Initial Public Offering

WEBHELP INC.   WEBHELP CANADA INC.

Cdn. $ ●

An Aggregate of ● Shares of Common Stock of Webhelp Inc. and Exchangeable Shares of Webhelp Canada Inc.

This offering consists of an initial public offering by Webhelp Inc. ("Webhelp") of shares of its Common Stock ("Common Stock") and by Webhelp Canada Inc., an indirect, wholly owned subsidiary of Webhelp ("Webhelp Canada"), of its Exchangeable Shares ("Exchangeable Shares", and together with the Common Stock, the "Offered Securities"). Webhelp and Webhelp Canada will sell an aggregate of ● shares of Common Stock and Exchangeable Shares in this offering.

Each Exchangeable Share is exchangeable, at the option of the holder, at any time without further payment for one share of Common Stock. Holders of Exchangeable Shares will be entitled to voting, dividend and liquidation rights that, as nearly as practicable, are functionally and economically equivalent to those of holders of the Common Stock.

There is currently no market through which the Common Stock or Exchangeable Shares may be sold. Webhelp will apply for the listing of the Common Stock and Webhelp Canada will apply for the listing of the Exchangeable Shares on The Toronto Stock Exchange (the "TSE") under the symbols "WHP" and "WHX", respectively. Listing is subject to fulfilling the requirements of the TSE, including distribution of the Offered Securities to a minimum number of public shareholders. The offering price of the Offered Securities has been determined by negotiation between Webhelp, Webhelp Canada and CIBC World Markets Inc., RBC Dominion Securities Inc. and Yorkton Securities Inc. (the "Underwriters"). See "Plan of Distribution". **The offering price of each Offered Security, after giving effect to this offering and assuming the exchange of all Exchangeable Shares for Common Stock, exceeds the consolidated net tangible book value of Webhelp's Common Stock as at September 30, 2000 by U.S. $ ● , resulting in a dilution factor of ● %. See "Dilution".**

An investment in the Offered Securities is subject to a number of risks, which should be carefully reviewed by prospective purchasers. See "Risk Factors".

Price: Cdn. $ ● per share of Common Stock
Cdn. $ ● per Exchangeable Share

	Price to Public	Underwriters' Fee[(1)]	Combined Net Proceeds[(2)]
Per share of Common Stock	Cdn. $ ●	Cdn. $ ●	Cdn. $ ●
Per Exchangeable Share	Cdn. $ ●	Cdn. $ ●	Cdn. $ ●
Total[(3)]	Cdn. $ ●	Cdn. $ ●	Cdn. $ ●

(1) As additional compensation to the Underwriters, we have agreed to issue compensation options to the Underwriters entitling them to acquire that number of Offered Securities equal to 10% of the number of the Offered Securities sold in this offering at an exercise price equal to $ ● per Offered Security ("Compensation Options"). One-half of the Compensation Options are exercisable 30 days after the closing of the offering and for a period of 24 months thereafter and the other one-half are exercisable 12 months after the closing of the offering and for a period of 24 months thereafter. This prospectus also qualifies the distribution of one-half of the Compensation Options to be issued to the Underwriters. See "Plan of Distribution".

(2) Before deducting expenses of this offering estimated to be $ ● , which will be paid by Webhelp and Webhelp Canada out of the proceeds of this offering.

(3) Webhelp and Webhelp Canada have granted an over-allotment option to the Underwriters exercisable within 30 days from the completion of this offering to purchase a maximum of ● additional Offered Securities on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised in full, the total Price to Public, Underwriters' Fee and Combined Net Proceeds will be Cdn. $ ● , Cdn. $ ● and Cdn. $ ● , respectively. This prospectus also qualifies the distribution of the Offered Securities issuable upon exercise by the Underwriters of the over-allotment option.

This prospectus qualifies the distribution of the Common Stock and the Exchangeable Shares, as well as the Call Rights and the Ancillary Rights, which are described under "Details of the Offering". Webhelp Canada may redeem all outstanding Exchangeable Shares after September 30, 2015 for a price per share equal to the Redemption Price. In certain circumstances, the Exchangeable Shares may be redeemed on an earlier date. See "Details of the Offering".

The Underwriters, as principals, conditionally offer the Common Stock and the Exchangeable Shares, subject to prior sale, if, as and when issued by Webhelp and Webhelp Canada, respectively, and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Webhelp and Webhelp Canada by Torys and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

Subscriptions for the Offered Securities will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on ● , 2000 or on such other date as Webhelp, Webhelp Canada and the Underwriters may agree, but not later than ● , 2000, and that certificates representing the Common Stock and the Exchangeable Shares will be available for delivery on or about closing. **An affiliate of one of the Underwriters, CIBC World Markets Inc., is a shareholder of Webhelp. Accordingly, Webhelp and Webhelp Canada may be considered to be connected issuers of CIBC World Markets Inc. under applicable securities legislation. See "Certain Transactions — Issuance of Series B Convertible Preferred Stock and Warrants" and "Plan of Distribution".**

enabling online communication

Real-time interaction • Customized live chat and self-service interface • Page-push technology • Whiteboarding • Form sharing capability • Proactive chat • Customer acknowledgment • Scripted Automated Response • Customized interface • Customer history • Knowledgebase creation, management & refinement • Membership management • Payment processing • Skills-based routing and intelligent workflow • Quality assurance • Detailed reporting • Intelligent routing and response

P2P *Engage*

Live Chat

A turnkey outsourced solution that provides a direct link on a client's Web site for customers to engage in live chat with an Online Service Professional (OSP) trained in its products and business. Person-to-Person (P2P) Engage provides all the management, staffing, training and technology clients need to deliver seamless, real-time human assistance to online customers.

P2P *Enhance*

E-mail Management

An outsourced customer support solution that manages clients' customer e-mail and Web-form inquiries quickly, efficiently and personally.

P2P *Enable*

Self-Service

An outsourced online customer support solution that combines person-to-person communication with a customer knowledgebase to create a self-service customer support option on clients' Web sites. Customers can key-in their queries and search the knowledgebase themselves using a natural language search engine, or take the option of escalating to a live OSP.

P2P *Empower*

Hosted Technology

Webhelp's hosted software solution allows clients to Web-enable their existing customer support center quickly and cost-effectively. Companies can license the technology that powers P2P Engage and add the advanced Web-based functions their customer service reps need to service online customers. P2P Empower is fully accessible through a standard Web browser and Internet connection.

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Unless the context requires otherwise, references in this prospectus to:

- "we", "our", "us" and similar expressions are to Webhelp and its subsidiaries, including Webhelp Canada Inc. and iSpoke.com Inc.; and
- "Offered Securities" are to the Common Stock of Webhelp and the Exchangeable Shares of Webhelp Canada being offered under this prospectus.

Information contained in our Web site is not part of this prospectus and should not be relied upon for the purposes of determining whether to invest in the Offered Securities.

The following trademarks of Webhelp are used throughout this prospectus: Webhelp, Webhelp Express, Web Wizard, Webhelp Direct and Real People. Real Answers. Real Time. This prospectus also contains trademarks and registered trademarks of companies other than Webhelp.

PROSPECTUS SUMMARY

This summary highlights certain information contained in other parts of this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in the Offered Securities. You should read the entire prospectus carefully.

Webhelp

We have developed proprietary technology and service offerings that enable us to provide live, human-assisted customer, sales and technical support for businesses and their customers over the Internet.

Our primary service is live Web-based chat support which we provide to our clients 24 hours a day, seven days a week using our Internet-based technology platform. Our technology platform routes text-based chat engagements through our network of more than 600 trained agents known as "Online Service Professionals". These Online Service Professionals, who generally work for third party providers outside of North America, provide this service for us on an exclusive basis. Our Online Service Professionals help the customers of our corporate clients by answering their questions on topics such as how to navigate our clients' Web sites, how to locate products and services and how to complete online purchases. We also provide services to our corporate clients through our professional services team in the form of program development, customer feedback, training and operations management.

In March 2000, we began to offer our products and services to corporate clients under the name Webhelp Direct. In October 2000, we expanded our service offering to offer a suite of Webhelp Direct services marketed as Webhelp P2P. Our services include live Web-based chat, e-mail management, Internet self-service as well as licensing of our technology on a hosted basis to allow customers to provide Web-based chat using their own people.

We sell our Webhelp Direct services primarily through our direct sales force of 40 individuals. We target organizations that sell to or service a large online customer base. We currently have 16 clients and have implemented our service offerings for customers including Microsoft, America Online, Norelco, Aveo, Community Connect and LessonLink. In addition, we have recently entered into agreements to provide our services to customers including Petersons and GE Capital.

As a result of the growing acceptance of the Internet as a commercial medium, businesses are increasingly finding that forming and maintaining strong customer relationships through online sales and support are critical. By bringing together our technology platform, our network of Online Service Professionals and our professional services team, we believe that we can offer online users of corporate clients' Web sites a human element to customer service that is not available on most Web sites.

To remain competitive, many companies are outsourcing their customer services in order to reduce costs, increase efficiencies and refocus critical resources. As a result, we believe that a significant opportunity exists for live Webhelp Direct services over the Internet. We believe that our Webhelp Direct services provide our clients with a number of benefits, including:

- the ability to increase e-commerce revenue by using our services to facilitate the buying process and increase the likelihood of a completed purchase;
- improved online consumer satisfaction, customer retention and brand loyalty;
- improved understanding of their customers;
- an outsourced offering that integrates technology, tools and services without the need for clients to purchase hardware or software or train personnel; and
- an increase in the amount of time that a customer will spend on a client's Web site ("stickiness") by communicating with the consumer while the consumer remains on the client's Web site.

In addition to our Webhelp Direct service, we operate a consumer portal located at *www.webhelp.com*, which was launched on November 30, 1999. On our Webhelp portal, our consumer focused Online Service Professionals (also known as "Web Wizard professionals") provide individual users with live, human-assisted search services to locate products, services and content on the Internet. We use our Webhelp portal primarily as a training tool for new Online Service Professionals, as a way to test new technology applications, as a marketing tool for prospective clients, and as a source of advertising revenue.

Our principal and head offices are located at 175 Bloor Street East, North Tower, Suite 400, Toronto, Ontario, Canada M4W 3R8. Our telephone number is (416) 932-2345.

The Offering

Offered Securities: An aggregate of ● shares of Common Stock of Webhelp and Exchangeable Shares of Webhelp Canada.

Use of Proceeds: We expect that we will use approximately $ ● million to fund operating activities, and in particular, to expand our sales and marketing efforts, approximately $ ● million to establish one or more additional company managed Web Centers, to further enhance our technology, to develop new service offerings and to purchase fixed assets for internal use, and the balance for working capital requirements and general corporate purposes. From time to time we will consider acquisition opportunities and we may use a portion of the proceeds of this offering to fund all or a portion of the purchase price of acquisitions.

Exchangeable Shares: *Exchange Privilege:* Each Exchangeable Share is exchangeable at the holder's option at any time, without further payment, for one share of Common Stock and is required to be exchanged on the occurrence of certain events. Holders of Exchangeable Shares will have certain rights to receive Common Stock in the event of any liquidation, dissolution or winding-up of Webhelp Canada or Webhelp, or any other distribution of the assets of Webhelp Canada or Webhelp for the purpose of winding-up their respective affairs. See "Details of the Offering — Voting, Dividend and Liquidation Rights".

Voting Rights: On closing of this offering, Webhelp, Webhelp Canada and a trustee will enter into the Voting and Exchange Trust Agreement under which one share of special voting stock of Webhelp will be held by the trustee for the benefit of the holders of Exchangeable Shares. The special voting share will have attached to it that number of votes, which may be cast at any meeting at which holders of Common Stock are entitled to vote, equal to the number of Exchangeable Shares outstanding from time to time, other than Exchangeable Shares held by Webhelp and its affiliates. By furnishing instructions to the trustee, holders of Exchangeable Shares will have functionally equivalent voting rights with respect to Webhelp as they would have upon an exchange of Exchangeable Shares for shares of Common Stock. See "Details of the Offering — Voting, Dividend and Liquidation Rights".

Support Obligation: Under the Exchangeable Share Support Agreement, Webhelp will agree to take any steps necessary to maintain the economic equivalency of the Common Stock and the Exchangeable Shares. Specifically, Webhelp will not declare and pay dividends on its Common Stock unless Webhelp Canada is able to declare and pay equivalent dividends on the Exchangeable Shares and declares and pays such dividends. Webhelp will also take all actions necessary to permit Webhelp Canada and Webhelp's subsidiary, Webhelp Nova Scotia, to make payments or deliveries of Common Stock to holders of Exchangeable Shares in connection with payments on exchanges or redemptions or on the liquidation, dissolution or winding-up of Webhelp Canada. See "Details of the Offering — Support Obligation".

	Redemption: The Exchangeable Shares will be redeemable by Webhelp Canada after September 30, 2015. The Exchangeable Shares will be redeemable earlier in certain circumstances, including there being fewer than ● Exchangeable Shares outstanding, other than Exchangeable Shares held by Webhelp or its affiliates. See "Details of the Offering — Redemption".
Income Tax Considerations:	On the closing date, the Exchangeable Shares will be qualified investments under the Canadian Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans and will not constitute foreign property under such Act. On the closing date, the Common Stock will be a qualified investment, but will constitute foreign property, under the Canadian Tax Act. See "Eligibility for Investment" and "Canadian Federal Income Tax Considerations".
Proposed Toronto Stock Exchange symbols:	
Common Stock:	WHP
Exchangeable Shares:	WHX

Except as noted otherwise, all information in this prospectus assumes:

- no exercise of the Underwriters' over-allotment option or Compensation Options; and
- the automatic conversion of all outstanding preferred stock of Webhelp into 11,209,722 shares of Common Stock upon the closing of this offering.

Risk Factors

Investment in the Offered Securities is subject to risks that prospective investors should carefully consider. These risk factors include: novel and unproven services and business model; volatility of operating results; limited operating history; history of significant losses; net losses and negative cash flows from operations; potential failure to attract, transition and retain clients; potential failure of services becoming broadly accepted; few barriers to entry by competition; competition in online customer support; expansion into the area of e-commerce; uncertainty of ability to increase advertising rates and revenues; uncertainty of ability to deliver or measure the delivery of advertisements reliably; failure or inadequate capacity of our systems; potential failure to establish and maintain market share; potential failure of third-party hardware, software and services; failure of costly brand development strategy; dependence on key personnel; potential inability to effectively manage our growth; failure to add or retain corporate customers; need for additional capital; potential dilution due to additional issuances of securities after the offering; potential inability to successfully expand internally and to integrate acquisitions or investments; location of our Online Service Professionals in India and possible economic sanctions; potential liability for withholding taxes and employee benefit expenses if our Online Service Professionals are deemed to be our employees; potential technological competition; dependence on our intellectual property and potential for intellectual property litigation; growth and commercial acceptance of the Internet; potential Internet security concerns; privacy concerns about our users' personal information; dependence on and potential liability for third-party content retrieved from the Internet; possible regulation of the Internet and potential costs of compliance; possible wide fluctuation in market price of the Offered Securities; potential failure to meet the expectations of public market analysts and investors; seasonality of operating results; concentrated ownership may discourage bids to purchase the Offered Securities; provisions of Delaware law and our certificate of incorporation and by-laws could discourage or delay offers to purchase the Offered Securities; no prior public market for the Offered Securities; immediate and substantial dilution to purchasers of the Offered Securities in the offering; the fact that we do not pay dividends; the fact that, after the offering, our officers, directors and their affiliates will be able to control the election of directors and other matters requiring shareholder approval; inability to integrate any future businesses or technology; inability to expand internationally; lack of operating experience in international markets; potential failure to attract and retain qualified Online Service Professionals in India; failure of the communications technological infrastructure in India; end of tax moratorium on e-commerce transactions; sale of a large number of Offered Securities after this offering could adversely impact the market price of the Offered Securities; the possible inability to exercise the exchange rights to acquire Common Stock for delivery on a normal settlement cycle; the differing Canadian federal income tax consequences of redemption of the Exchangeable Shares as opposed to a purchase; the possible inability of Webhelp Canada to redeem the Exchangeable Shares in exchange for Common Stock, which would result in investors holding "foreign property" for purpose of the Canadian Tax Act; and your possible inability to enforce civil liabilities. See "Risk Factors".

Summary of Consolidated Historical Financial Information

The summary consolidated financial data set forth below is only a summary and you should read it together with "Selected Consolidated Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	For the period May 27, 1999 to December 31, 1999	Nine months ended September 30, 2000
Statement of Operations Data and Balance Sheet Data:		
Revenue	$ 29,857	$ 2,008,078
Gross profit (loss)	(815,059)	(4,977,123)
Operating loss	(4,875,834)	(21,552,869)
Net loss and comprehensive loss for the period	$(4,905,987)	$(20,879,280)
Net loss per share basic and diluted	$ (0.57)	$ (2.27)
Weighted average number of shares outstanding used to compute basic and diluted net loss per share	8,578,630	9,205,794
Pro forma net loss per share basic and diluted	$ (0.57)	$ (1.32)
Weighted average number of shares outstanding used to compute pro forma basic and diluted net loss per share	8,658,003	15,874,126

	September 30, 2000		
	Actual	Pro Forma(1)(2)	As Adjusted(3)
Balance Sheet Data:			
Cash and cash equivalents	$ 7,364,222	$12,364,222	$ ●
Working capital	3,700,383	8,700,383	●
Total assets	18,425,172	23,425,172	●
Obligations under capital lease, net of current portion	102,004	102,004	●
Redeemable convertible preferred stock	37,590,413	0	●
Total stockholders' equity (deficiency)	$(28,360,295)	$14,230,118	$ ●

(1) Reflects an amendment to the Series A and Series B Convertible Preferred Stock on October 24, 2000 to issue 611,888 shares of Series B Convertible Preferred Stock to an affiliate of CIBC World Markets Inc. at a price of $8.17 per share for total cash consideration of $5.0 million; to amend the conversion rate of the Series A Convertible Preferred Stock from 0.357 for 1 to 0.393 for 1; to amend the conversion rate of the Series B Convertible Preferred Stock from 0.357 for 1 to 1.241 for 1; and the conversion of all of the outstanding preferred stock of Webhelp into 11,209,722 shares of Common Stock upon the closing of this offering.

(2) The number of shares of Common Stock as of September 30, 2000 excludes options outstanding as of October 20, 2000 to acquire 1,106,911 shares of Common Stock and warrants to purchase ● shares of Common Stock. See "Options to Purchase Common Stock" and "Certain Transactions — Issuance of Series B Convertible Preferred Stock and Warrants" and notes 10(b) and 16 to the consolidated financial statements.

(3) As Adjusted reflects the Pro Forma amounts adjusted for the sale of the Offered Securities after deducting estimated offering expenses.

PRESENTATION OF OUR FINANCIAL AND OTHER INFORMATION

Unless we indicate otherwise, financial information in this prospectus has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). U.S. GAAP differs in some significant respects from Canadian GAAP and thus our financial statements may not be comparable to the financial statements of Canadian companies. The principal differences as they apply to us are summarized in note 15 to our consolidated financial statements.

There are no separate financial statements for Webhelp Canada. Its financial information is included in Webhelp's consolidated financial statements.

We present our financial information in U.S. dollars. In this prospectus, except where we indicate, all dollar amounts are in U.S. dollars. Reference to "$" or "U.S. $" are to U.S. dollars and references to "Cdn. $" are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" and elsewhere in this prospectus constitute forward-looking statements. These statements include, among others, the following: use of proceeds; projected increases in sales and marketing, research and development and capital expenditures; liquidity; our planned international expansion; our strategy of enhancing our current products and services and expanding into new products and services; our efforts to increase brand awareness; our development of strategic acquisitions and joint ventures; and our strategy to encourage widespread adoption of our services and to make the Webhelp Direct service a preferred customer relationship management platform.

