future point redemption. Actual redemption rates could differ from our estimates used in assessing the contra-revenue amounts and corresponding liability. These differences could materially impact reservation revenues. For example, an increase of 10% in the redemption rate as of March 31, 2009 would result in a reduction in revenues of $1.7 million and an increase in the dining rewards payable liability of 18%.

We recognize the cost and a corresponding liability associated with Dining Points as contra-revenue in accordance with EITF Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)* (EITF 01-09) and EITF Issue No. 00-22, *Accounting for "Points" and Certain Other Time- or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future* (EITF 00-22).

Website and Software Development Costs

Costs related to website and internal-use software are accounted for in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1) and EITF Issue No. 00-2, *Accounting for Website Development Costs* (EITF 00-2). Such software is primarily related to our website, including support systems. In accordance with SOP 98-1 and EITF 00-2, we capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated between two to four years. Costs incurred prior to meeting these criteria are expensed as incurred. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and expensed over the estimated useful life of the enhancements.

We follow the guidance in Statement of Financial Accounting Standard No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* (SFAS 86) in accounting for costs incurred in connection with development of the software contained in the ERB used by all restaurant customers, and in a limited number of certain transactions we sell reservation systems that do not include our ongoing service. All costs incurred to establish the technological feasibility of a computer product to be sold, leased or otherwise marketed are expensed as incurred. Costs incurred subsequent to establishing technological feasibility and through general product release are capitalized and amortized over the estimated product life. The period between technological feasibility and general product release is extremely short for us, and the costs incurred during this stage are not considered to be material and are expensed as incurred.

Income Taxes

We record income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We operate in various tax jurisdictions and are subject to audit by various tax authorities. We provide for tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, relevant tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

On January 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48), which supplements FASB Statement No. 109 by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effects of a position be recognized only if it is "more likely than not" to be sustained based solely on its technical merits as of the reporting date. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

With the adoption of FIN 48, companies are required to adjust their financial statements to reflect only those tax positions that are more likely than not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle as of the date of adoption. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns.

Stock-based Compensation

Prior to January 1, 2006, we accounted for stock-based employee compensation arrangements using the intrinsic value method of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and related interpretations, and complied with the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123) as amended by SFAS No. 148, *Accounting for Stock-Based Compensation, Transition and Disclosure, an amendment to SFAS Statement No. 123* (SFAS 148). Under APB 25 compensation expense for employees is based on

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the excess, if any, of the fair value of our common stock over the exercise price of the option on the date of grant.

Effective January 1, 2006, we adopted SFAS No. 123R, *Share-Based Payment* (SFAS No. 123R), which requires compensation expense related to share-based transactions, including employee stock options, to be measured and recognized in the financial statements based on fair value. SFAS No. 123R revises SFAS No. 123, as amended, and supersedes APB 25. We adopted SFAS No. 123R using the modified prospective method. Under modified prospective application, SFAS No. 123R applies to new awards and to awards modified, repurchased or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date are recognized as the requisite service is rendered on or after the required effective date. The compensation expense for that portion of awards is based on the grant-date fair value of those awards. The compensation expense for awards with grant dates prior to January 1, 2006, are attributed to periods beginning on or after the effective date using the attribution method that was used under SFAS No. 123, except that the method of recognizing forfeitures only as they occur is not continued.

We are using the graded vesting attribution method prescribed by SFAS No. 123R, over the option vesting period, for all options granted on or after January 1, 2006. All options granted prior to 2006 are being amortized using a straight-line method.