We have based these forward-looking statements on our current expectations and projections about future events. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of these terms or other comparable terminology. The forward-looking statements contained in this prospectus involve known and unknown risks, uncertainties and other factors that may cause industry trends or our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These factors include, among others, those listed under "Risk Factors" and elsewhere in this prospectus.

In addition, this prospectus includes data relating to the Internet industry, e-commerce and the Internet-based search engine market. Some of this data was obtained from industry publications and reports, such as reports by International Data Corporation, NFO Interactive, Net Effect Systems and Forrester Research, Inc. These reports assume certain events, trends and activities will occur and they project information based on those assumptions.

We cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus.

NOTICE TO INVESTORS

Webhelp and Webhelp Canada intend to apply for decisions from Canadian securities regulatory authorities which exempt Webhelp Canada and certain of its insiders from certain statutory financial and reporting requirements under provincial securities legislation, provided that Webhelp, and insiders of Webhelp Canada who are also insiders of Webhelp, file all documents they are required to file with provincial securities regulatory authorities. If these decisions are granted, you will not receive continuous disclosure materials, such as interim and annual financial statements and annual reports, relating to Webhelp Canada. Instead, you will receive copies of disclosure material provided by Webhelp to its stockholders in accordance with the requirements of the Canadian securities regulatory authorities.

ELIGIBILITY FOR INVESTMENT

Eligibility of the Common Stock and the Exchangeable Shares for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, when applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
An Act Respecting Insurance (Québec) (for an insurer, as defined therein, constituted under the laws of the Province of Québec other than a guarantee fund)
Supplemental Pension Plans Act (Québec)
Pension Benefits Act (Ontario)
Loan and Trust Corporations Act (Ontario)
The Insurance Act (Manitoba)
Trustee Act (Manitoba)
An Act respecting trust companies and saving companies (Québec) (for saving companies investing their own funds, and by trust companies investing their own funds and deposits received by them)

In the opinion of Torys and Blake, Cassels & Graydon LLP, the Common Stock and Exchangeable Shares, if, as and when listed on a prescribed stock exchange, will be qualified investments under the *Income Tax Act* (Canada) (the "Canadian Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "deferred income plans"). The Ancillary Rights (see "Details of the Offering") will not be qualified investments under the Canadian Tax Act and will be foreign property under the Canadian Tax Act. However, Webhelp Canada is of the view, and has advised counsel, that the fair market value of the Ancillary Rights is nominal. Registered education savings plans become revocable upon acquiring any non-qualified investments and, accordingly, Exchangeable Shares are not suitable investments for trusts governed by registered education savings plans. On the closing date, based in part on a certificate of an officer of Webhelp Canada as to certain factual matters, the Exchangeable Shares will not be foreign property under the Canadian Tax Act for deferred income plans and certain other persons to whom Part XI of the Canadian Tax Act is applicable provided that the Exchangeable Shares are listed on a prescribed stock exchange in Canada (which includes the TSE). The Common Stock will be qualified investments for deferred income plans and for trusts governed by registered education savings plans, if as and when listed on a prescribed stock exchange and will be foreign property under the Canadian Tax Act. See "Canadian Federal Income Tax Considerations — Qualified Investments and Foreign Property".

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning exchange rates for one United States dollar expressed in Canadian dollars, based on the Bank of Canada's noon buying rate for transfers in Canadian dollars.

	Twelve months ended December 31, 1999	Nine months ended September 30, 2000
High	1.5092	1.5070
Low	1.4433	1.4488
Average	1.4826	1.4753

The average noon buying rate is derived by taking the average of the noon buying rate on the last business day of each month during the relevant period.

On October 23, 2000, the Bank of Canada's noon buying rate for United States dollars expressed in Canadian dollars was 1.5083.

WEBHELP

Our principal and head offices are located at 175 Bloor Street East, North Tower, Suite 400, Toronto, Ontario, Canada M4W 3R8.

Webhelp was incorporated under the laws of the State of Delaware on May 27, 1999. Its certificate of incorporation has been amended to reflect certain changes to its authorized capital and the terms and conditions of the preferred stock and Common Stock. See "Certain Transactions".

Webhelp Canada was incorporated under the laws of Ontario on November 19, 1999.

BUSINESS

Overview

We have developed proprietary technology and service offerings that enable us to provide live, human-assisted customer, sales and technical support for businesses and their customers over the Internet.

In March 2000, we began to offer our products and services to corporate clients under the name Webhelp Direct. In October 2000, we expanded our service offering to a suite of Webhelp Direct services marketed as Webhelp P2P. Our services include live Web-based interactive chat (Webhelp P2P Engage), e-mail management (Webhelp P2P Enhance), Internet self-service (Webhelp P2P Enable) as well as a licensing of our technology on a hosted basis to allow customers to provide Web-based chat using their own people (Webhelp P2P Empower).

Our primary service is live Web-based chat support which we provide to our clients 24 hours a day, seven days a week using our Internet-based technology platform. Our technology platform routes text-based chat engagements through our network of more than 600 trained agents known as "Online Service Professionals". This network of Online Service Professionals, who generally work for third party providers outside of North America, work for us on an exclusive basis. We train these Online Service Professionals in customer service and advanced Internet search techniques and closely monitor their performance. Our Online Service Professionals help the customers of our corporate clients by answering their questions on topics such as how to navigate our clients' Web sites, how to locate products and services and how to complete online purchases. Currently, more than 90% of our Online Service Professionals are based in India working with three different companies under contract to Webhelp. We believe that by outsourcing this part of our service offering to a region with a cost structure lower than that available in North America, and by taking advantage of opportunities to spread people's availability across multiple service offerings, we are able to provide our customers a lower cost service than they would be able to obtain themselves, or by outsourcing this function in North America.

We also provide services to our corporate clients through our professional services team in the form of program development, customer feedback, training and operations management. Our professional services team include people experienced in customer service, quality assurance, program development and training.

We provide services to our clients using our technology platform which includes proprietary knowledge base and payment processing components, allowing us to provide a wide range of customer functions. The architecture of our technology platform allows us to support multiple customers and run multiple applications (for example, chat and e-mail applications) over a single technology infrastructure. Our technology platform is designed to be easily expanded and stable. Since the entire platform is Internet-based, we are not bound by geography and our clients do not need to purchase hardware or software to connect to the platform.

We believe that chat based support over the Internet provides advantages over other forms of customer support and will become increasing important as a form of online customer service. By bringing together our technology platform, our network of Online Service Providers and our professional services team, we believe that we can offer online users of corporate clients' Web sites a human element that is generally unavailable on most Web sites.

We sell our Webhelp Direct services primarily through our direct sales force of 40 individuals. We also have limited agreements relating to the reselling of our services, and plan to increase our indirect sales channel as a means to increase our access to customers. We target organizations that sell to or service a large online customer base. We currently have 16 clients and have implemented our services offerings for and are generating revenue from nine of these clients, including Microsoft, America Online, Norelco, Aveo, Community Connect and LessonLink. In addition, we have recently entered into agreements to provide our services to Petersons and GE Capital.

In addition to our Webhelp Direct service, we operate a consumer portal located at *www.webhelp.com*. On our Webhelp portal, our consumer focused Online Service Professionals (also known as "Web Wizard professionals") provide individual users with live, human-assisted search services to locate products, services and content on the Internet. We use our Webhelp portal primarily as a training tool for new Online Service Professionals, as a way to test new technology applications, as a marketing tool for prospective clients, and as a source of advertising revenue.

Industry Background

The Internet has become an important medium through which millions of people and businesses communicate, share information and conduct commerce. International Data Corporation, or IDC, estimates that the number of Internet users worldwide will increase from approximately 240 million in 1999 to approximately 602 million in 2003. In addition, IDC estimates that revenue from global e-commerce will grow from approximately $131 billion in 1999 to approximately $1.6 trillion in 2003 and that the number of buyers on the Internet will grow from 63 million to 230 million over the same period. The volume of content available to these users is also increasing. IDC expects that the number of Web pages will grow from 2.2 billion in 1999 to over 16 billion in 2003. We believe that with the increased growth in Internet usage, online businesses face new challenges in attracting and retaining customers.

Online Sales and Support. As a result of the growing acceptance of the Internet as a commercial medium, businesses are increasingly finding that forming and maintaining strong customer relationships through online sales and support are critical. The Internet has narrowed the communication gap between businesses and customers, and businesses must adapt their customer service models to keep up with the escalating needs and expectations of their customers. The customer service offerings currently available for online companies are:

- *Self-Service.* Self-service allows customers to solve problems on their own by providing access to knowledge bases provided on the Internet. Customers help themselves by referring to either frequently asked questions ("FAQ") or status reporting databases such as billing and payment status. A more involved self-help option incorporates a search function on the Web site that provides responses to commonly asked questions with automated answers from a central knowledge base. Self-service on the Internet can be an effective tool when the customer's question is simple and commonly asked and the answer is easily found. However, when the question is more complex, more specific or the answer cannot be found, the customer is often directed to a secondary point of contact for support.
- *E-mail.* E-mail response systems answer a customer's question by e-mail. Two types of e-mail response capability exist: automatic and human. System-generated e-mail messages are automatically sent in response to frequently asked questions by retrieving information from an established knowledge base. Human e-mail response involves the direct knowledge and participation of customer service representatives to answer customers' questions. E-mail has some operational advantages. For example, it is easy to forward messages and it provides companies with an audit trail of customer inquiries and associated responses. However, e-mail response systems often fail to provide an immediate response to a customer's inquiry. According to a recent survey by Forrester Research, Inc. of early adopters of e-mail response, the average length of time it takes to receive a response to an e-mail query is 32 hours.
- *Telephone.* Call center representatives receive and respond to telephone calls relating to customer service and order processing. Voice response provided through telephone call centers has historically been the principal customer service mechanism for offline businesses. However, call centers are not ideal for online businesses, since customer service representatives cannot see the customer's computer screen and a customer may have to disconnect from the Internet in order to contact the call center. Customer service representatives must also speak the language clearly, potentially limiting the labor pool from which call centers can hire. In addition, customer service representatives are only able to serve one customer at a time.

- *Voice Over Internet Protocol.* More recently, voice-based customer service has been offered over the Internet using voice over Internet Protocol. This technology allows a customer with only one phone line to call customer support without having to log off their Internet connection. While this customer support option is expected to result in lower telecommunications charges to the service provider than regular telephone support, its limitations are otherwise substantially the same.
- *Chat.* Chat allows customers and customer service representatives to communicate in real-time over the Internet using text and graphics. Chat support can be reactive or proactive. Reactive chat is initiated by the customer. Proactive chat is initiated when a customer service representative actively engages a customer in accordance with established business rules such as how long the customer has been on a Web site or page. Through chat support, customers can get an instant response to their inquiry, unlike the average response time for e-mail. Like telephone and voice over Internet Protocol, chat involves real-time, human interaction. However, customer service representatives are able to handle multiple chats simultaneously, giving this online customer option an attractive operational advantage over the telephone and voice over Internet Protocol.

The Importance of Human Interaction. PC Computing recently reported the results of two e-commerce surveys by NFO Interactive, a market research firm, and Net Effect Systems, a provider of interactive customer service. According to NFO, 35% of Internet shoppers say they would be willing to spend more money online if they could communicate with a customer service representative before surrendering their credit card information. According to Net Effect, the reason 94% of visitors to e-commerce sites do not buy online is that the sites lack interactive customer service features such as live chat and instant callback. A study by Forrester Research, Inc. finds that it is very difficult to convert Web surfers into product purchasers. Forrester data shows that today's rate of converting Web surfers into product purchasers is 2.7%. We believe that human interaction that makes e-commerce sites easier for customers to use will increase this conversion rate and lower the customer acquisition cost.

Growing Demand for Outsourced Service. To remain competitive, many companies are outsourcing in order to reduce costs, increase efficiencies and refocus critical resources. For example, by 2003, IDC expects spending on call center outsourcing services to reach $42 billion. We believe the demand for outsourcing services will continue to show strong growth. According to IDC, becoming more customer-centric is a high priority for many companies. Competitive pressures, deregulation and customer behavior are all converging to push companies into developing strategic plans for their customer care processes.

We believe that a significant opportunity exists for live, person-to-person customer service over the Internet. We also believe that in order to increase online revenue, improve customer satisfaction and retention, and reduce customer acquisition costs, businesses must provide an effective vehicle for online sales and support.

The Webhelp Strategy

We have developed technology and service offerings that enable live, human-assisted customer, sales and technical support and search services over the Internet using our technology platform and our network of more than 600 trained Online Service Professionals. In addition, we help individual Internet users locate products, services and content on our Web portal. Our technology platform routes text-based chat engagements with consumers to one of our Online Service Professionals, based on availability and skills, 24 hours a day, seven days a week. Our technology platform enables businesses and individuals to use the Internet more effectively to purchase and sell goods and services and to locate content.

Our goal is to capitalize on our proprietary technology by strengthening our position as a provider of live, human-assisted customer, sales and technical support over the Internet. The key elements of our strategy are as follows:

Increase the Number of Businesses that Use Our Service Platform. In order to increase businesses' awareness of the benefits of using our integrated technology platform, we are increasing our direct sales force, reviewing opportunities for increased use of indirect sales channels and increasing our corporate client marketing initiatives including the recent launch of our Webhelp P2P suite of customer service offerings. In addition to our current corporate clients, we plan to target corporate customers and the most frequently visited on-line membership sites. We believe that we can sell our services to this target market based on our history to date with Microsoft, America On-line and other customers and on our ability to execute engagements as demonstrated by our Webhelp portal.

In order to increase the knowledge of Webhelp and our services among Internet users and businesses, we intend to employ a variety of online and offline brand development initiatives, including advertising, direct marketing, trade shows, sponsorships and public relations. In addition, we use our Webhelp portal to demonstrate our services to our potential corporate clients.

Cultivate Multiple Revenue Streams. We intend to cultivate multiple revenue streams from our technology platform and our network of trained Online Service Professionals. Currently, we have identified and are pursuing the following additional revenue opportunities:

- Internet-based educational services;
- expanded licensing of our technology on a hosted basis to corporate clients;
- services provided on wireless devices;
- e-commerce transaction fees from our corporate clients; and
- additional fee-based tools and services on our Webhelp portal.

Further Enhance and Develop Our Human Interactive Support Services. We intend to continue to upgrade our technology platform to allow us to provide new functions and features for our corporate clients and on our Webhelp portal. For example, we have developed technology known as "white-boarding" for collaborative graphical interaction, allowing consumers and Online Service Professionals to communicate through our technology platform using graphics as well as text.

Collect and Analyze Data to Assist our Corporate Clients. We collect, store and analyze data from users of our Webhelp Direct service, such as questions asked, chat-transcripts and limited personal information. We report this data to the applicable Webhelp Direct client. We believe that this data provides our Webhelp Direct clients with an enhanced understanding of their customers and enables them to target their sales, marketing and product development activities. In addition, our data enables our Webhelp Direct clients to continuously compile and update their FAQ databases.

Pursue Acquisitions and Joint Ventures. We plan to pursue acquisitions and joint ventures to strengthen our technology, enhance our service offerings, capture new distribution channels, broaden our audience reach and open new revenue streams.

Webhelp Direct Service

Since the launch of corporate client services in March 2000, we have marketed our services to corporate clients as Webhelp Direct. Webhelp Direct service is a fee-based service that offers our corporate clients a variety of ways to enhance their online customer service through our technology platform. Webhelp Direct can be tailored to meet the specific needs of each of our corporate clients and provide them with a customized service. We currently provide our corporate clients with text-based chat support, e-mail response and the collection and analysis of customer data. Our technology platform also compiles FAQ lists and processes customer payments.

We have recently begun to license our technology (on a hosted basis) to allow clients to provide Web-based chat using their own people.

Our primary service is live Web-based chat support which we provide to our clients 24 hours a day, seven days a week using our Internet-based technology platform. Customers contact our Online Service Professionals live through our technology platform using a link or custom-designed button on our clients' Web sites. Our Online Service Professionals engage in live text-based chat and utilize advanced search techniques to help customers in real-time, guiding them through our corporate clients' Web sites, answering questions, providing customer service, sales assistance and follow-up e-mails. In addition, since our knowledge base provides insight into customer behavior, we identify opportunities to streamline and improve our clients' Web sites.

We believe that our technology platform and trained Online Service Professionals provide our clients with a number of benefits, including:

- *Increased e-Commerce Revenue.* Our clients can increase their e-commerce revenue by using our technology platform and Online Service Professionals to provide live, interactive support and information to facilitate the buying process and increase the likelihood of a completed purchase transaction. Our clients can derive additional revenue from an Online Service Provider recommending related or upgraded products and services.

- *Affordable Outsourced Service and Reduced Customer Support Costs.* By addressing the needs of the customer interactively, live and in context through the Internet, our services are generally more cost-effective than currently employed alternatives such as e-mail, voice over Internet Protocol and traditional telephone-based customer services. By using our comprehensive and integrated outsourced service, our clients avoid having to purchase, maintain and upgrade new systems and hire and train new personnel. By spreading such costs over our Webhelp portal and multiple clients, we are able to pass on the benefits of economies of scale to our clients in the form of lower prices.

- *Improved Consumer Satisfaction and Retention.* By providing live, interactive customer support, 24 hours a day, seven days a week, we can improve online consumer satisfaction, which enhances customer retention and builds brand loyalty for our corporate clients. We believe that the proactive sales assistance and service provided by our Online Service Professionals is more useful and accessible to consumers than automated help and FAQ features used by most commercial Web sites. For example, an Online Service Professional helping a customer who is having difficulty completing an order because he or she is entering information in the wrong format can see the customer's screen, quickly identify the problem and guide the customer through the proper format.

- *Customer-Friendly Service.* In contrast to self-help services that use automated search engines, our technology platform and Online Service Professionals allow customers to ask questions using plain English, that can even contain misspellings and typographical errors. Our Online Service Professionals, who are trained in the client's Web site, products and services, interpret those questions using common sense and follow-up questions. This ease of use makes our services less frustrating for the user than traditional FAQ databases and search-based help services.

- *Increased Understanding of Customer Interests.* By aggregating and analyzing information about customers' online experiences in our knowledge base and providing reports on their interests and needs, our technology platform can provide our corporate clients with information that can be used to focus and adjust the direction and development of their Web sites and FAQ databases as well as their overall business. We use information collected from previous engagements and maintained in our knowledge base to assist our Online Service Professionals in answering customer questions more efficiently.

- *Immediate Customer Service.* By communicating with customers while they are on our client's Web site, we increase the amount of time that customers spend on the client's Web site. This increased "stickiness" results in a greater likelihood that customers will complete a purchase transaction.

In October 2000, we began marketing out Webhelp Direct services through a suite of service offerings now known as Webhelp P2P. The suite of offerings includes e-mail management (Webhelp P2P Enhance), and Internet self service (Webhelp P2P Enable) as well as licensing of our technology (on a hosted basis) to allow customers to provide Web-based chat using their own people (Webhelp P2P Empower).

Clients

We currently have 16 Webhelp Direct clients. In addition, several of our clients have expanded the use of our products and services to other parts of their organizations. We provide a variety of services to these clients, including human-assisted Web site navigation assistance, customer inquiry response, technical support, sales assistance, e-mail response and online educational assistance. We also assist our clients in developing an appropriate chat based service offering and provide detailed customer reporting and service level reporting. The following are examples of the services we provide to our corporate clients:

Microsoft. MSN is the network of Internet services through which Microsoft Corporation offers e-mail, personal communications services, an online community, customizable access to news, Internet access and other services. In March 2000, we launched with Microsoft the "MSN Support Professional" services whereby Online Service Professionals engage in live chat with MSN users to help them navigate MSN and search for Microsoft-related information. Microsoft has expanded its use of our services to include technical support via chat, customer support for their Hotmail and eGreetings e-mail services, and sales support for MSN UK eShop. In addition, we provide detailed reports to Microsoft which help it to better understand the nature of the customers using our services.

America Online. AOL is a comprehensive Internet service that offers information, shopping, e-mail, entertainment, online communities and other services through a single platform. We began providing live customer service at AOL's CompuServe Store on August 30, 2000 and AOL has since added our services to AOL Shop Direct.

Norelco. Norelco, a division of Philips Electronics, sells shaving and other grooming products through their Web site as well as through retail stores and other means. In August 2000, Norelco entered into an agreement with us under which we will provide live, online customer support and site navigation assistance. This customer support service was launched on October 4, 2000.

Community Connect. Community Connect Inc. creates and builds interactive online communities targeted at different ethnic groups. Under an agreement we entered into in May 2000, we provide our live, chat-based customer Webhelp Direct services in order to help customers register and navigate the Web sites of these communities.

LessonLink. LessonLink Inc., a subsidiary of Viviance, provides educational products and services through its Web sites. On August 18, 2000, we entered into an agreement with LessonLink to provide live online tutoring to be sold through their Web sites. Students can subscribe for blocks of time with Online Service Professionals who have been trained in tutoring a particular subject, either separately or as part of a package that includes other educational assistance products from LessonLink. We receive a percentage of the subscription revenues for online tutoring received by LessonLink. We launched this service on October 9, 2000.

We typically provide our Webhelp Direct services under agreements that have terms ranging from 60 days to one year.

We sell our services to our clients primarily on a per engagement basis if the length of time per engagement is reasonably determinable. In addition, we may also sell our services to our clients on an hourly basis, on a per user basis, or on a per transaction basis where we earn a portion of revenue earned by the client through online transactions. We generally charge an implementation fee if the set-up costs are material.

Webhelp Services in the French and German Languages

On June 6, 2000, we entered into an agreement with a group of investors led by Europ@web, a European internet venture capital fund, with respect to the provision of Webhelp-related services in the French language. Under the terms of the agreement, we acquired a 19.88% interest in a new company at nominal cost — Webhelp.fr, S.A., established to provide these services. Pursuant to the agreement, we have received $1.0 million in payments to date and will receive an additional $4.0 million of payments during the remainder of 2000. In addition, we will receive certain ongoing fees with respect to services provided to Webhelp.fr. In return, we granted to Webhelp.fr a license to certain intellectual property and the exclusive right to provide Webhelp-type services in the French language for a term of four years. We also entered into a services agreement with Webhelp.fr with respect to upfront and ongoing services provided by us. On August 31, 2000, we entered into an amendment to this agreement that allowed for the provision of Webhelp-related services in German. Under the terms of the amended agreement, we received a $500,000 payment and we will receive an additional $3.0 million of payments during 2000 and ongoing fees with respect to services provided. We intend to pursue additional opportunities to expand into other languages such as Spanish and Italian.

Webhelp Portal

In addition to our Webhelp Direct service, we operate a consumer portal located at *www.webhelp.com.* On our Webhelp portal, our Online Service Professionals, known as "Web Wizard professionals", on our Webhelp portal, provide individual users with live, human-assisted search services to locate products, services and content on the Internet.

Our Webhelp portal provides us with the following benefits:

- It is a source of advertising revenues.
- It serves as a marketing tool for our Webhelp Direct services.
- It allows us to balance and optimize the use of our Online Service Professionals.
- It enables our Online Service Professionals to gain experience with our technology platform.
- It enables us to test and evaluate new technology applications.
- It helps us evaluate the capabilities and training needs of our Online Service Professionals.

We currently provide services on our Webhelp portal free of charge. In addition, in April 2000 we began offering a premium subscription service to our users. The premium service is under development and currently moves a user's request to the front of the search queue for faster response times.

We collect, store and analyze data from visitors to our Webhelp portal such as name, age, e-mail address, questions asked and chat-transcripts. We use this data to improve our internal knowledge base, which enables our Web Wizard professionals to answer client questions more efficiently. This data is collected in accordance with our privacy policy posted on our Website. In addition, we sell e-mail information of users who have agreed to allow us to provide their information to third parties to generate additional revenue from our Webhelp portal.

Operations

We provide live, human-assisted Internet services from four Web Centers located in India and Canada. Web Centers are facilities where our Online Service Professionals and related local management are based, generally containing furniture, computer work stations and connectivity to our technology platform which is hosted outside of the Web Centers. We have exclusive contracts with outsourcing companies that provide us with the majority of our Online Service Professionals and Web Centers with advanced workstations and access to back-up power sources. Using outsourcing companies gives us the flexibility to rapidly expand our operations in response to increased demand and new corporate clients. Presently we use more than 500 outsourced Online Service Professionals that are located in India. We intend to grow through expansion of our operations in India, and we are in discussions with additional outsourcing companies to facilitate this growth. We believe that this strategy will enable us to realize cost savings from the large workforce of well-educated, technically literate, English-speaking individuals located in India. We are looking into expanding our operations into other countries where we would be able to enter into cost-effective outsourcing contracts similar to the contracts we have entered into in India. The outsourced service providers are contractually obligated to fulfill our need for Online Service Professionals and Web Center facilities. Our agreements allow for us to train the Online Service Professionals to meet our customer service and quality standards. On June 15, 2000, we launched a Web Center in Montreal, Canada that we operate and manage as a leased facility. There are currently more than 50 Online Service Professionals at our Montreal Web Center. This Web Center is predominantly focused on providing services for our corporate clients, but will also provide services to our Webhelp portal. Our Montreal Web Center also provides us with a place to develop and test new services and methods close to our corporate headquarters. The Montreal facility also acts as a back-up center for services to our corporate clients.

We provide our Online Service Professionals with the training and tools to engage in multiple live chats and to use multiple search engines simultaneously. Our 40 hour Online Service Professionals training program includes application training, communication and selling skills, lessons in North American culture (for Online Service Professionals based outside of North America), quality assurance and a significant amount of hands-on training. While all Online Service Professionals receive this basic level of training, we then select Online Service Professionals for certification after an advanced training program focused on providing sales and customer service support for our Webhelp Direct corporate clients. These corporate Online Service Professionals receive instruction on site-specific suggestive selling and customer support techniques, and are trained to be familiar with the details of a specific Webhelp Direct corporate client's Web site along with the use of the appropriate tools to assist the corporate client's customers. The training program for the corporate Online Service Professionals includes instruction on opening the lines of communication with the customer, presenting solutions, suggestive selling techniques, handling objections, and completing e-commerce transactions.

Our quality assurance processes are designed to ensure that all of our Online Service Professionals maintain a high level of competency and provide uniform service. At each Web Center, potential Online Service Professionals and on-site trainers must meet specific requirements and guidelines prior to joining our team. In order to ensure consistency, as each new Web Center opens, a team of senior trainers from our Toronto head office travels to the Web Center to certify the on-site trainers. Once the training programs are successfully completed, on-site Webhelp supervisors, as well as second level quality assurance specialists located in Toronto, continue monitoring service quality. Ongoing feedback and coaching help maintain the work quality and job satisfaction of our Online Service Professionals.

Professional Service Team

We currently have 50 people who focus on providing a high quality level of service to our corporate clients. These people act as the primary interface between us and our corporate clients. Their responsibilities include implementing new customers, working with our corporate clients in establishing online communication strategies, establishing training and client services procedures and processes, providing quality assurance procedures and analyzing and providing feedback to our corporate clients on an ongoing basis.

Sales and Marketing

Sales

Webhelp Direct. The goal of our sales team is to generate revenue by establishing and developing long-term relationships with leading businesses and providing them with customized Webhelp Direct services. Our sales team targets large companies as well as organizations that sell to, or service a large online customer base. Our direct sales force currently totals 40 individuals supplemented by a sales support team consisting of five individuals. Our sales team works closely with our Webhelp Direct client services team in order to ensure that both existing and potential customers receive optimal levels of service. This division of labor allows the sales team to focus on developing relationships and exploring new business opportunities while the client services team focuses on managing the existing accounts to ensure corporate client satisfaction and achieve revenue growth. We believe that this structure results in optimal client service and a more effective sales force.

Resellers. We have entered into agreements recently to sell our Webhelp services using a number of indirect sales channels, including reseller agreements and complementary service providers. Under reseller agreements, we will act as a subcontractor, providing our Webhelp Direct services as part of a larger project. Under our agreements with complementary service providers, each party earns commissions on the sale of the other party's services, which allows us to offer a broader range of services and take advantage of the new distribution channels that the other party provides.

We sell our services to our clients primarily on a per engagement basis if the length of time per engagement is reasonably determinable. In addition, we may also sell our services to our clients on an hourly basis, on a per user basis, or on a per transaction basis whereby we would earn a portion of revenue that they have earned through online transactions. We also license our technology to our clients on a hosted basis where we charge clients based on the number of seat licenses and dedicated servers contracted for. We generally charge an implementation fee if the set-up costs are material. We expect that payment terms generally will be net 30 days from the date of invoice.

Advertising. Our advertising sales for our Webhelp portal are handled predominantly by third-party advertising managers. We will supplement our use of third-party advertising managers with limited internal sales initiatives. We expect that we will be able to deliver high value advertising opportunities through selling space on specific, high-visibility locations on our Webhelp portal. In the future, we will deliver targeted messages using insight into users' interests gained from key word review and from our chat database.

Advertising Agreements. Until April 2000, we relied on 24/7 Media as our exclusive third party advertising manager. On May 15, 2000, we entered into a Website publisher agreement with Engage, Inc., whereby Engage also sells and solicits advertising on our Webhelp portal. Under the terms of our agreements, 24/7 Media and Engage sell and solicit advertising on our Webhelp portal. 24/7 Media and Engage retain 30-35% of the net advertising sales and pay the remaining 65-70% to us. The term of the Engage agreement expired on September 12, 2000. We are currently negotiating with Engage regarding a possible extension of this agreement. The 24/7 contract terminates on November 9, 2000.

We also entered into an e-mail management agreement with 24/7 Media on April 26, 2000 whereby we provide 24/7 Media with our databases of e-mail and other information of users who have agreed to allow us to provide their information to third parties for the purpose of soliciting advertisers to place advertising banners and other advertising devices for display in e-mail messages distributed to users of our services. The term of this agreement is for one year, and will automatically renew for successive one year terms unless either party gives notice of its desire not to renew 60 days prior to the end of the term. Either party may terminate this agreement on 90 days' written notice for any reason. 24/7 Media will pay us 70% of net revenue earned from the sale of advertising for each month of the term of the contract.

On May 10, 2000, we entered into an online database management agreement with 24/7 Media pursuant to which 24/7 Media, through its 24/7 Mail division, collects and manages information about our users that agree to allow us to provide their information to third parties, and markets the information to third-party advertisers. 24/7 Media sells the information to third-party advertisers according to the preferences of our users and their demographic information and without reference to us. 24/7 Media then pays us a monthly royalty payment in the amount of 60% of net revenue. The term of this agreement is for one year, and will be automatically renewed for successive one-year terms unless either party notifies the other party of its desire not to renew 60 days prior to the end of the term. Either party may terminate this agreement upon 90 days' written notice.

Web Site Affiliates for our Webhelp portal. We entered into an agreement with Linkshare on July 19, 2000 whereby Linkshare facilitates our affiliate marketing program by managing marketing links between Webhelp and the members of the Linkshare Affiliate Network. Under our affiliate marketing program we compensate affiliated Web sites sending traffic to our Webhelp portal. In return, we are compensated for sending traffic to our affiliates' sites that results in visits, product sales or lead generation. We have not received any material revenue under this arrangement.

In addition, we have affiliate agreements with CNET, AllAdvantage, GoTo.com, Webpersonals.com, Homestead.com, Snapfish.com, Backwire.com, Winfreestuff.com, and Frictionless. The majority of these agreements are for a period of one year and are terminable by either party on 30 days' written notice. The agreement with Snapfish.com is for a term of seven months.

Sponsors and Content Providers. Most of the content on our Webhelp portal is provided pursuant to agreements with the owners of other Web sites whereby they create co-branded Web pages for our Webhelp portal. The remainder of the content is developed by us. We typically receive 30% to 50% of the revenue generated from advertising displayed on these co-branded Web pages. Most of our agreements with these content providers are for a period of one year and are generally renewable for additional one-year terms unless either party gives prior notice of its intention not to renew. We plan to add additional content providers to our Webhelp portal to expand both premium and basic service offerings.

Marketing

Our marketing team consists of two key functional areas: a Webhelp Direct marketing team that is focused on supporting the sales team and creating awareness for Webhelp Direct and a consumer marketing team that manages our Webhelp portal and associated revenues.

Webhelp Direct. Our key marketing objective for Webhelp Direct is to build brand awareness and credibility in order to grow our Webhelp Direct corporate client base. We have recently launched the Webhelp P2P suite of offerings including live Web-based interactive chat (Webhelp P2P Engage), e-mail management (Webhelp P2P Enhance), Internet self service (Webhelp P2P Enable) as well as a licensing of our technology (on a hosted basis) to allow customers to provide Web based chat using their own people (Webhelp Empower). The objective of this initiative is to increase the productization of our offerings and to provide different service opportunities to our clients to address their individual needs.

Our target market is senior level decision makers within the organizations that are the most frequently visited commercial and membership sites on the Internet. We have developed an integrated marketing communications strategy that involves advertising both online (email, banners, sponsorships) and offline (print, direct mail) as well as at events such as industry conventions. Other major marketing initiatives include exhibiting at key industry trade shows, speaking at industry conferences and sponsorships. The marketing team also assists the Webhelp Direct sales team by providing it with marketing material, sales presentations and lead generation. We are conducting our marketing activities in conjunction with an aggressive public relations strategy in order to optimize the effectiveness of these efforts.

Webhelp Portal. Our key objective is to build and manage the Webhelp consumer portal and to drive all associated revenues. This includes content partner development and management, affiliate management, as well as developing new revenue stream opportunities. Our business to consumer marketing strategy includes a variety of online advertising initiatives and affiliate marketing to drive traffic to our portal as well as some offline marketing including outdoor and print media.

Competition

Competitors in the market for online customer support can generally be categorized as either software developers or service providers. Software developers principally provide online customer support technology. Companies in this category include those whose principal business is e-mail management software, such as Kana and eGain, those who focus on self-service knowledge base software, such as AskJeeves, Primus and Support.com, and those who specialize in chat software, such as Liveperson, Facetime and Webline. Competitors in the service provider category provide outsourced online customer support. These companies either develop their own support software or license technology from a software developer. PeopleSupport, Brigade Solutions, LookSmart.com and eAssist.com fall into this category, as do some traditional call centers that now offer online Webhelp Direct services, such as Convergys, Sykes and Teletech.

We may also face competition from larger enterprise software companies such as Oracle and Siebel Systems. In addition, established technology companies, including IBM and Microsoft, may also use their existing relationships and capabilities to offer live sales and customer service applications.

We believe that competition will increase as our current competitors increase the sophistication of their offerings and as new participants enter the market. Many of our current and potential competitors have:

- longer operating histories;
- larger client bases;
- greater brand recognition;
- more diversified lines of products and services; and
- significantly greater financial, marketing and other resources.

These competitors may enter into strategic or commercial agreements with larger, more established and better-financed companies. They may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to businesses to induce them to use their products or services. Any delay in the general market acceptance of online live sales and customer service would likely harm our competitive position. Delays would allow our existing competitors additional time to improve their service or product offerings, and would also provide time for new competitors to develop live sales and customer service applications and solicit prospective corporate clients within our target markets. Increased competition could result in pricing pressures, reduced operating margins and loss of market share.

The market for online, live sales and customer support is new and there are no substantial barriers to entry. Established or new entities, including companies that provide, or distribute technology for providing, live human interaction online, may enter this market in the near future. Furthermore, our existing and potential corporate clients that choose to provide live sales and customer support services in-house may not use, or continue to use, our services.

Our Webhelp portal faces direct competition from companies that provide Internet-wide search, expert search and Web directory services. Some of our competitors provide human assistance including About.com, AskJeeves and Keen.com. Lycos and Yahoo! are competitors that do not provide human-assisted search services, but provide alternative ways for Internet users to obtain the desired content online.

Regulation

We are subject to various laws and government regulations applicable to businesses generally, including with respect to access to or commerce over the Internet. Due to the increasing popularity and use of the Internet and various other online services, it is likely that a number of laws and regulations will be adopted with respect to the Internet or other online services covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security.

The nature of this legislation and the manner in which it may be interpreted and enforced cannot be fully determined and, therefore, this legislation could expose us and/or our corporate clients or their customers to potential liability, which in turn could have an adverse effect on our business, results of operations and financial condition. The adoption of any such laws or regulations might also impair the growth of Internet use, which in turn could decrease the demand for our service or increase the cost of doing business or in some other manner have a material adverse effect on our business, results of operations and financial condition. In addition, applicability to the Internet of existing laws governing issues such as intellectual property, taxation and personal privacy is uncertain. The vast majority of such laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies.

As a result of collecting data from live online chat engagements, our advertisers and corporate clients may be able to analyze the commercial habits of their customers. Privacy concerns may cause customers to avoid Web sites that collect such behavioral information, and even the perception of security and privacy concerns, whether or not valid, may indirectly inhibit market acceptance of our services. In addition, our corporate clients may be harmed by any laws or regulations that restrict their ability to collect or use this data. Several states have proposed legislation that would govern the collection and use of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission in the United States has initiated actions against online services regarding the manner in which information is collected from Internet users, used by online services and/or provided to third parties, and has begun investigations into the privacy practices of companies that collect information about individuals on the Internet. The European Union has enacted its own privacy regulations that may result in limits on the collection and use of some user information. Changes to existing domestic or international laws or the passage of new laws intended to address these or other issues, including some recently proposed changes, could create uncertainty in the marketplace that could reduce demand for our services or increase the cost of doing business as a result of litigation costs or increased service delivery costs, or could in some other manner have a material adverse effect on our business, results of operations and financial condition.

It may take years to determine how existing laws apply to the Internet. Any new legislation or regulation regarding the Internet, or the application of existing laws and regulations to the Internet, could harm us. Additionally, as we expand outside North America, the international regulatory environment relating to the Internet could have a material adverse effect on our business, results of operations and financial condition.

Employees

As of September 30, 2000, we had 178 full-time employees, of whom 60 were management, finance, client service and administrative personnel, 40 were engaged primarily in technology development and information systems, 60 were engaged primarily in sales, marketing and business development activities and 28 were employed at our Montreal Web Center. We have hired or contracted with approximately 50 Online Service Professionals at our Montreal Web Center. None of our employees are covered by collective bargaining agreements. We believe that our employee relations are good.

Properties

Our headquarters are located in Toronto, Ontario, where we lease approximately 19,800 square feet of space for a term of five years commencing on July 1, 2000. This facility is used for executive office space, including sales and marketing, finance and administration, operations and technology. We also lease approximately 5,200 square feet of additional office space in Toronto, Ontario under a lease that expires on November 14, 2000, subject to our right to renew it for an additional one-year term. We lease approximately 6,000 square feet of office space in Minneapolis, Minnesota, under a lease that is month to month. We have entered into a five-year lease of approximately 12,500 square feet of office space in Minneapolis, Minnesota, which we expect to occupy by October 31, 2000. We have also entered into an offer to lease approximately 8,800 square feet of space in Montreal, Quebec for a term that expires on July 14, 2004 for use as a Web Center. On October 1, 2000, a three-year lease for approximately 2,500 square feet of office space in Santa Monica, California became effective. We believe that suitable additional or alternative space is available and will be available in the future on commercially reasonable terms.