The fair values of the common stock underlying stock options granted during the fourth quarter of 2007 and 2008 were estimated by our board of directors, which intended all options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the date of grant. In the absence of a public trading market, our board of directors considered numerous objective and subjective factors to determine its best estimate of the fair market value of our common stock as of the date of each option grant, including but not limited to, the following factors: (i) the rights, preferences and privileges of our preferred stock relative to the common stock; (ii) our performance and stage of development; (iii) valuations of our common stock; and (iv) the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of our company, given prevailing market conditions. The assumptions we use in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

In April 2008, in connection with the preparation of our consolidated financial statements, we performed a retrospective analysis to reassess the fair value of our common stock at certain option grant dates for financial reporting purposes. We performed a retrospective valuation analysis as of December 2007 and March 2008. The valuation analysis consisted of two major steps: the estimation of the aggregate value of the entire company (referred to as Business Enterprise Value, or BEV) and the allocation of this aggregate value to each element of the contemporary capital structure (preferred stock, common stock, options and warrants). As described below, the BEV was estimated using a combination of income and market-based methods. The allocation of the BEV to equity classes was performed using an option-based method as of each valuation date.

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value

In determining the fair value of our BEV and common stock, we used a combination of the income approach and the market approach to estimate our aggregate BEV at each valuation date: December 2007 and March 2008.

The income approach is an estimate of the present value of the future monetary benefits expected to flow to the owners of a business. It requires a projection of the cash flows that the business is expected to generate over a forecast period and an estimate of the present value of cash flows beyond that period, which is referred to as residual value. These cash flows are converted to present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risks inherent in the business. The market approach considers multiples of financial metrics based on both acquisitions and trading multiples of a peer group of companies. These multiples are then applied to our financial metrics to derive an indication of value.

Our indicated BEV at each valuation date was then allocated to the shares of redeemable convertible preferred stock, warrants to purchase shares of redeemable convertible preferred stock, and common stock, using a contingent claim methodology. This methodology treats the various components of our capital structure as a series of call options on the proceeds expected from the sale of the company or the liquidation of our assets at some future date. These call options are then valued using the Black-Scholes option pricing model. This model defines the securities' fair values as functions of the current fair value of the company and assumptions based on the securities' rights and preferences. As a result, the option-pricing method requires assumptions regarding the anticipated timing of a potential liquidity event, such as an initial public offering, and the estimated volatility of our equity securities. The anticipated timing of a liquidity event utilized in these valuations was based on then current plans and estimates of our board of directors and management regarding an initial public offering. Estimates of the volatility of our stock were based on available information on the volatility of capital stock of comparable publicly traded companies.

Common Stock Valuations

We granted stock options with the following exercise prices during the twelve months ended December 31, 2008:

Option Grant Dates	**Number of Shares Underlying Options**	**Exercise Price Per Share**	**Fair Market Value Per Underlying Share as of Grant Date**	**Intrinsic Value**
March 2008	398,446	$ 7.75	$ 10.63	$ 2.88
May 2008	48,000	10.63	10.63	
December 2008	115,400	10.63	10.63	

No stock options were granted in the three months ended March 31, 2009.

In determining the fair value of our BEV and common stock, we conducted retrospective valuations using the approaches mentioned above. These valuations resulted in estimated fair value of our common stock for accounting purposes of $10.63 per share at March 2008.

Under SFAS No. 123R, the fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. We determined weighted average valuation assumptions as follows:

Volatility. As we do not have a trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the median historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the technology industry similar in size, stage of life cycle and financial leverage. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low.

Expected term. The expected term was estimated using the simplified method allowed under SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*.

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Risk free rate. The risk free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

Forfeiture rate. We estimated the forfeiture rate using our historical experience with forfeitures. We review the estimated forfeiture rates each period end and make changes as factors affecting the forfeiture rate calculations and assumptions change.

Dividend yield. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

The following table summarizes the assumptions relating to our stock options for the year ended December 31, 2008:

	Year Ended December 31, 2008
Dividend yield	0%
Volatility	55%
Risk free interest rate	1.54%-3.34%
Expected term, in years	5.92-6.53

No stock options were granted in the three months ended March 31, 2009.

Using the Black-Scholes option pricing model, we recorded non-cash stock-based compensation expenses related to employee stock options granted of approximately $4.0 million in 2008 and approximately $1.0 million for the three months ended March 31, 2009, in accordance with the requirements of SFAS No. 123R.