Legal Proceedings

On January 22, 2000, three holders of common stock of eliance Corporation commenced a lawsuit on behalf of themselves and, purportedly, on behalf of eliance against us, Kerry Adler, our Chief Executive Officer and President, Laura Hantho, our Chief Operating Officer, and various other persons and entities. The lawsuit was commenced in the District Court for the Fourth Judicial District of the County of Hennepin, State of Minnesota. In the lawsuit, the plaintiffs challenge on a number of grounds the sale and transfer of certain assets of eliance to us in 1999, alleging, among other things, that the transaction was accomplished by the defendants through breaches of fiduciary duty they then owed as officers or directors of eliance. On May 11, 2000, the plaintiffs amended their complaint to assert claims against us for breach of contract, unjust enrichment and fraudulent transfer in connection with the eliance transaction. On August 8, 2000, the Court heard our motion to dismiss the lawsuit. A decision on our motion to dismiss is pending.

Many of the parties to the January 22, 2000 lawsuit other than us are also parties to litigation previously filed on or about September 27, 1999 in the United States District Court, District of Minnesota. In that lawsuit, it was alleged that the board of directors of eliance was improperly constituted and that various actions of that board were not within its authority. While the federal District Court entered a preliminary injunction that precludes the plaintiffs in the federal lawsuit from interfering with eliance's business, the lawsuit remains pending and the defendants are seeking to have the lawsuit dismissed for lack of federal jurisdiction.

On February 22, 2000, three current eliance preferred stockholders commenced a lawsuit against David Erickson, Robert Griggs and Dianhai Du (the three eliance holders of common stock who are plaintiffs in the lawsuit filed on January 22, 2000) for breach of contract, fraud and securities fraud. This lawsuit was also commenced in the District Court for the Fourth Judicial District of the County of Hennepin, State of Minnesota. On or after April 6, 2000, Erickson, Griggs and Du filed an answer, counterclaim and third-party complaint. The third-party complaint asserts claims against us and others that are identical to, and duplicative of, the claims in the January 22, 2000 complaint. On June 20, 2000, the Chief Judge of the Minnesota District Court for Hennepin County severed the third-party complaint from this lawsuit and consolidated it with the January 22, 2000 lawsuit.

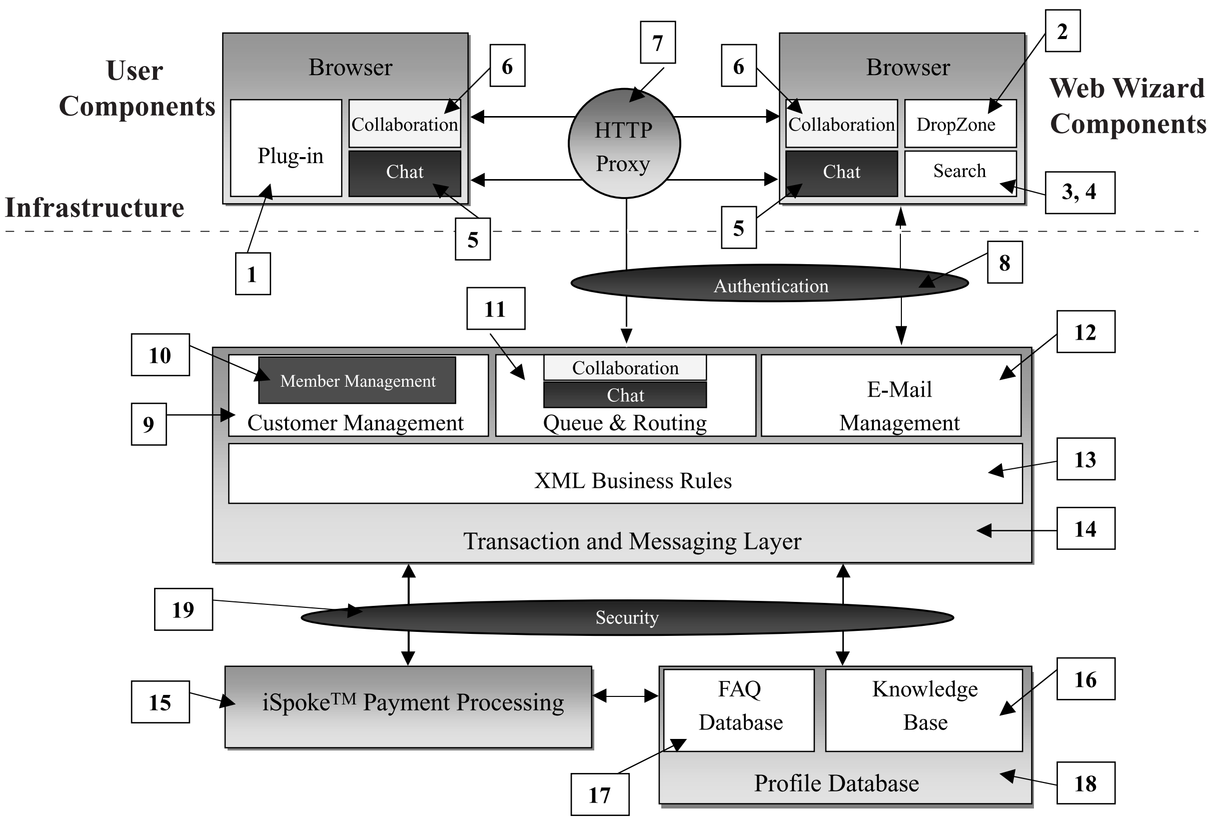
We believe that the claims against us, Mr. Adler and Ms. Hantho in these lawsuits are without merit and intend to defend these suits vigorously. Although we can give no assurances, based on the available facts, we believe that the outcome of these matters will not have a material adverse effect upon our financial condition.

TECHNOLOGY

We have developed a technology platform to provide live, human-assisted customer, sales and technical support over the Internet. Requests for assistance, whether they be from customers on our clients' Web sites or an Internet user of our Webhelp portal, are routed via the Internet to one of our more than 600 Online Service Professionals based on the source of the request. We are also able to route requests to Online Service Professionals who have special knowledge of a particular subject or client. We store and analyze customer data in our proprietary knowledge base. Our payment processing module allows us to complete transactions as part of our online customer services.

Our technology platform includes proprietary and licensed software modules running on multiple servers. It is designed to be easily expanded and highly stable. Since the entire platform is Internet-based, we are not bound by geography and our clients do not need to purchase hardware or software to connect to our platform.

Since our technology platform can run different workflows simultaneously, we are able to integrate with different client Web sites and customize our services without having to re-engineer the platform. Different components can be added and combined according to specific client requirements. Our technology is designed to enable us to increase the capacity of components of the system individually without expanding the entire system. The following diagram illustrates how each separate component of our technology platform is integrated to create a unified system:



User Components. Customers enter our system over the Internet either through our corporate clients' Web sites, through our Webhelp portal or through a downloadable plug-in. The Internet users interact with our Online Service Professionals using their existing Web browser.

(1) The plug-in may be installed as a button on a browser's menu bar and enables users to access an Online Service Professional from any place on the Internet. Our corporate clients' customers can also use this plug-in to access an Online Service Professional directly without having to go to the clients' Web sites.

Online Service Professional Components. Regardless of whether an Online Service Professional is assisting a customer of one of our corporate clients or responding to a search query on our Webhelp portal, each Online Service Professional uses the same basic tools.

(2) Online Service Professionals can send results back to the Internet user's browser as Web pages, called page pushing, or links to Web pages using our proprietary DropZone interface.

(3) For a search query, an Online Service Professional uses his or her browser in combination with advanced search tools to search the Internet using multiple search engines simultaneously.

(4) For a corporate client, Online Service Professionals trained in responding to the questions of that client's customers can also search that client's knowledge base. Online Service Professionals can also search our proprietary knowledge base for relevant past results.

(5) Online Service Professionals and users communicate using text-based chat. Users communicate with Online Service Professionals through an HTML-based instant messenger that doesn't require the user to download or install any additional programs. While we currently license eGain chat software for most of our text-based chat, we have developed our own proprietary chat software, which our newest corporate clients are using and some of our earlier corporate clients may migrate to. Our text-based chat can be initiated either by the user through clicking on a link or button or by the Online Service Professional based on client-defined business rules such as how long the user has been on a Web site or page.

(6) More recently, we have added a white-boarding tool for collaborative graphical interaction to our technology platform's capabilities. With white-boarding, users and Online Service Professionals can collaboratively annotate multiple images and documents as separate pages. We are also developing a collaborative form-sharing tool that enables Online Service Professionals to assist users in the filling out of forms online. This tool is expected to be complete in the third quarter of this year.

Common Component

(7) Proxy servers and other similar servers mediate communications among the customer, the Online Service Professional and our technology platform.

(8) A secure authentication layer allows for secure communication among the customer, the Online Service Professional and our technology platform.

Infrastructure

(9) The customer management component data model allows for the addition of new data fields to meet specific client requirements for data collection.

(10) The membership management component allows for the creation of membership accounts and the management of these accounts by users, Online Service Professionals and our clients.

(11) The queuing and routing component connects a user of our services to an available Online Service Professional by balancing workflows/Web servers and chat servicers. Since operationally Online Service Professionals are balanced across chat servers, this manages their workflow as well.

(12) After a chat has been completed, the e-mail management component facilitates our sending a transcript of the session to the customer by follow-up e-mail. We can also provide e-mail-based customer support using our e-mail management component. We currently license our e-mail technology from eGain.

(13) Our business rules define workflows based on client needs.

(14) The transaction and messaging layer allows messaging among the customer, Online Service Professional, member management, queuing and routing and e-mail management components.

(15) The iSpoke payment processing component consists of our proprietary payment processing technology. iSpoke connects to VisaNet for credit card processing.

(16) Our knowledge base stores chat and collaboration transcripts and performs full text indexing.

(17) Top questions and answers from our knowledge base are stored and ranked as frequently asked questions.

(18) Frequently asked questions and knowledge base results are catalogued and stored along with user information in the profile database. We have an active database of users, which provides the information required to target advertising and to deliver relevant information to the user.

(19) Customer data is encrypted.

We also have an application service that monitors each server and balances load across our servers. By effectively managing the process of distribution and queuing of sessions, we expect to handle any increased need for our services without any downtime or system changes.

In addition, our entire Webhelp technology platform has been designed so that a work flow can continue after an interruption in communications. This allows each successive request, even if it originates from the same Internet user, to be handled by a different server if necessary. Because the data requests are initiated abstractly by our Web servers, we do not have to maintain a connection to the server that started the visit for a user. In addition, each component of the technology platform does not have to physically reside on the same system, nor is the architecture limited to a single instance of a component. This gives us the ability to handle increased loads by adding new hardware without having to change the underlying application server or integration layer.

Our back-end database services include two identical disk arrays, each simultaneously storing all data live, a continuous back-up disk array that can be brought up-to-date by re-running recent transactions and a tape back-up. All interactions with the database are channeled through the application server, which reduces the possibility of corruption and allows different Online Service Professionals to access the same data simultaneously.

In September 2000, we acquired licenses for the use of Delano Technology's e-business platform to facilitate integration to third party customer relationship software such as Siebel, PeopleSoft and Oracle. The Delano e-business platform fits well architecturally within our technology platform in that both are workflow driven component based architectures. This similarity allows us to take advantage of certain key components of the Delano e-business platform such as the integration to Siebel without significant additional development effort. In addition, we also acquired licenses for Delano's customer velocity e-mail management and campaign based e-mail marketing solution.

Hardware. Substantially all of our hardware operations are located at our computer facility in the Chicago, Illinois site of Exodus Communications. We back up our data in real-time at the Minneapolis, Minnesota site of Visi, Inc.

SELECTED CONSOLIDATED FINANCIAL DATA

This section presents our selected historical consolidated financial data. You should read carefully the consolidated financial statements included in this prospectus, including the related notes. The selected data in this section are not intended to replace the consolidated financial statements.

We derived the statement of operations data for the period from incorporation of Webhelp on May 27, 1999 to December 31, 1999 and balance sheet data as of December 31, 1999 from the audited financial statements in this prospectus. Those financial statements were audited by Ernst & Young LLP, our independent auditors. The statement of operations data for the nine months ended September 30, 2000 and the balance sheet data as of September 30, 2000 were derived from the unaudited financial statements in this prospectus.

The Pro Forma and As Adjusted information included in the balance sheet data gives effect to the issuance of shares of Common Stock upon the conversion of all of our outstanding preferred shares upon the closing of this offering. The Pro Forma and As Adjusted data have not been audited.

	For the period May 27, 1999 to December 31, 1999	Nine months ended September 30, 2000
Statement of Operations Data:		
Revenue	$ 29,857	$ 2,008,078
Cost of revenue	844,916	6,985,201
Gross profit (loss)	(815,059)	(4,997,123)
Operating expenses:		
Sales and marketing	654,124	7,093,016
General and administrative	3,110,672	5,559,462
Product development	180,638	372,993
Depreciation and amortization of fixed assets	67,278	718,928
Amortization of intangible assets	48,063	157,563
Amortization of deferred stock compensation	—	2,673,784
Total operating expenses	4,060,775	16,575,746
Operating loss	(4,875,834)	(21,552,869)
Interest income	9,847	677,740
Interest expense	(40,000)	(4,151)
Net loss and comprehensive loss for the period	$(4,905,987)	$(20,879,280)
Net loss per share — basic and diluted	$ (0.57)	$ (2.27)
Weighted average number of shares outstanding used to compute basic and diluted net loss per share	8,578,630	9,205,794
Pro forma net loss per share — basic and diluted	$ (0.57)	$ (1.32)
Weighted average number of shares outstanding used to compute pro forma basic and diluted net loss per share	8,658,003	15,874,126

	September 30, 2000		
	Actual	Pro Forma(1)(2)	As Adjusted(3)
Balance Sheet Data:			
Cash and cash equivalents	$ 7,364,222	$12,364,222	●
Working capital	3,700,383	8,700,383	●
Total assets	18,425,172	23,425,172	●
Obligations under capital lease, net of current portion	102,004	102,004	●
Redeemable convertible preferred stock	37,590,413	0	●
Total stockholders' equity (deficiency)	$(28,360,295)	14,230,118	●

(1) Reflects an amendment to the Series A and Series B Convertible Preferred Stock on October 24, 2000 to issue 611,888 shares of Series B Convertible Preferred Stock to an affiliate of CIBC World Markets Inc. at a price of $8.17 per share for total cash consideration of $5.0 million; to amend the conversion rate of the Series A Convertible Preferred Stock from 0.357 for 1 to 0.393 for 1; to amend the conversion rate of the Series B Convertible Preferred Stock from 0.357 for 1 to 1.241 for 1; and the conversion of all of the outstanding preferred stock of Webhelp into 11,209,722 shares of Common Stock upon the closing of this offering.

(2) The number of shares of Common Stock as of September 30, 2000 excludes options outstanding as of October 20, 2000 to acquire 1,106,911 shares of Common Stock and warrants to purchase ● shares of Common Stock. See "Options to Purchase Common Stock" and "Certain Transactions — Issuance of Series B Convertible Preferred Stock and Warrants" and notes 10(b) and 16 to the consolidated financial statements.

(3) As Adjusted reflects the Pro Forma amounts adjusted for the sale of the Offered Securities after deducting estimated offering expenses.

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

You should read this discussion together with the consolidated financial statements and other financial information included in this prospectus.

Overview

We have developed proprietary technology and service offerings that enable us to provide live, human-assisted customer, sales and technical support and search services over the Internet. We focus on providing services to corporate clients under our brand name Webhelp Direct. We also operate a consumer portal (our "Webhelp portal") located at *www.webhelp.com*.

Webhelp was incorporated under Delaware law on May 27, 1999 and Webhelp Canada was incorporated under Ontario law on November 19, 1999. Until November 30, 1999, when we launched our Webhelp portal, we were primarily engaged in developing and implementing our business plan. We raised capital, invested in product development efforts, contracted with outsourced service providers for our Web Centers, signed agreements with content providers for our Webhelp portal and initiated marketing activities. During that period, we also entered into discussions with respect to a proposed business combination with eliance. In November 1999, we determined that the proposed business combination was not in our best interests and we terminated these discussions. At that time, we agreed to purchase certain assets from eliance and entered into a services agreement with eliance under which eliance agreed to provide us with limited Web Center services until May 31, 2000.

Since launching our Webhelp portal on November 30, 1999, we have focused on recruiting employees, launching and growing our Webhelp Direct services for corporate clients, further developing our technology platform, and developing brand awareness through online and traditional advertising campaigns. We have also licensed our technology and intellectual property in the French and German languages.

The financial statements included in this prospectus, and the commentary included in this Management's Discussion and Analysis of Financial Condition and Results of Operation, are for the consolidated results of Webhelp and cover the period from May 27, 1999 to December 31, 1999, our inception period, and the nine-month period from January 1, 2000 to September 30, 2000. Our fiscal year end is December 31. For the period from inception to December 31, 1999, we were a development stage company and had little revenue. Since January 1, 2000, we have been directing our efforts towards revenue generating activities and are deploying the majority of our available funds towards operating activities. Accordingly, we are no longer a development stage company.

Since the launch of our Webhelp portal on November 30, 1999, we have earned revenue from advertising generated in connection with our Webhelp portal. This has consisted primarily of advertising revenue which was predominantly derived through 24/7 Media, Inc., a third-party advertising manager. We recognize advertising revenue as it is earned based on actual impressions delivered or based on the amount of time an advertisement is placed on our Webhelp portal. We record this revenue net of commissions payable to third-party advertising managers. Our agreements with third-party advertising managers do not provide for guaranteed numbers of impressions delivered. Until April 2000, we relied on 24/7 Media as our exclusive advertising manager. Although we intend to augment our third-party advertising managers' capabilities with internal sales initiatives, we expect that the majority of our advertising will continue to be managed by third-party advertising managers.

In March 2000, we began earning revenue from our Webhelp Direct service. Under our Webhelp Direct service, we provide corporate clients with online customer, sales and technical support services on their Web sites using our technology platform, and our network of Online Service Professionals. We generally provide these services on a fee for use basis, but expect to begin licensing our technology platform on a stand alone basis. We expect our Webhelp Direct service to represent a significant proportion of our revenue in the future. We recognize Webhelp Direct service revenue in accordance with the nature of the services provided which is typically on a per engagement basis if the length of time per engagement is reasonably determinable, or otherwise on an hourly or per user basis.

In June 2000, we began earning revenue from our program to license technology and provide services to third-party companies providing Webhelp related services in languages other than English. Under these agreements, we license our technology, certain intellectual property and access to our technology platform for the purpose of providing Webhelp services in French and German. Revenue is earned from upfront license fees or proceeds from the sale of intellectual property, ongoing services provided to the international affiliates and from other professional and consulting fees.

Since the launch of our Webhelp portal, we have offered registered users a free, live, human-assisted search service. In April 2000, we began offering, on a paid subscription basis, a premium version of our search service. The premium service moves a user's request to the front of the search queue for faster response times. It is our intention to develop additional services as part of this premium service. To date, we have generated limited revenue from this premium service.

Cost of revenue consists primarily of fees paid to third-party outsourced service providers who provide us with Web Centers and Online Service Professionals on a variable cost basis. We currently have contracts with three outsourced service providers in India. All of our outsourced service provider contracts are denominated in United States dollars. We expect that we will renegotiate and extend these contracts during fiscal 2000. We also operate our own Web Center in Montreal and record the costs of this Web Center as a cost of revenue. As of September 30, 2000, we engaged more than 600 Online Service Professionals at our Web Centers. The number of Online Service Professionals required to meet our business needs will vary based on a number of factors including use of our Webhelp portal search services, the number and size of our corporate client contracts and the efficiency of our Online Service Professionals.

Cost of revenue also includes payments to content providers on our Webhelp portal and Web hosting costs. Web hosting costs are primarily expenses associated with third party management of our Web servers and related technology licenses.

We also incur costs for sales and marketing, general and administrative, product development, depreciation and amortization of fixed assets and other non-cash related expenses in the form of amortization of intangibles, amortization of capitalized software development costs and amortization of deferred stock compensation. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", we capitalize software development and Web site development costs as required. We amortize these capitalized costs over a 24 month period. General and administrative costs include certain customer related costs related to training, quality assurance, and account management for our corporate clients. Product development excludes costs capitalized pursuant to SFAS No. 86 and excludes the depreciation of the related capitalized costs.

Since inception in May 1999, we have experienced operating losses and negative cash flows. As of September 30, 2000, we had an accumulated deficit of $35.8 million, which includes $10.0 million related to the repurchase of a portion of our Common Stock in December 1999. Our business is unproven, and our limited operating history makes an evaluation of us and our prospects difficult. We may not generate revenue sufficient to achieve profitability. If we achieve profitability, we may not be able to sustain profitability.

In light of our limited operating history and the rapidly evolving nature of our business we believe that period-to-period comparisons of revenue and operating results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Results of Operations

Nine Months ended September 30, 2000 Compared to Period from Inception to December 31, 1999

Revenue. Revenue during the nine-month period ended September 30, 2000 was approximately $2.0 million compared to $30,000 during the inception period. Revenue included $933,000 of revenue from advertising on our Webhelp portal, $714,000 of revenue earned from technology, license and service fees from Webhelp.fr, and $361,000 of revenue from our Webhelp Direct service. Revenue during the inception period consisted exclusively of advertising revenue. During the inception period, we earned revenue only for the one-month period from November 30, 1999, the day we launched our Webhelp portal, to December 31, 1999.

Cost of Revenue. Cost of revenue during the nine months ended September 30, 2000 was approximately $7.0 million compared to $845,000 during the inception period. During the inception period, we incurred cost of revenue only for the one-month period from November 30, 1999 to December 31, 1999. Cost of revenue for the nine months ended September 30, 2000 included approximately $6.2 million for Web Center and Online Service Professional services, $490,000 for Web hosting costs and $287,000 for content on our Webhelp portal. This increase was primarily due to offering services for a nine-month period instead of a one-month period, an increase in the number of Online Service Professionals, and an increase in content offered on our Webhelp portal. We intend to increase the percentage of overall Online Service Professionals managed in India and other overseas locations and expect that our average cost for Online Service Professionals will decrease as a result.

Sales and Marketing. Sales and marketing expenses during the nine-months ended September 30, 2000 were approximately $7.1 million compared to $654,000 during the inception period. The increase was primarily due to increased advertising and branding initiatives since the launch of our Webhelp portal and an increase in our sales and marketing personnel related to our Webhelp Direct service. Approximately 40% of sales and marketing expenditure represented payments to third parties to direct Internet traffic to our Webhelp portal. We expect that cost will decrease in the future and represent a smaller percentage of our overall sales and marketing cost. Sales and marketing expenses are expected to increase significantly in the future as we grow our business, increase the number of employees in our sales group and spend money on brand awareness.

General and Administrative. General and administrative expenses during the nine-months ended September 30, 2000 were approximately $5.6 million compared to $3.1 million during the inception period. Included in the inception period is $2.6 million paid to eliance and charged to the 1999 expenses as further outlined below. Apart from the $2.6 million payment to eliance, the general and administrative costs have increased primarily as a result of the increase in personnel related to the provision of training, quality assurance and asset management for our corporate clients. We expect these costs to continue to increase on a monthly basis and are expected to continue to increase as we add personnel to continue to support the growth of our business. We also expect to begin incurring costs related to being a public company including directors' and officers' liability insurance, investor relations and other professional fees.

Product Development Expenses. Product development expenses during the nine months ended September 30, 2000 were approximately $373,000 compared to $181,000 during the inception period. This increase was related primarily to an increase in product development and third party consulting fees related to the ongoing design, development, testing and enhancement of our technology, our Webhelp portal and our Webhelp Direct service. We expect that these expenses will increase as we continue to invest in our technology and services offering. Excluded from product development expenses was $631,000 of software development costs capitalized during the nine-months ended September 30, 2000 compared to nil during the inception period.

Depreciation and Amortization. Depreciation and amortization expenses during the nine-months ended September 30, 2000 were approximately $3.6 million compared to $115,000 during the inception period. Depreciation and amortization expenses during the nine-months ended September 30, 2000 consisted of depreciation and amortization of fixed assets of $738,000, amortization of intangibles of $158,000 and amortization of deferred stock compensation costs of approximately $2.7 million. The increase resulted from an increase in the average fixed assets and intangible assets during the nine-months ended September 30, 2000, and the amortization of deferred compensation which began on January 28, 2000.

Deferred Stock Compensation. On January 28, 2000, our stockholders approved the 1999 Long Term Incentive Plan for directors, officers, employees and other parties. We account for stock options using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25 and make the pro forma disclosures required by SFAS No. 123, "Accounting for Stock-Based Compensation". As at September 30, 2000, we have recorded $2.4 million of deferred compensation in the stockholders' deficiency section of our balance sheet net of amortization. This resulted from stock options granted with exercise prices lower than the deemed fair market value of our Common Stock. During the period ended September 30, 2000, we amortized $2.7 million of deferred stock compensation. Deferred stock compensation will be amortized over the three-year period in which these options vest.

Interest. Interest income during the nine-months ended September 30, 2000 was $678,000 compared to $10,000 during the seven month inception period. This increase was the result of interest income generated from the proceeds of the Series A and Series B preferred stock issued in December 1999.

Income Taxes. There was no provision for federal, state or provincial taxes for the nine months ended September 30, 2000 due to our operating losses.

During the Inception Period from May 27, 1999 to December 31, 1999

Revenue. Revenue during the one-month period from the launch of our Webhelp portal on November 30, 1999 until December 31, 1999 was $30,000, and consisted of banner advertising revenue derived from 24/7 Media.

Cost of Revenue. Cost of revenue during the one-month period from the launch of our Webhelp portal on November 30, 1999 until December 31, 1999 was $845,000. Cost of revenue consisted primarily of costs of $743,000 for Web Center and Online Service Professionals services. Web hosting expenses were $76,000 and expenses related to the provision of content on our Webhelp portal were $26,000.

Sales and Marketing. Sales and marketing expenses during the inception period were $654,000 and consisted primarily of advertising of $614,000 and payroll expenses of $40,000. Advertising expenses included $410,000 spent on online advertising and $204,000 spent on offline media.

General and Administrative. General and administrative expenses during the inception period were $3.1 million. Of this amount, $2.6 million represented a charge to current period expenses for a reimbursement of expenses incurred by eliance on our behalf and a release from any prior obligations with eliance. These expenses represent the approximate costs which were paid by eliance relating to our business during the period that we were in discussions with eliance regarding a proposed business combination. These expenses, which would otherwise have been paid by us, include payroll expenses and general and administrative expenses during the period from July 19, 1999 to December 31, 1999. Also included in this amount is an indemnity with respect to any further costs or obligations incurred by eliance on our behalf. Also included in general and administrative expenses is $272,000 for payroll costs and $239,000 of other general corporate costs, including travel, accounting and finance, rent and legal and professional fees.

Product Development Expenses. Product development expenses during the inception period were $181,000 and consisted primarily of consulting fees related to the design, development, testing and enhancement of our technology and our Webhelp portal.

Depreciation and Amortization. Depreciation and amortization expenses during the inception period were $115,000 and consisted of depreciation of fixed assets and amortization of intangible assets.

Interest. Interest expense during the inception period was $40,000 and consisted primarily of interest expense on our $2.0 million bridge loan. The bridge loan was cancelled as part of our December 29, 1999 private placement. We also earned $10,000 of interest income on cash balances.

Income Taxes. There was no provision for federal, state or provincial income taxes during the inception period due to our operating losses.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through three private equity placements and a $2.0 million bridge loan from a significant shareholder. As of September 30, 2000, we had issued $42.3 million of equity securities in five transactions in consideration for $35.8 million in cash, the cancellation of the $2.0 million bridge note and $4.5 million in assets. Pursuant to a binding letter of intent dated November 18, 1999, on December 29, 1999, we issued 15,000,000 shares of Series A preferred stock for consideration of $3.4 million in cash, a $2.6 million stock subscription receivable and the cancellation of the $2.0 million bridge loan. On January 3, 2000, we collected the stock subscription receivable. On December 31, 1999, we issued 3,671,329 shares of Series B convertible preferred stock to one institutional investor for consideration of $30.0 million in cash. We used $10.0 million of the proceeds to repurchase 437,062, or approximately 5%, of our founders' shares of Common Stock. In addition, we rely on a $400,000 credit card facility and we have pledged $400,000 of our cash as collateral for amounts owing under the facility. We have also issued a letter of credit in the amount of $181,000 pertaining to a facility lease agreement. On October 24, 2000, we issued 611,888 additional shares of Series B preferred stock in Webhelp for cash consideration of $5.0 million.

On November 29, 1999, we entered into a binding letter of intent with eliance under which we would purchase certain assets of eliance and enter into an Internet services agreement in return for shares of Common Stock and cash. Pursuant to this binding letter of intent, on December 29, 1999, we entered into an Internet services agreement and acquired, pursuant to an asset purchase agreement (jointly the "eliance Agreement"), certain assets of eliance, in exchange for $4.3 million in cash and 3,035,714 shares of our Common Stock. At the time of the eliance Agreement, eliance was controlled by one of our existing minority stockholders. As of November 29, 1999, the 3,035,714 shares of Common Stock had a fair value of $1.49 per share and an aggregate fair value of $4.5 million. Total consideration paid under the eliance Agreement was $8.8 million.

As part of the eliance transaction, we purchased certain fixed assets; intangibles, including licenses, trademarks, names and other intangibles; prepaid expenses; and one month of an Internet services agreement. We also entered into an agreement for the provision of Web Center and Online Service Professional services for the period from January 1, 2000 to May 31, 2000. We accounted for this purchase of assets as follows: $2.3 million to fixed assets; $630,000 to intangible assets; $3.3 million to prepaid expenses; and a $2.6 million charge to our 1999 profit and loss account. The $2.6 million represented a reimbursement of expenses incurred by eliance on our behalf and a release from any prior obligations with eliance. Included in prepaid expenses was $2.0 million representing a prepayment with respect to the Internet services agreement. As part of the Internet services agreement, we obtained the right to purchase services from eliance at a rate based on eliance's direct costs plus limited overhead. We recorded in prepaid expenses an estimate of the excess amount of the fair value of the services over the actual payments to be made. This $2.0 million prepayment has been amortized, based on usage, over the term of the agreement ended May 31, 2000. Also included in prepaid expenses acquired was $684,000 relating to Web Center and Online Service Professional services from eliance for the month of December 1999 and $585,000 of prepaid advertising expenses paid by eliance on our behalf.

Since our inception, we have had negative cash flows from operating activities of $15.3 million and in the nine-month period ended September 30, 2000, we used $14.4 million to fund operating activities. Cash flows used in operating activities from inception through September 30, 2000 represent losses of $25.8 million, offset by $5.0 million of non-cash items and a decrease in non-cash working capital of $5.5 million. For the foreseeable future, we expect cash flows from operations to be negative. Net cash used in investing activities since inception has been $4.7 million. This consists of $3.0 million related to the purchase of assets from eliance in December 1999, and $1.7 million of other fixed asset additions. Excluded from this purchase price paid for fixed assets is $700,000 relating to the purchase of software licenses on September 30, 2000 that we expect to use to augment our service offerings. This purchase has been included in our fixed assets. Payment for these licenses is due as to $250,000 on or before November 30, 2000, $250,000 on or before December 27, 2000 and $200,000 on or before January 26, 2001. During the nine-month period ended September 30, 2000, we incurred and capitalized $1.2 million relating to our proposed public offering.

We currently do not have material commitments for capital expenditures other than the purchase of software licenses referred to above. We do not have any material capital commitments or obligations other than with respect to operating and capital leases on facilities and equipment. The amount of these operating and capital lease commitments is $852,000 for fiscal 2000. In the future, we will attempt to finance capital purchases through capital leases. We expect to enter into additional operating leases for sales and marketing office space during fiscal 2000, and additional administrative office space in fiscal 2001 or fiscal 2002. New lease arrangements will increase our minimum operating lease commitments at the time that they are entered into.

Our capital requirements depend on numerous factors, including market acceptance of our search services, future investments in our technology and our Webhelp portal content and development, marketing and selling efforts, brand promotion, hardware and software investments to increase capacity and other factors. Our current level of expenditures is expected to increase in future months along with the anticipated growth of our business.

Additionally, we will continue to evaluate possible investments in complementary businesses and technologies, and plan to expand our sales and marketing programs.

As of September 30, 2000, our principal source of liquidity was $7.4 million of cash and cash equivalents. In addition, on October 24, 2000, we raised an additional $5.0 million from the sale of 611,888 shares of Series B preferred stock. Our ability to generate significant revenue is uncertain. We have generated losses of $25.8 million since our inception and have a deficit of $35.8 million as of September 30, 2000. We expect losses from operations and negative cash flow to continue for the foreseeable future as a result of our expansion plans and our marketing and branding initiatives. We expect operating expenses to increase significantly over the next 24 months and along with increased capital expenditures will constitute a significant use of our cash resources. Although we currently have no agreements or commitments in place, we may also use cash to fund acquisitions of complementary businesses and technologies.

We believe that the net proceeds of this offering, together with our existing cash and cash equivalents, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 24 months. During the next 12 months, without taking into account the proceeds of this offering, we will be dependent on alternative financings to fund our planned growth and further development of our business plan. In order to meet our long term liquidity needs, we may need to obtain additional funds. We currently have no credit facility in place to provide long term liquidity. We may need to raise additional funds earlier through public or private financings or other arrangements if we consummate acquisitions or otherwise require funds for operations. Any additional financings may not be available on reasonable terms or at all. Any inability to raise capital when needed could harm our business, financial condition and results of operations. If additional funds are raised through equity financings, additional dilution could occur, and any additional equity could have rights, preferences or privileges superior to the Common Stock.

Cash and cash equivalents are primarily held in cash and debt securities with major financial institutions, currently bearing interest at rates of approximately 5.0% to 7.0% per year. Cash is held primarily in United States dollars, because revenue and most expenses, with the exception of certain salaries and rent payable in Canadian dollars, are denominated in United States dollars. Our obligations under our agreements relating to Web Centers based in India are based in United States dollars and do not provide a short term market risk to us. Our exposure to market risk in connection with currency fluctuations is principally confined to our cash and cash equivalents. We do not consider this risk to be material. The proceeds of this offering will be in Canadian dollars. A significant portion of our expenses are based in U.S. dollars, and accordingly, we will bear some foreign exchange risk relating thereto. In addition, cash raised from this Offering will be raised partly in Webhelp and partly in Webhelp Canada. We may face certain restrictions on our ability to transfer money between companies without incurring certain withholding taxes.

New Accounting Pronouncements

The Financial Accounting Standards Board has issued SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" and SFAS No. 137 "*Deferral of Effective Date for SFAS No. 133*" which are effective for fiscal years beginning after June 15, 2000. Management has not yet determined the impact of these new standards on our consolidated financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 101. SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. We believe that our current revenue recognition principles comply with SAB 101.

In January 2000, the Emerging Issues Task Force ("EITF") issued EITF No. 99-17 "Accounting for Advertising Barter Transactions", under which a consensus was reached that revenue and expense should be recognized at fair value from an advertising barter transaction only if the fair value of the advertising surrendered in the transaction is determinable based on the entity's own historical practice of receiving cash, marketable securities, or other consideration that is readily convertible to a known amount of cash for similar advertising from buyers unrelated to the counterparty in the barter transaction. Our current policies comply with EITF No. 99-17.

In March 2000, the EITF issued EITF No. 00-2 "Accounting for Website Development Costs", under which a consensus was reached that all costs relating to software used to operate a web site should be accounted for under SOP 98-1 unless a plan exists or is being developed to market the software externally, in which case the costs relating to the software should be accounted for pursuant to Statement 86. Our current policies comply with EITF No. 00-2.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation — an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. On October 19, 2000, we amended the exercise price of our outstanding stock options to reflect current market conditions. Under FIN 44, we will be required to use variable accounting in accounting for our deferred stock compensation.

In July 2000, the EITF issued EITF No. 99-19 "Recording Revenue Gross as a Principal versus Net as an Agent", under which a consensus was reached that whether a company should recognize revenue based on (a) the gross amount billed to a customer because it has earned revenue from the sale of the goods or services or (b) the net amount retained because it has earned a commission or fee is a matter of judgment that depends on the relevant facts and circumstances. The ETIF also provided a set of factors or indicators to be considered in that evaluation. Our current policies comply with EITF No. 99-19.

CAPITALIZATION

The following table sets forth the following information as of September 30, 2000:

	Actual	Pro Forma(1)(2)	As Adjusted(1)(2)(3)
Obligations under capital lease, net of current portion	102,044	102,044	●
Redeemable convertible preferred stock			
Redeemable convertible preferred stock, $0.01 par value; 20,000,000 shares authorized; issuable in series			
Series A redeemable convertible preferred stock, $0.01 par value; 15,000,000 shares designated, issued and outstanding; convertible into 5,357,143 shares of common stock at a rate of 0.357 for 1 (no shares issued and outstanding in Pro Forma and As Adjusted); aggregate liquidation preference of $19,200,000 (nil in Pro Forma and As Adjusted)	7,898,798	—	—
Series B redeemable convertible preferred stock, $0.01 par value; 3,671,329 shares designated, issued and outstanding; convertible into 1,311,189 shares of common stock at a rate of 0.357 for 1 (no shares issued and outstanding in Pro Forma and As Adjusted); aggregate liquidation preference of $72,435,321 (nil in Pro Forma and As Adjusted)	29,691,615	—	—
Stockholders' equity (deficiency):			
Common stock, $0.01 par value; 65,000,000 shares authorized			
11,170,080 shares issued and outstanding	111,701	—	—
22,379,802 shares issued and outstanding in Pro Forma(2)	—	223,787	—
● shares issued and outstanding in As Adjusted	—	—	●
Additional paid-in capital	9,752,514	52,230,841	●
Deferred stock compensation	(2,439,243)	(2,439,243)	●
Accumulated deficit	(35,785,267)	(35,785,267)	●
Total stockholders' equity (deficiency)	$(28,360,295)	$ 14,230,118	$ ●
Total capitalization	$ 9,332,162	$ 14,332,162	$ ●

(1) Reflects an amendment to the Series A and Series B Convertible Preferred Stock on October 24, 2000 to issue 611,888 shares of Series B Convertible Preferred Stock to an affiliate of CIBC World Markets Inc. at a price of $8.17 per share for total cash consideration of $5.0 million; to amend the conversion rate of the Series A Convertible Preferred Stock from 0.357 for 1 to 0.393 for 1; to amend the conversion rate of the Series B Convertible Preferred Stock from 0.357 for 1 to 1.241 for 1; and the conversion of all of the outstanding preferred stock of Webhelp into 11,209,722 shares of Common Stock upon the closing of this offering.

(2) The number of shares of Common Stock as of September 30, 2000 excludes options outstanding as of October 20, 2000 to acquire 1,106,911 shares of Common Stock and warrants to purchase ● shares of Common Stock. See "Options to Purchase Common Stock" and "Certain Transactions — Issuance of Series B Convertible Preferred Stock and Warrants" and notes 10(b) and 16 to the consolidated financial statements.