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Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our revenues for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Years Ended December 31,			Three Months Ended March 31,	
	2006	2007	2008	2008	2009
	(In thousands, except per share amounts)				
REVENUES	$ 27,168	$ 41,148	$ 55,844	$ 13,263	$ 15,995
COSTS AND EXPENSES:					
Operations and support(1)	9,548	12,603	17,760	4,012	5,106
Sales and marketing(1)	7,675	11,326	14,830	3,591	3,798
Technology(1)	4,024	5,863	9,511	2,175	2,712
General and administrative(1)	5,972	12,212	13,117	3,144	3,547
Total costs and expenses	27,219	42,004	55,218	12,922	15,163
Income (loss) from operations	(51)	(856)	626	341	832
Other income, net	421	951	468	180	55
Income before taxes	370	95	1,094	521	887
Income tax expense (benefit)	176	(9,121)	2,118	608	521
NET INCOME (LOSS)	$ 194	$ 9,216	$ (1,024)	$ (87)	$ 366
Net income (loss) per share:					
Basic	$ 0.02	$ 0.97	$ (0.10)	$ (0.01)	$ 0.04
Diluted	$ 0.01	$ 0.46	$ (0.10)	$ (0.01)	$ 0.02
Weighted average shares outstanding:					
Basic	9,132	9,522	10,016	9,850	10,276
Diluted	19,523	20,019	10,016	9,850	21,017

(1) Stock-based compensation included in above line items:

Operations and support	$ 58	$ 290	$ 339	$ 77	$ 86
Sales and marketing	67	709	878	228	223
Technology	64	288	694	132	174
General and administrative	520	1,816	2,059	547	476
Total	$ 709	$ 3,103	$ 3,970	$ 984	$ 959

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	Years Ended December 31,			Three Months Ended March 31,	
	2006	2007	2008	2008	2009
Other Operational Data:					
Installed restaurants (at period end):					
North America	5,583	7,391	9,295	7,823	9,548
International	204	470	1,040	581	1,097
Total	5,787	7,861	10,335	8,404	10,645
Seated diners (in thousands):					
North America	15,171	24,614	33,636	8,395	9,922
International	84	244	542	123	186
Total	15,255	24,858	34,178	8,518	10,108
Headcount (at period end):					
North America	152	192	238	206	245
International	16	34	59	42	55
Total	168	226	297	248	300

			(In thousands)		
Additional Financial Data:					
Revenues:					
North America	$ 26,654	$ 39,601	$ 53,065	$ 12,667	$ 15,189
International	514	1,547	2,779	596	806
Total	$ 27,168	$ 41,148	$ 55,844	$ 13,263	$ 15,995
Income (loss) from operations:					
North America	$ 3,106	$ 4,974	$ 9,088	$ 2,409	$ 2,326
International	(3,157)	(5,830)	(8,462)	(2,068)	(1,494)
Total	$ (51)	$ (856)	$ 626	$ 341	$ 832
Depreciation and amortization:					
North America	$ 2,029	$ 2,817	$ 4,026	$ 877	$ 1,159
International	89	184	350	74	104
Total	$ 2,118	$ 3,001	$ 4,376	$ 951	$ 1,263

	Years Ended December 31,			Three Months Ended March 31,	
	2006	2007	2008	2008	2009
	(As a percentage of revenues)				
REVENUES	100%	100%	100%	100%	100%

COSTS AND EXPENSES:					
Operations and support	35	31	32	30	32
Sales and marketing	28	27	27	28	24
Technology	15	14	17	16	17
General and administrative	22	30	23	24	22
Total costs and expenses	100	102	99	98	95
Income (loss) from operations	(0)	(2)	1	2	5
Other income, net	2	2	1	2	0
Income before taxes	2	0	2	4	5
Income tax expense (benefit)	1	(22)	4	5	3
NET INCOME (LOSS)	1%	22%	(2)%	(1)%	2%

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Three Months Ended March 31, 2008 and 2009

Revenues

	Three Months Ended March 31, 2008	2009	% Change
	(Dollars in thousands)		
Installed restaurants (at period end):			
North America	7,823	9,548	22%
International	581	1,097	89
Total	8,404	10,645	27%