(3) As Adjusted reflects the Pro Forma amounts adjusted for the sale of the Offered Securities after deducting estimated offering expenses.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Offered Securities will be approximately $ ● million. If the Underwriters fully exercise the over-allotment option, the net proceeds will be approximately $ ● million. "Net proceeds" is what we expect to receive after paying the underwriting fees and commissions and other expenses of the offering. For the purpose of estimating net proceeds, we are assuming an initial public offering price of $ ● per Offered Security.

We expect that we will use approximately $ ● million to fund operating activities, and in particular, to expand our sales and marketing, approximately $ ● million to establish one or more additional Company managed Web Centers, to further enhance our technology to develop new service offerings and to purchase fixed assets for internal use, and the balance for working capital requirements and general corporate purposes. From time to time we will consider acquisition opportunities, and we may use a portion of the proceeds of this offering to fund all or a portion of the purchase price of acquisitions.

The amount and timing of these expenditures is subject to our discretion and is not currently committed to specific programs.

Until we use the net proceeds of the offering, we will invest the funds in short-term, investment grade, interest-bearing securities.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We anticipate that we will retain earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future.

MANAGEMENT

Directors and Executive Officers of Webhelp

The following table sets forth certain information regarding the executive officers and directors of Webhelp.

Name	Age	Position
Kerry E. Adler Toronto, Ontario	35	Chief Executive Officer, President and a Director
Laura Hantho Toronto, Ontario	39	Chief Operating Officer and a Director
Hugh Cumming Toronto, Ontario	30	Chief Technology Officer
Tom Cronin Toronto, Ontario	37	Chief Financial Officer
Dan Walter Omaha, Nebraska	43	Chief Business Development Officer
Deven Parekh New York, New York	31	Director
Jeff Horing New York, New York	36	Director
Wes Nichols Pacific Palisades, California	35	Director

The following is a brief summary of the business experience of each of our executive officers and directors:

Kerry Adler has served as our Chief Executive Officer and President and a director since our inception. From July 1999 to November 1999, Mr. Adler was President of eliance, a provider of electronic commerce services. From August 1998 to July 1999, Mr. Adler was Chairman of SITEL Corporation (Canada) and Senior Vice President and immediate past member of the Office of the President, SITEL Corporation, a customer relationship management company. From February 1996 to August 1998, Mr. Adler was President and was one of the original founders of SITEL Teleservices Canada, a provider of outsourced telephone and Internet based customer service and sales programs for large corporations. His previous experience includes the roles of Executive Vice President of (CTC) Canadian Telephone Corporation, a telemarketing service agency, Management Consultant for AT&T Canada Corp. (Unitel Corporation), Managing Partner for RPW Systems & Services, Inc., a computer software company, and Chief Executive Officer and founder of CORPFON Cellular Inc., a cellular telephone resale company. Mr. Adler is also a director and officer of Webhelp Canada.

Laura Hantho has served as our Chief Operating Officer and a director since our inception. From July 1999 to November 1999, Ms. Hantho was Chief Operating Officer of eliance. Ms. Hantho was previously employed for 20 years with IBM. From January 1999 to July 1999. Ms. Hantho served in the role of Global Services Executive. From January 1998 to January 1999, Ms. Hantho served as Professional Services Executive. From February 1996 to January 1998, Ms. Hantho was the National Brand Manager, AS/400 Division. From January 1995 to February 1996, she was the Canadian Large New Business Marketing Manager for the AS/400 Division. Previously during her career, Ms. Hantho served in diverse roles with IBM including in marketing, sales and systems engineering. Ms. Hantho is also a director and officer of Webhelp Canada.

Hugh Cumming has served as our Chief Technology Officer since November 1999. From July 1999 to November 1999, Mr. Cumming was Chief Technology Officer of eliance. From March to August 1999, he was the Chief Information Officer for SITEL Europe PLC. Previously, from December 1997 to March 1999, he was the Vice President of Technology for SITEL Global Business in the Netherlands. From August 1995 to December 1997, he was the Vice President of Technology for SITEL Canada, Inc. His career has also included the roles of Vice President for MIS for Canadian Telephone Corporation, President and founder of Computer Engineering Co., a systems engineering company, Software Engineer for IBM Canada Ltd., Software Developer for Ecolab Inc., a provider of products and services for the hospital, institutional and industrial markets, and Software Engineer for SoftQuad Inc., a software company.

Tom Cronin has served as our Chief Financial Officer since February 2000. From March 1994 until January 2000, Mr. Cronin acted in various finance executive roles with SHL Systemhouse Inc., an information technology services company, and its successor and subsidiary companies within MCI Communications Corp. and Electronic Data Systems Corp. His roles included Vice-President Corporate Finance and Treasurer while SHL Systemhouse was a public company, Finance Director and board of directors member of SHL Systemhouse Europe, interim Senior Operating Manager of SHL Systemhouse Europe and most recently as Chief Financial Officer of EDS Innovations Inc. Prior to joining SHL Systemhouse, Mr. Cronin spent eight years with Ernst & Young LLP in their Toronto and London, England offices in both audit and corporate finance. Mr. Cronin is a Chartered Accountant in Canada.

Dan Walter has served as our Chief Business Development Officer since November 1999. From August to November 1999, Mr. Walter was Executive Vice President at eliance. Previously, from January 1990 to August 1999, he worked with SITEL Corporation, where he served as member of the Office of the President from January 1999 to August 1999. He was Corporate Senior Vice President, Global Business Development from January 1997 to January 1999 and Chairman of the Telecommunications/Energy Sector Group from January 1997 to August 1999. From 1995 to 1997, he served as Group Executive Vice President of the Telecommunication Industry Division. Mr. Walter was the chief architect of SITEL's large-scale business development for such Fortune 500 customers as General Motors Corp. and GTE Corp.

Deven Parekh has been a director since October 2000. Mr. Parekh is a principal with Insight Capital Partners. Prior to joining Insight, Mr. Parekh was, from 1992 to 1999, a principal with Berenson Minella & Company, a New York-based merchant banking firm where he served on the firm's M&A Committee and spearheaded the firm's aerospace industry investment banking effort. Prior to Berenson Minella, Mr. Parekh was an investment banker with The Blackstone Group where he was involved in both M&A advisory and principal activities. Mr. Parekh is also a director of Webhelp Canada.

Jeffrey Horing has been a director since December 1999. Mr. Horing co-founded Insight Capital Partners in 1995 and has been a General Partner of Insight since then. Mr. Horing was previously a member of the technology group at Warburg, Pincus, a private equity investment firm and an investment banker at Goldman Sachs & Co. in the capital markets group. He is a director of Exchange Applications, Inc. and several privately held companies.

Wes Nichols has served as a director since March 2000. He is a co-founder and Managing Partner of Direct Partners, one of the largest strategic marketing agencies in North America where he is responsible for strategic planning and overall growth. Prior to founding Direct Partners in 1994, Mr. Nichols was, from February 1992 to March 1994, a member of the executive management team of National Direct Marketing Corp., a provider of investment marketing services, where he was responsible for analyzing investment opportunities and structuring marketing programs for a number of blue chip clients. Prior to that, he was with various direct marketing agencies in Chicago, Richmond and Baltimore, with a focus on strategic planning and account services for a variety of Fortune 500 companies.

The current directors were elected to the board pursuant to the terms of a stockholders' voting agreement. Effective upon the completion of the offering, that agreement will terminate.

Committees of the Board of Directors

The board of directors has a compensation committee and an audit committee. The members of the compensation committee are Messrs. Horing, Nichols and Parekh. The compensation committee makes recommendations to the full board as to the compensation of senior management, administers our 1999 Long Term Incentive Plan and determines the persons who are to receive options and the number of shares subject to each option.

The members of the audit committee are Messrs. Horing, Nichols and Parekh. The audit committee acts as a liaison between the board and the independent accountants and annually recommends to the board the appointment of the independent accountants. The audit committee reviews with the independent accountants the planning and scope of the audits of the financial statements, the results of those audits and the adequacy of internal accounting controls and monitors other corporate and financial policies.

Compensation Committee Interlocks and Insider Participation

All executive officer compensation decisions have been made by the compensation committee of the board of directors. The compensation committee reviews and makes recommendations regarding the compensation for our management and key employees, including salaries and bonuses. No member of the compensation committee is an executive of Webhelp.

Agreements with Principal Stockholders

Pursuant to an Amended and Restated Stockholder's Voting Agreement dated as of December 31, 1999, the Series A preferred stockholders, consisting of the Insight Capital Partnerships, W-W-H Investors LLC and Imprimis SB LP, are entitled to designate two members of the board of directors and the Series B preferred stockholders, consisting of CIBC WMC Inc., are entitled to designate one member of the board of directors. The agreement sets the number of directors to serve on the board at seven, and further provides that Kerry Adler, Laura Hantho, Hugh Cumming and Dan Walter may designate two executive officers to serve on the board. Currently, there are five directors on the board. Jeff Horing and Deven Parekh serve as directors designated by the Series A preferred stockholders. Kerry Adler and Laura Hantho serve as directors on the board designated by Kerry Adler, Laura Hantho, Hugh Cumming and Dan Walter. The agreement will terminate upon the completion of the offering, at which time the parties will have no contractual right to designate our directors.

Key Management

The following is a brief summary of other key management team members.

Robert Foran has served as our Vice President Finance, Operations since January 2000. From November 1999 to January 2000, he served as our Chief Financial Officer. Mr. Foran was Vice President of Finance and Administration for SITEL Corporation (Canada) from November 1996 to November 1999, where he played a critical role in leading the financial bidding process for some of the largest customer relationship management bids in Canada. He served previously as Director of Finance for SITEL Corporation (Canada) in 1996, and Controller for (CTC) Canadian Telephone Corporation in 1995. He is an active member of The Canadian Institute of Chartered Accountants.

Chris Barrow has been our Vice President, Business Development/West Coast since December 1999. From December 1998 to November 1999, Mr. Barrow worked as Senior Director of Business Development for 3Com Corp. where he was responsible for worldwide new business development, strategic programs, planning and strategic relationships. From July 1997 to December 1998, he worked for SITEL Corporation, first as Vice President of Business Development and then as Vice President Worldwide Marketing. From 1989 to 1997, Mr. Barrow worked at Compaq Computer Corp. where, from 1993 to 1997, he held the position of Director of Western Region. Mr. Barrow has worked in the high-tech industry since 1984 with a number of companies including Nintendo Co. Ltd. and several start-up companies.

Jack Jessen has served as our Vice President, Business Development/East since December 1999. He came to us from SITEL Corporation where he served as North America Regional Manager, Global Account from June to December 1999. From December 1997 to May 1999, he was President of Entelechy Systems Inc., a IVR/CRM venture. Prior to that, from May 1995 to December 1997, he served in various positions with SITEL Corporation, most recently, from April to December 1997, as Vice President and General Manager Global Business Development. From August 1996 to March 1997, he worked as Vice President and General Manager, New Business Development and from August 1995 to August 1996, Mr. Jessen held the position of Vice President and General Manager, Client Services Group. Previously he held general management positions with Time Warner Cable, and was a Senior Accountant with KPMG Peat Marwick LLP.

John Burton has served as our General Counsel since February 2000. From August 1992 to February 2000, he was an associate at Torys in New York. Prior to that, he was an associate at Cravath, Swaine & Moore. Mr. Burton has broad experience in the areas of public and private finance and mergers and acquisitions, representing large and middle-market corporations in transactions valued at several billion dollars, in the aggregate.

Christopher Harrs has been our Vice President of Strategic Marketing, Canada since March 2000. Previously, since July 1992, he served as Vice President, Business and Legal Affairs for the film, music and home video divisions of Universal Studios Canada Ltd. From July 1993 to March 1998, Mr. Harrs also served as Director, Strategic Marketing at Universal Studios Canada where he created and implemented revenue-generating products and marketing programs including some of Canada's best-selling music compilation series. Mr. Harrs is a Member of the Ontario Bar.

Rahul Sharma has served as our Director, Brand Management since March 2000. From August 1999 to March 2000, Mr. Sharma was a Group Brand Manager for the Campbell's Soup Co. From July 1996 until July 1999, he worked at The Procter & Gamble Company (Canada). From November 1995 to May 1996, Mr. Sharma worked as a Marketing Analyst in the Research & Development Division of PT Telekomunikasi Indonesia, Indonesia's national telecommunications company. From May 1995 to November 1995, Mr. Sharma worked with several small businesses consulting, writing business plans, and working in economic development.

Gregory Ogorek has served as our Manager of International Partnerships since March 2000. Previously, he held various positions in Paris, France at Europ Assistance, the world leader in the field of assistance (roadside, travel and home teleservice assistance). From March 1999 to September 1999, Mr. Ogorek served as General Manager of Europ Assistance's home teleservice assistance subsidiary, Europ Telesecurite. From November 1997 to March 1999, he launched and served Europ Telesecurite as Marketing and Sales Director. Prior to that, from December 1996 to November 1997, Mr. Ogorek served Europ Assistance as Project Leader for a major European strategic new home assistance business development. From May 1995 to December 1996, he served as their Market Development Manager.

Cory Basil has been our Senior Director, Product Marketing since November 1999. Previously, Mr. Basil was at SITEL Corporation from April 1996 to November 1999, where he was employed in a variety of roles. From January 1999 to November 1999, he was Manager, Business Development and Integration for SITEL Corporation WebServicing where he was responsible for SITEL's eCRM Product Development and Sales. From November 1997 to January 1999, he worked as a Manager, Business Development for SITEL Corporation's Global Business Development Unit. From October 1996 to November 1997, Mr. Basil worked as Senior Account Executive at SITEL Canada. From April 1996 to October 1996, Mr. Basil worked as Client Support Manager at SITEL Canada. Prior to his employment at SITEL Mr. Basil had a number of roles within the Direct Marketing Industry including Telstra Corporation Limited and Goldfarb Consultants.

Executive Compensation

During the fiscal year ended December 31, 1999, we paid our President and Chief Executive Officer, Kerry Adler, salary in the amount of $43,560 with no bonus. We did not pay any of our executive officers more than $100,000 in 1999.

Employment Agreements

We have employment agreements with each of our executive officers, who are Kerry Adler, Laura Hantho, Hugh Cumming, Tom Cronin and Dan Walter. The employment agreements provide for the annual base salaries and guaranteed bonuses set forth in the table below:

Executive Officer	Annual Base Salary	Guaranteed Bonus
Kerry Adler	$300,000	$300,000
Laura Hantho	170,000	30,000
Hugh Cumming	170,000	30,000
Dan Walter	200,000	—
Tom Cronin	170,000	30,000

All our executive officers are eligible to receive an annual incentive performance bonus for each calendar year of employment in an amount to be determined by the compensation committee. Under the employment agreements these executives may participate in all fringe benefit programs available to our other salaried employees.

If Mr. Adler is either terminated other than for cause or resigns for good reason, for 12 months after his termination, we will be required to pay him his annual base salary over three months together with life and health insurance benefits, subject to his compliance with the provisions protecting our confidential information and barring his competition with us under certain circumstances. If Ms. Hantho or Messrs. Cumming, Walter or Cronin are either terminated other than for cause or resign for good reason, for the lesser of 12 months after their termination or until they are gainfully employed, the Company will be required to pay them their annual base salary together with life and health insurance benefits, subject to their compliance with the provisions protecting our confidential information and barring their competition with us under certain circumstances. If any of these executive officers are terminated for cause or resign without good reason, no further salary, bonuses or other compensation will be due except for any amount which has accrued but not been paid prior to the termination date.

Under the employment agreements, each executive has agreed not to use or disclose our confidential information. Each executive has also agreed to assign to us all innovations, discoveries and inventions he or she develops during the course of his or her employment. Each executive also has agreed to assist us in obtaining patents, copyrights or trademarks on any protectable ideas and inventions during the course of his or her employment. Such provisions are effective during and after the termination of the agreements for a period of 12 months for Mr. Cumming or 18 months for Messrs. Adler, Walter and Cronin and Ms. Hantho.

Long Term Incentive Plan

We sponsor the Webhelp Inc. 1999 Long Term Incentive Plan. Under the plan, up to an aggregate of 2,142,857 shares of our Common Stock will be available for issuance of awards to our employees, directors and consultants. As of October 20, 2000, 1,106,911 stock options at a weighted average exercise price of $ ● were outstanding under the plan.

The plan is administered by the compensation committee of our board of directors which determines the persons who are to receive awards and the number of shares to be subject to each award. In selecting individuals for awards and determining the type of award and the terms thereof, the compensation committee may take into consideration any factors it deems relevant including present and potential contributions to our success. Awards may be in the form of stock options, grants of restricted stock, stock appreciation rights or other stock-based awards and performance awards payable upon achievement of specified goals. Options granted under the plan must be exercised within a period fixed by the compensation committee, which may not exceed ten years from the date of the grant of the option. Awards may be made exercisable in whole or in installments, as determined by the compensation committee.

Options may not be transferred other than by will or the laws of descent and distribution and during the lifetime of an optionee may be exercised only by the optionee. The exercise price may not be less than the par value of our Common Stock or, in the case of incentive stock options, not less than the fair market value of our

Common Stock on the date of grant of the option. Unless designated as "incentive stock options" intended to qualify under Section 422 of the Internal Revenue Code of 1986, options which are granted under the plan are intended to be "non-qualified stock options". The exercise price may be paid in cash, shares of our Common Stock owned by the optionee, or in a combination of cash and shares.

The plan provides that, in the event of changes in our corporate structure or certain events affecting our Common Stock, our board of directors may, in its discretion, make adjustments with respect to the number of shares which may be issued under the plan or which are covered by outstanding options or other awards, in the exercise price per share, or both. In connection with certain changes of our control or any sale or transfer by us of all or substantially all our assets, all outstanding options under the plan will become exercisable in full on or prior to the effective date of the merger, consolidation, sale, transfer or other change of control transaction.

401(k) Retirement Savings Plan

We are implementing a 401(k) retirement savings plan. The purpose of the retirement plan will be to provide our employees with an opportunity to save for retirement on a tax-advantaged basis. The retirement plan will permit U.S. employees to defer receipt of a portion of their compensation in accordance with Section 401(k) of the Code and have it contributed, by way of payroll deductions, to the retirement plan. An employee's interest in his or her 401(k) contributions will be fully vested at all times. An employee generally will be entitled to payment of his or her account balance under the retirement plan upon retirement (usually at age 65), death, permanent disability or other termination of employment. Payment under the retirement plan will be made in the form of a lump sum.

Limitation of Liability and Indemnification

The certificate of incorporation of Webhelp provides that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any of the following:

- any breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- the unlawful payment of dividends or unlawful stock purchases under Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derives any improper personal benefit.

If the Delaware General Corporation Law is amended to eliminate or further limit the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of such provision of our certificate of incorporation by our stockholders shall be prospective only and shall not adversely affect any right or protection of our directors existing at the time of such repeal or modification. While our certificate of incorporation provides directors with protection from awards for monetary damages for breaches of their duty of care, it does not eliminate this duty, nor does it have any effect on the availability of equitable remedies such as an injunction or rescission based on a director's breach of his or her duty of care. The provisions of our certificate of incorporation described above apply to our officers only if he or she is a director and is acting in his or her capacity as a director, and do not apply to our officers who are not directors.

Our certificate of incorporation provides to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, or any comparable successor law, as the same may be amended and supplemented from time to time, that:

- we may indemnify all persons whom we have power to indemnify under the Delaware General Corporation Law from and against any and all of the expenses, liabilities or other matters referred to in or covered thereby;
- we shall indemnify each such person if he or she is or is threatened to be made a party to an action, suit or proceeding by reason of the fact that he or she is or was our director, officer, employee or agent or

because he or she was serving us or any other legal entity in any capacity at our request while our director, officer, employee or agent; and

- we shall pay the expenses of such a current or former director, officer, employee or agent incurred in connection with any such action, suit or proceeding in advance of the final disposition of such action, suit or proceeding.

Our certificate of incorporation further provides that the indemnification and advancement of expenses provided for therein shall not be deemed exclusive of any other rights to which those entitled to indemnification or advancement of expenses may be entitled under any by-law, agreement, contract or vote of stockholders or disinterested directors or pursuant to the direction (however embodied) of any court of competent jurisdiction or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Directors and Executive Officers of Webhelp Canada

The following table sets forth certain information regarding the directors and executive officers of Webhelp Canada.

Name	Age	Position
Kerry E. Adler Toronto, Ontario	35	Chief Executive Officer, President and a Director
Laura Hantho Toronto, Ontario	39	Chief Operating Officer and a Director
Deven Parekh New York, New York	31	Director
Barry Reiter Toronto, Ontario	51	Director
Tom Cronin Toronto, Ontario	37	Chief Financial Officer

The following is a brief summary of the business experience of each of our executive officers and directors:

Kerry Adler has served as our Chief Executive Officer and President and a director since our inception. Mr. Adler is also a director and officer of Webhelp.

Laura Hantho has served as our Chief Operating Officer and a director since our inception. Ms. Hantho is also a director and officer of Webhelp.

Deven Parekh has been a director since October 2000. Mr. Parekh is also a director of Webhelp.

Barry Reiter has been a director since October 2000. Mr. Reiter is Chairman of the Technology Group at Torys, a New York and Toronto based law firm. Mr. Reiter has been a Partner of Torys since 1982. Mr. Reiter is currently a director of Algorithmics, Inc. (of which he is Chairman), Alliance Atlantis Communications Inc., Efos Inc., Lorus Therapeutics, Royal Bank Ventures Inc., 724 Solutions Inc., Battery Technologies Inc. and Telepanel Systems.

Tom Cronin has been an officer since October 2000. Mr. Cronin is also an officer of Webhelp.

OPTIONS TO PURCHASE OFFERED SECURITIES

Common Stock

The following table sets out certain information with respect to all options to purchase Common Stock which are outstanding as at October 24, 2000, all of which relate to Webhelp. There are currently not any options outstanding to purchase Exchangeable Shares.

Holder of Option	Securities under Option	Purchase Price of Securities under Option(1) $	Expiry Date of Option
Directors of Webhelp (2 persons)	142,857	●	January 28 to July 31, 2010
Executive Officers of Webhelp (excluding those listed above) (1 person)	142,857	●	January 28, 2010
Directors of subsidiaries of Webhelp (excluding those listed above)	Nil	Nil	N/A
Executive Officers of subsidiaries of Webhelp (excluding those listed above)	Nil	Nil	N/A
Employees of Webhelp (87 persons)	347,679	●	January 28 to October 19, 2010
Employees of subsidiaries of Webhelp (107 persons)	263,214	●	January 28 to October 19, 2010
Other (113 persons)	210,304	●	January 28, 2000
TOTAL	1,106,911		

(1) On October 19, 2000, the board of directors amended the exercise price of the existing stock options from $18.18 to a price to be determined based upon the offering price.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Common Stock as of October 20, 2000 and after giving effect to the offering, of:

- each person who we know beneficially owns more than 5% of the Common Stock;
- each of the directors;
- the Chief Executive Officer;
- each of the executive officers named in the annual base salary and guaranteed bonus table — see "Management — Employment Agreements"; and
- all of the executive officers and directors as a group.

Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares[1]	Percentage of Ownership[1]	
		Prior to Offering	After Offering
Kerry Adler c/o Webhelp Inc. 175 Bloor Street East North Tower, Suite 400 Toronto, Ontario, M4W 3R8	4,880,619[2]	21.7%	● %
Laura Hantho c/o Webhelp Inc. 175 Bloor Street East North Tower, Suite 400 Toronto, Ontario, M4W 3R8	1,301,499[3]	5.8%	● %
Hugh Cumming c/o Webhelp Inc. 175 Bloor Street East North Tower, Suite 400 Toronto, Ontario, M4W 3R8	976,124[4]	4.4%	● %
Insight Capital Partners 527 Madison Avenue 10th Floor New York, New York 10022	3,241,194[5]	14.4%	● %
eliance Corporation 7800 Equitable Drive Suite 250 Minneapolis, MN 55344	2,776,915[6]	12.4%	● %
W-W-H Investors LLC 411 West Putnam Greenwich, CT 06830	2,651,886[7]	11.8%	● %
CIBC WMC Inc. 425 Lexington Avenue New York, NY 10017	5,316,642[8]	23.7%	● %
Dan Walter c/o Webhelp Inc. 175 Bloor Street East North Tower, Suite 400 Toronto, Ontario, M4W 3R8	813,436[9]	3.6%	● %
Tom Cronin c/o Webhelp Inc. 175 Bloor Street East North Tower, Suite 400 Toronto, Ontario, M4W 3R8	35,714[10]	*	*
Deven Parekh c/o Insight Capital Partners 527 Madison Avenue 10th Floor New York, NY 10022	0[11]	*	*

Name and Address of Beneficial Owner	Number of Shares(1)	Percentage of Ownership(1) Prior to Offering	After Offering
Jeffrey Horing c/o Insight Capital Partners 527 Madison Avenue 10th Floor New York, NY 10022	17,857(12)	*	*
Wes Nichols c/o Webhelp Inc. 175 Bloor Street East North Tower, Suite 400 Toronto, Ontario M4W 3R8	11,905(13)	*	*
All executive officers and directors as a group (8 persons)(2)(3)(4)(9)(10)(11)(12)(13)(14)	8,037,154(14)		

* Indicates ownership percentage of less than one percent.

(1) Amounts and percentages include outstanding options which are exercisable within 60 days of September 30, 2000.

(2) These shares are held by a limited liability company, one of the members of which is indirectly controlled by a trust, of which Mr. Adler and his family are beneficiaries. Does not include up to 1,607,143 shares of Common Stock owned by eliance held in escrow subject to a collective option held by Mr. Adler, Ms. Hantho, Mr. Cumming, Mr. Walter and Shukie Halfon to purchase these shares.

(3) These shares are held by a limited liability company, one of the members of which is indirectly controlled by a trust, of which Ms. Hantho and her family are beneficiaries. Does not include up to 1,607,143 shares of Common Stock owned by eliance held in escrow subject to a collective option held by Ms. Hantho, Mr. Adler, Mr. Cumming, Mr. Walter and Shukie Halfon to purchase these shares.

(4) These shares are held by a limited liability company, one of the members of which is indirectly controlled by a trust, of which Mr. Cumming is the beneficiary. Does not include up to 1,607,143 shares of Common Stock owned by eliance held in escrow subject to a collective option held by Mr. Cumming, Mr. Adler, Ms. Hantho, Mr. Walter and Shukie Halfon to purchase these shares.

(5) Represents 8,250,000 shares of Series A preferred stock that will automatically convert into 3,241,071 shares of Common Stock upon the completion of the offering. These shares are held by five funds managed by Insight Capital Partners: Insight Capital Partners II, L.P. will hold 565,713 shares of Common Stock; Insight Capital Partners (Cayman) II, L.P. will hold 62,857 shares of Common Stock; Insight Capital Partners III, L.P. will hold 1,835,905 shares of Common Stock; Insight Capital Partners (Co-Invest) III, L.P. will hold 321,809 shares of Common Stock; and Insight Capital Partners (Cayman) III, L.P. will hold 454,787 shares of Common Stock.

(6) Includes 1,964,286 shares of Common Stock held in escrow as security for the indemnification provisions of the Asset Purchase Agreement dated December 29, 1999 by and between us, our wholly owned subsidiary and eliance. 1,607,928 of the shares of Common Stock held in escrow are subject to a collective option to purchase held by Mr. Adler, Ms. Hantho, Mr. Cumming, Mr. Walter and Shukie Halfon.

(7) Represents 6,750,000 shares of Series A preferred stock that will automatically convert into 2,651,786 shares of Common Stock upon the completion of the offering.

(8) Represents 4,283,217 shares of Series B preferred stock that will automatically convert into 5,316,642 shares of Common Stock upon the completion of the offering. This does not include Common Stock that CIBC WMC Inc. may become entitled to purchase on exercise of a warrant issued by Webhelp to CIBC WMC Inc. on October 24, 2000. See "Certain Transactions — Issuance of Series B Convertible Preferred Stock and Warrants".

(9) Does not include up to 1,607,143 shares of Common Stock owned by eliance held in escrow subject to a collective option held by Mr. Walter, Mr. Adler, Ms. Hantho, Mr. Cumming and Shukie Halfon to purchase these shares.

(10) Represents currently exercisable options to purchase 35,714 shares of Common Stock.

(11) Does not include 3,241,071 shares of Common Stock that will be held by the five funds managed by Insight Capital Partners.

(12) Represents currently exercisable options to purchase 17,857 shares of Common Stock. Does not include 3,241,071 shares of Common Stock that will be held by the five funds managed by Insight Capital Partners. Mr. Horing, one of our directors, is a general partner of Insight Capital Partners. Mr. Horing disclaims beneficial ownership of the shares held by the entities affiliated with Insight Capital Partners, except to the extent of his pecuniary interest therein.

(13) Represents options to purchase 11,905 shares of Common Stock that will become exercisable within 60 days.

(14) Includes an aggregate of 1,607,143 shares of Common Stock owned by eliance held in escrow subject to an option to purchase up to that number of shares collectively held by Mr. Adler, Ms. Hantho, Mr. Cumming and Mr. Walter.

CERTAIN TRANSACTIONS

Loan From Insight

On November 10, 1999, we borrowed $2,000,000 from Insight Capital Partners at an interest rate of 8% per annum. Our obligations to repay this loan were canceled as partial payment for the 15,000,000 shares of Series A preferred stock issued to various Insight funds on December 29, 1999.

Issuance of Series A Convertible Preferred Stock

Based on a valuation established in July 1999 and in accordance with a binding letter of intent dated November 18, 1999 and a stock purchase agreement dated December 29, 1999, we issued an aggregate of 15,000,000 shares of Series A preferred stock for a purchase price of $0.53 per share, or an aggregate of $8,000,000 before expenses. Initially, each share of Series A preferred stock was convertible into 0.357 of a share of Common Stock. Concurrent with the amendment to the Series B preferred stock referred to below under "— Issuance of Series B Preferred Stock and Warrants", the Series A preferred stock was amended so that each share of Series A Preferred Stock is convertible into 0.393 of a share of Common Stock. As a result, the shares of Series A preferred stock will automatically be converted into an aggregate of 5,893,080 shares of Common Stock upon consummation of the offering. Of these shares of preferred stock, 5,797,592 shares were issued to InSight Capital Partners III, L.P.; 1,436,168 shares were issued to InSight Capital Partners (Cayman) III, L.P.; 1,016,240 shares were issued to InSight Capital Partners (Co-Invest) III, L.P.; 4,781,250 shares were issued to W-W-H Investors LLC and 1,968,750 shares were issued to Imprimis SB LP. The current holders of the Series A preferred stock are controlling stockholders of eliance. The liquidation value of the Series A preferred stock is $1.28 per share plus accrued but unpaid dividends. Upon liquidation, the Series A and Series B preferred stockholders will be paid the amounts to which they are entitled on an equivalent basis except that the holders of Series B preferred stock will be entitled to share equally with the holders of Common Stock in any remaining assets of the Corporation as if the Series B preferred stock were converted into Common Stock.

Transaction with eliance

Pursuant to a binding letter of intent dated November 29, 1999 and an asset purchase agreement dated as of December 29, 1999 between us, our wholly owned subsidiary and eliance, we purchased certain assets from eliance, including all rights under certain agreements, contracts and licenses, the name and URL "Webhelp.com" and the trademarks "Webhelp.com," "Webhelpme," "Webhelpmebuy," and "Webhelpmesell". The purchase price was $4,256,400 cash and 3,035,714 shares of our Common Stock, of which 1,964,286 are subject to the share escrow agreement described below. Mr. Adler, Ms. Hantho, Mr. Cumming and Mr. Walter were previously employed by eliance. The asset purchase agreement also provides for mutual releases between eliance and us and the indemnification of us, Mr. Adler and Ms. Hantho.

Share Escrow Agreement. In connection with the eliance transaction, we entered into a share escrow agreement dated as of December 29, 1999 whereby eliance delivered 1,964,286 of the shares received as consideration for the asset purchase to our attorneys, Torys, as the escrow agent. The shares are being held in escrow as security for the indemnification provisions of the asset purchase agreement. eliance retains voting rights over the shares during the period of the escrow agreement. The escrow agreement provides that Mr. Adler, Ms. Hantho, Mr. Cumming, Mr. Walter and Shukie Halfon may purchase up to 1,607,143 of the shares held in escrow at any time and from time to time until the fifth anniversary of the escrow agreement. All or any part of the first 535,714 of the shares subject to this option have a purchase price of $1.68 per share. The second 535,714 shares have a purchase price of $3.36 per share, and the last 535,715 shares have a purchase price of $5.04 per share. The purchase price for the shares will be zero, however, if the proceeds from this offering are $25,000,000 or more and eliance obtains a firm commitment from a purchaser of its Web800 business or completes a sale of fifty percent (50%) or more of the assets of its Web800 business. Torys is not entitled to compensation for services rendered as escrow agent pursuant to the escrow agreement.

Software License Agreement. Pursuant to a software license agreement dated December 29, 1999, eliance has granted us a perpetual, nonexclusive, royalty-free license to use and modify machine readable versions of the eBus transaction engine. The eBus transaction engine consists of easily expanded component architecture providing a suite of generic services to facilitate e-commerce and related functions of our Webhelp portal. The license provides us with copies of the source code to the software to enable us to maintain and update the software ourselves.

Internet Services Agreement. Pursuant to an Internet services agreement dated December 29, 1999, eliance provided us, until May 31, 2000, with Web Center services on an exclusive basis within the field of customer-initiated Internet search inquiries. The services included the employment and training of Online Service Professionals at up to 150 Web Center work stations.

Issuance of Series B Convertible Preferred Stock and Warrants

Pursuant to a Series B convertible preferred stock purchase agreement dated as of December 31, 1999 among Webhelp, Mr. Adler, Ms. Hantho, Mr. Cumming, Mr. Walter, CIBC WMC Inc., an affiliate of CIBC World Markets Inc. (one of the Underwriters of this offering) and another holder of Common Stock, we issued 3,671,329 shares of Series B preferred stock to CIBC WMC for a purchase price of approximately $8.17 per share, or an aggregate of $30,000,000 before expenses. With $10,000,000 of the proceeds, we repurchased 262,238 shares of our Common Stock from Mr. Adler for $6.0 million, 69,930 shares from Ms. Hantho for $1.6 million, 52,446 shares from Mr. Cumming for $1.2 million, 43,706 shares from Mr. Walter for $1.0 million and 8,742 shares from other holders of Common Stock for $200,000. These shares represented approximately 5% of the shares held by the founders. On October 24, 2000, CIBC WMC subscribed for a further 611,888 shares of Series B preferred stock at a price of $8.17 per share, or an aggregate of $5.0 million before expenses. Initially, each share of Series B preferred stock was convertible into 0.357 of a share of Common Stock. Concurrent with the subscription for further shares of Series B preferred stock on October 24, 2000 by CIBC WMC, the Series B preferred stock was amended so that each share of Series B preferred stock is convertible into 1.241 shares of Common Stock. As a result, the Shares of Series B preferred stock will automatically be converted into an aggregate of 5,316,642 shares of Common Stock upon consummation of the offering. The liquidation value of the Series B preferred stock is $8.17 per share, plus 5% per annum, plus accrued but unpaid dividends thereon. Upon liquidation, the Series A and Series B stockholders will be paid the amounts to which they are entitled on an equivalent basis. except that the holders of Series B preferred stock will be entitled to share equally with the holders of Common Stock in any remaining assets of the Corporation as if the Series B preferred stock were converted into Common Stock.

Concurrently with the issuance of the additional 611,888 shares of Series B preferred stock to CIBC WMC, we issued to CIBC WMC a warrant to purchase shares of Common Stock. The warrant will entitle CIBC WMC to purchase additional Common Stock at the initial public offering price of $ ● for a period of five years after completion of this offering. CIBC WMC will be entitled to purchase additional shares of Common Stock only to the extent that the value of Webhelp before giving effect to this offering is below $155.5 million.

Registration Rights of Certain Holders

Webhelp is a party to an amended and restated investor rights agreement dated as of December 31, 1999 that provides eliance, InSight Capital Partners III, L.P., InSight Capital Partners (Cayman) III, L.P., InSight Capital Partners (Co-Invest) III, L.P., Insight Capital Partners II, L.P., Insight Capital Partners (Cayman) II, L.P., W-W-H Investors LLC, Imprimis SB LP, CIBC WMC Inc., Kerry Adler, Laura Hantho, Hugh Cumming, Dan Walter, and Shukie Halfon with the ability to demand registration under the U.S. Securities Act of 1933 of all or a portion of the shares of our Common Stock owned by them from time to time at any time after we become eligible to file a registration statement on Form S-3, which will not be earlier than one year after consummation of a public offering of Common Stock registered under the U.S. Securities Act of 1933. Of these shares, including shares issued upon the conversion of the Series A preferred stock and Series B preferred stock to Common Stock upon consummation of the offering, 2,776,915 are held by eliance, 565,735 are held by Insight Capital Partners II, L.P., 62,859 are held by Insight Capital Partners (Cayman) II, L.P., 1,835,974 are held by Insight Capital Partners III, L.P., 321,822 are held by Insight Capital Partners (Co-Invest) III, L.P., 454,804 are held by Insight Capital Partners (Cayman) III, L.P., 1,878,420 are held by W-W-H Investors LLC, 773,466 are held by Imprimis SB LP, 5,316,642 are held by CIBC WMC, Inc., 4,880,619 are beneficially held by Kerry Adler, 1,301,499 are beneficially held by Laura Hantho, 976,124 are beneficially held by Hugh Cumming and 813,437 are held by Dan Walter. In general, eliance or a stockholder or stockholders holding in the aggregate at least 75% of the Series B preferred stock may request that we register the sale of their shares of Common Stock on one occasion, and a stockholder or stockholders, other than eliance or holders of Series B preferred stock, holding in the aggregate at least 20% of the shares subject to the agreement may request that we register the sale of their shares of Common Stock on up to two occasions. These stockholders also have the right under certain circumstances to include all or a portion of their shares of Common Stock on registration statements we file. We are obligated to bear all of the expenses in connection with the registration of these shares except for registrations initiated by eliance or, under certain circumstances, upon withdrawal of a registration request by an initiating stockholder. On April 19, 2000, we entered into a registration rights agreement with WH Holdings, Ltd., a Cayman Islands company that acquired 258,799 shares of Common Stock from eliance. The registration rights agreement granted WH Holdings the right to have its 258,799 shares registered by us if we are registering shares on a registration statement on Form S-3. Our obligation to register the shares of Common Stock subject to each of these agreements terminates five years after consummation of a public offering of Common Stock registered under the U.S. Securities Act of 1933.

DESCRIPTION OF CAPITAL STOCK

Webhelp

The following description of our capital stock does not purport to be complete and is subject in all respects to applicable Delaware law and to the provisions of our certificate of incorporation and our by-laws.

As of October 24, 2000, our authorized capital stock consisted of 85,000,000 shares of Common Stock, $0.01 par value per share, of which 11,170,080 shares were issued and outstanding (excluding treasury shares) and held of record by stockholders, 1,106,911 shares are issuable upon the exercise of outstanding stock options to participants pursuant to our 1999 Long Term Incentive Plan, and 20,000,000 shares of preferred stock, $0.01 par value per share, of which 15,000,000 shares have been designated as Series A preferred stock and 4,283,217 shares have been designated as Series B preferred stock and were issued and outstanding. Before giving effect to this offering but including the conversion of all the preferred stock, there will be 22,379,802 shares of Common Stock outstanding.

Common Stock

Holders of our Common Stock are entitled to one vote per share on all matters which, pursuant to the Delaware General Corporation Law, require the approval of our stockholders, other than matters relating solely to another class of stock. In the event of our liquidation, dissolution or winding up, holders of our Common Stock are entitled to participate ratably in all distributions to the holders of our Common Stock after payment of liabilities and satisfaction of any preferential rights of holders of preferred stock. Holders of our Common Stock are not entitled to any preemptive rights. Holders of Common Stock do not have cumulative voting rights. All holders of Common Stock are entitled to vote for the election of directors. We have one class of directors. Subject to any preferences that may be applicable to any outstanding shares of preferred stock, holders of our Common Stock are entitled to receive cash dividends ratably on a per share basis if and when such dividends are declared by the board of directors from funds legally available for payment. Holders of our Common Stock are not subject to any assessments with respect to their stock.

The rights, preferences and privileges of holders of shares of our Common Stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

Our board of directors is authorized to provide for the issuance by us of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications, limitations and restrictions thereof, including, without limitation, dividend rights, dividend rates, conversion rights, voting rights, terms of redemption or repurchase, redemption or repurchase prices, limitations or restrictions thereon, liquidation preferences and the number of shares constituting any series or the designation of such series, without any further vote or action by the stockholders. The issuance of any series of preferred stock may have an adverse effect on the rights of holders of our Common Stock, and could decrease the amount of earnings and assets available for distribution to holders of our Common Stock. In addition, any issuance of preferred stock could have the effect of delaying, deferring or preventing a change in our control.

Since our formation, we have issued an aggregate of 19,283,217 shares of preferred stock, in two series. Upon the completion of this offering, Series A preferred stock will automatically convert into 5,893,080 shares of Common Stock and Series B preferred stock will automatically convert into 5,316,642 shares of Common Stock.

Special Voting Share

In connection with the closing of this offering, we will issue one Special Voting Share. See "Details of the Offering".

Purposes and Effects of Certain Provisions of Our Certificate of Incorporation and Our By-Laws

The description set forth below of certain provisions of our certificate of incorporation and our by-laws is intended as a summary only and is qualified in its entirety by reference to our certificate of incorporation and our by-laws, the forms of which are included as exhibits to the Registration Statement of which this prospectus is a part.

Number of Directors; Removal; Vacancies; Special Meetings; Quorum. Our by-laws provide that the number of our directors may be fixed from time to time by vote of the stockholders or of our board of directors, but that the number of directors which constitutes the whole board shall be between one and eight. Directors serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified. Except where a vacancy on the board is created pursuant to the removal of a director as described below or where vacancies occur contemporaneously in the offices of all of the directors, which vacancies will be filled by the stockholders, vacancies or newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office or by a sole remaining director. Our by-laws provide that directors may be removed from the board, with or without cause, by the affirmative vote of our stockholders holding a majority of the shares of our capital stock.

Our by-laws further provide that special meetings of our board of directors may be called by our President or any two directors on notice to all the directors. The presence of one-third or more of the directors constituting our board of directors shall constitute a quorum for the transaction of business at any regularly held or special meeting of the board. Except as may otherwise be provided under the Delaware General Corporation Law, if a quorum is present then a vote of the majority of the directors present shall be the act of the board.

Special Meetings; Advance Notice Provisions. Our by-laws provide that except as otherwise provided by the Delaware General Corporation Law, special meetings of our stockholders may only be called by resolution of our board of directors, by our President or by the holders of a majority of the outstanding shares of our capital stock entitled to vote on matters to be voted on at such meeting. Our by-laws also require advance notice of any special meeting of our stockholders to be delivered to each stockholder entitled to vote at such a meeting.

Amendment of Certain Provisions of Our Certificate of Incorporation and Our By-laws. Under the Delaware General Corporation Law, stockholders have the right to adopt, amend or repeal their corporation's by-laws and, with the approval of the board of directors, the certificate of incorporation of a corporation. In addition, subject to the terms of one or more series of preferred stock as designated from time to time by our board of directors, our certificate of incorporation provides that our by-laws may be adopted, altered or repealed by our board of directors.

Anti-Takeover Legislation

Section 203 of the Delaware General Corporation Law provides that, subject to exceptions specified therein, a corporation shall not engage in any business combination with any "interested stockholder" for a three-year period following the date that such stockholder becomes an interested stockholder unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares); or
- on or subsequent to such date, the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least 66⅔% of the outstanding voting stock which is not owned by the interested stockholder.

Except as specified in Section 203 of the Delaware General Corporation Law, an interested stockholder is defined to include:

- any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, at any time within three years immediately prior to the relevant date; and
- the affiliates and associates of any such person.

Under certain circumstances, Section 203 of the Delaware General Corporation Law makes it more difficult for a person who would be an "interested stockholder" to effect various business combinations. Our certificate of incorporation does not exclude us from the restrictions imposed under Section 203 of the Delaware General Corporation Law. It is anticipated that the provisions of Section 203 of the Delaware General Corporation Law may encourage companies interested in acquiring us to negotiate in advance with our board of directors, since the stockholder approval requirement would be avoided if a majority of the directors then in office approve, prior to the time the stockholder becomes an interested stockholder, either the business combination or the transaction which results in the stockholder becoming an interested stockholder.

Webhelp Canada

The following description of our share capital does not purport to be complete and is subject in all respects to applicable Ontario law and to the provisions of our articles of incorporation and by-laws.

As at October 20, 2000, our authorized share capital consisted on of an unlimited number of common shares, of which 100 common shares were issued and outstanding and held by Webhelp. Before the closing of this offering, we will create the Exchangeable Shares and it is expected that Webhelp will transfer all its common shares of Webhelp Canada to Webhelp Nova Scotia, a wholly-owned subsidiary of Webhelp.

Common Shares

Subject to the provisions of the *Business Corporations Act*, the holders of common shares are entitled to receive notice of, to attend and to vote at all meetings of the shareholders of Webhelp Canada (other than a meeting of a class or series of shares other than common shares) and are entitled to one vote, in person or by proxy, for each common share held.

The holders of common shares are entitled to receive, if, as and when declared by the directors of Webhelp Canada, dividends at such rate and payable on such date as may be determined from time to time by the directors of the Webhelp Canada.

On the liquidation, dissolution or winding-up of Webhelp Canada, or any other distribution of the assets of Webhelp Canada among its shareholders for the purpose of winding-up its affairs, the holders of common shares are entitled to receive any distribution of the remaining property and asset of Webhelp Canada.

Exchangeable Shares

For a summary of the attributes of the Exchangeable Shares, see "Details of the Offering".

DETAILS OF THE OFFERING

This is an initial public offering of an aggregate of ● shares of Common Stock of Webhelp and Exchangeable Shares of Webhelp Canada. The offering of Common Stock and Exchangeable Shares are part of a single underwritten offering that will close at the same time.

The following is a summary of the Exchangeable Share Provisions and certain provisions of the Voting and Exchange Trust Agreement and the Exchangeable Share Support Agreement. This summary is qualified in its entirety by reference to the full text of the Exchangeable Share Provisions, the Voting and Exchange Trust Agreement and the Exchangeable Share Support Agreement.

General

The Exchangeable Shares are intended to be functionally and economically equivalent to the shares of Common Stock of Webhelp and are exchangeable at any time at the option of the holder on a one-for-one basis for shares of Common Stock. On closing of this offering, Webhelp Canada, Webhelp and CIBC Mellon Trust Company, as trustee (the "Trustee"), will enter into a voting and exchange trust agreement (the "Voting and Exchange Trust Agreement") under which Webhelp will issue one share of special voting stock (the "Special Voting Share") to the Trustee to be held by the Trustee for the benefit of the holders of Exchangeable Shares (other than Webhelp and its Affiliates). By furnishing instructions to the Trustee under the Voting and Exchange Trust Agreement, holders of Exchangeable Shares will have the functionally equivalent voting rights with respect to Webhelp as they would have upon an exchange of Exchangeable Shares for Common Stock. Holders of Exchangeable Shares will also be entitled to receive from Webhelp Canada (i) cash dividends payable in U.S. dollars or Canadian dollars that are economically equivalent to cash dividends, if any, paid by Webhelp on its Common Stock, and (ii) stock dividends consisting of the same number of Exchangeable Shares as is equal to the number of shares of Common Stock, if any, paid by Webhelp as a stock dividend on its Common Stock. The Exchangeable Shares are subject to adjustment or modification in the event of a stock split or other change to the capital structure of Webhelp so as to maintain the initial one-to-one relationship between the Common Stock and the Exchangeable Shares.

Voting, Dividend and Liquidation Rights

Voting Rights with Respect to Webhelp Canada

Except as required by law or under the Exchangeable Share Support Agreement, the terms of the Exchangeable Share Provisions with respect to the amendment thereof or the Voting and Exchange Trust Agreement, the holders of Exchangeable Shares will not be entitled as such to receive notice of or attend any meeting of shareholders of Webhelp Canada or to vote at any such meeting.

In accordance with the terms of the Exchangeable Share Support Agreement, neither Webhelp nor any of its Affiliates will exercise any voting rights with respect to any Exchangeable Shares held by it, although it will appoint proxyholders with respect to such Exchangeable Shares for the sole purpose of attending meetings of the holders of Exchangeable Shares in order to be counted as part of the quorum for such meetings.

Voting Rights with Respect to Webhelp

The Special Voting Share held by the Trustee for the benefit of the registered holders of the Exchangeable Shares (other than Webhelp and its Affiliates) will have attached thereto that number of votes, which may be cast at any meeting at which Webhelp Stockholders are entitled to vote, equal to the number of Exchangeable Shares outstanding from time to time (other than Exchangeable Shares held by Webhelp and its Affiliates).

Each registered holder of an Exchangeable Share (other than Webhelp and its Affiliates) on the record date for any meeting at which Webhelp Stockholders are entitled to vote will be entitled to instruct the Trustee to exercise one of the votes attached to the Special Voting Share for each Exchangeable Share held by such holder. The Trustee will exercise each vote attached to the Special Voting Share only as directed by the relevant holder and, in the absence of instructions from a registered holder as to voting, will not exercise such votes. A registered holder may, upon instructing the Trustee, obtain a proxy from the Trustee entitling the holder to vote directly at the relevant meeting the votes attached to the Special Voting Share to which the holder is entitled. In connection with each meeting, to the extent that the Trustee has not, upon such instructions, signed and delivered to registered holders proxies as aforesaid, the Trustee shall exercise its voting rights as holder of the Special Voting Share either by proxy or in person.

The Trustee will send to the registered holders of the Exchangeable Shares the notice of each meeting at which the Webhelp Stockholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the Trustee to exercise the votes attached to the Special Voting Share. Such sending by the Trustee will commence on the same day as Webhelp sends such notice and materials to the Webhelp Stockholders. The Trustee will also send to the registered holders of Exchangeable Shares copies of all information statements, interim and annual financial statements, reports and other materials sent by Webhelp to the Webhelp Stockholders at the same time as such materials are sent to the Webhelp Stockholders. If such materials are provided to the Trustee by Webhelp, the Trustee will also send to the registered holders of the Exchangeable Shares all materials sent by third parties to Webhelp Stockholders, including dissident proxy circulars and tender and exchange offer circulars, as soon as reasonably practicable after such materials are delivered to the Trustee.

All rights of a registered holder of Exchangeable Shares to instruct the Trustee to exercise votes attached to the Special Voting Share will cease upon the exchange (whether by redemption, retraction or liquidation, or through the exercise of the related Call Rights) of all of such holder's Exchangeable Shares for Common Stock. In addition, the trust governing the rights of registered holders of Exchangeable Shares to instruct the Trustee to exercise votes attaching to the Special Voting Share may be terminated or amended with the approval of the holders of the Exchangeable Shares as set forth below under the heading "Amendment and Approval".

Dividend Rights

Holders of Exchangeable Shares will be entitled to receive, subject to applicable law and to the next paragraph, dividends (i) in the case of a cash dividend declared on the Common Stock, in an amount in cash for each Exchangeable Share corresponding to the cash dividend declared on each share of Common Stock; (ii) in the case of a stock dividend declared on the Common Stock to be paid in Common Stock, in such number of Exchangeable Shares for each Exchangeable Share as is equal to the number of shares of Common Stock to be paid on each share of Common Stock; or (iii) in the case of dividend declared on the Common Stock in property other than cash or Common Stock, in such type and amount of property as is the same as, or economically equivalent to the type and amount of property declared as a dividend on each share of Common Stock (as determined by Webhelp Canada's board of directors in good faith and in its sole discretion). Cash dividends on the Exchangeable Shares are payable in U.S. dollars or the Canadian Dollar Equivalent thereof, at the option of Webhelp Canada. The declaration date, record date and payment date for dividends on the Exchangeable Shares will be the same as those for the corresponding dividends on the Common Stock.

In the case of a stock dividend declared on the Common Stock to be paid in Common Stock, in lieu of declaring a corresponding stock dividend on the Exchangeable Shares, the board of directors of Webhelp Canada may, in its discretion and subject to applicable law, subdivide, redivide or change (each a "subdivision") each issued and unissued Exchangeable Share on the basis that each Exchangeable Share before the subdivision becomes that number of Exchangeable Shares as is equal to the sum of (i) one; and (ii) the number of shares of Common Stock to be paid as a stock dividend on each share of Common Stock. In such instance, such subdivision shall become effective on the effective date for the dividend declared on the Common Stock without any further act or formality on the part of the board of directors of Webhelp Canada or of the holders of Exchangeable Shares. No approval of the holders of Exchangeable Shares to an amendment to the articles of Webhelp Canada shall be required to give effect to such subdivision. The record date for the determination of the holders of Exchangeable Shares entitled to receive Exchangeable Shares in connection with any subdivision of Exchangeable Shares and the effective date of such subdivision shall be the same dates as the record date and payment date, respectively, for the corresponding stock dividend declared on Common Stock.

Liquidation Rights with Respect to Webhelp Canada

In the event of the liquidation, dissolution or winding-up of Webhelp Canada or any other distribution of the assets of Webhelp Canada among its shareholders for the purpose of winding-up its affairs, holders of Exchangeable Shares will have preferential rights, subject to applicable law, to receive from Webhelp Canada the Company Liquidation Amount for each Exchangeable Share held. Upon the occurrence of such liquidation, dissolution or winding-up, Webhelp Nova Scotia will have an overriding Liquidation Call Right to purchase all of the outstanding Exchangeable Shares (other than Exchangeable Shares held by Webhelp and its Affiliates) from the holders thereof on the Company Liquidation Date for a purchase price per share equal to the Company Liquidation Amount. If Webhelp Nova Scotia exercises the Liquidation Call Right in respect of a holder's Exchangeable Shares and pays all amounts payable by it to such holder in connection with such exercise, Webhelp Canada shall no longer be obligated to pay to the holder any declared and unpaid dividends on such Exchangeable Shares.

Upon the occurrence and during the continuance of a Company Insolvency Event, each registered holder of Exchangeable Shares (other than Webhelp and its Affiliates) will be entitled to instruct the Trustee to exercise the Exchange Right with respect to any or all of the Exchangeable Shares held by such holder, thereby requiring Webhelp to purchase such Exchangeable Shares from the holder. As soon as practicable following the occurrence of a Company Insolvency Event or any event which may, with the passage of time and/or the giving of notice, become a Company Insolvency Event, Webhelp Canada or Webhelp will give written notice thereof to the Trustee. As soon as practicable thereafter, the Trustee will notify each registered holder of Exchangeable Shares of such event or potential event and will advise the holder of its rights with respect to the Exchange Right. The purchase price payable by Webhelp for each Exchangeable Share purchased under the Exchange Right will be the Company Liquidation Amount. If Webhelp purchases a holder's Exchangeable Shares under the Exchange Right, Webhelp Canada shall no longer be obligated to pay to the holder any declared and unpaid dividends on such Exchangeable Shares.

Liquidation Rights with Respect to Webhelp

In order for the holders of the Exchangeable Shares to participate on a proportionate basis with the holders of Common Stock, on the fifth Business Day prior to the effective date of an Webhelp Liquidation Event, each Exchangeable Share (other than those held by Webhelp and its Affiliates) will, pursuant to the Automatic Exchange Right, automatically be exchanged for the Webhelp Liquidation Amount pursuant to the Voting and Exchange Trust Agreement. Upon a holder's request and surrender of Exchangeable Share certificates, duly endorsed in blank and accompanied by such instruments of transfer as Webhelp may reasonably require, Webhelp will deliver or cause the transfer agent to deliver (i) certificates representing the aggregate number of shares of Common Stock due in respect of the Webhelp Liquidation Amount, registered in the name of the holder or in such name as the holder may request; and (ii) if applicable, a cheque for the aggregate Dividend Amount, to the holder at the address recorded in the securities register, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom. For a description of certain Webhelp obligations with respect to the dividend and liquidation rights of the holders of Exchangeable Shares, see "— Support Obligation" below.

Retraction

Subject to the exercise by Webhelp Nova Scotia of its Retraction Call Right, holders of Exchangeable Shares will be entitled to retract (that is, to require Webhelp Canada to redeem) any or all of the Exchangeable Shares held by such holder for a retraction price per Exchangeable Share equal to the Retraction Price. Holders of the Exchangeable Shares may effect such retraction by presenting to Webhelp Canada or to the Trustee (i) a certificate or certificates representing the number of Exchangeable Shares the holder desires to retract; (ii) a duly executed Retraction Request indicating the number of Exchangeable Shares the holder desires to retract and the Retraction Date; and (iii) such other documents as may be required to effect the retraction of the

Retracted Shares. A holder wishing to exercise the retraction right must present the foregoing documents to Webhelp Canada or to the Trustee at least 10 Business Days prior to the Retraction Date specified in the Retraction Request.

When a holder requests Webhelp Canada to redeem Retracted Shares, Webhelp Nova Scotia will have an overriding Retraction Call Right to purchase on the Retraction Date all but not less than all of the Retracted Shares, at a purchase price per share equal to the Retraction Price. Upon receipt of a Retraction Request, Webhelp Canada will immediately notify Webhelp Nova Scotia of the Retraction Request. Webhelp Nova Scotia must then advise Webhelp Canada within five Business Days as to whether the Retraction Call Right will be exercised. If Webhelp Nova Scotia does not so advise Webhelp Canada, Webhelp Canada will notify the holder as soon as possible thereafter that Webhelp Nova Scotia will not exercise the Retraction Call Right. If, within such five Business Day period, Webhelp Nova Scotia advises Webhelp Canada that Webhelp Nova Scotia will exercise the Retraction Call Right, then provided the Retraction Request is not revoked by the holder as described below, the Retraction Request shall thereupon be considered only to be an offer by the holder to sell the Retracted Shares to Webhelp Nova Scotia in accordance with the Retraction Call Right. If Webhelp Nova Scotia exercises the Retraction Call Right in respect of a holder's Retracted Shares and pays all amounts payable by it to such holder in connection with such exercise, Webhelp Canada shall no longer be obligated to pay to the holder any declared and unpaid dividends on such Retracted Shares.

A holder may revoke its Retraction Request, in writing, at any time prior to the close of business on the Business Day preceding the Retraction Date, in which case the Retracted Shares will neither be purchased by Webhelp Nova Scotia nor be redeemed by Webhelp Canada. If a holder does not revoke its Retraction Request, the Retracted Shares will, on the Retraction Date, be purchased by Webhelp Nova Scotia or redeemed by Webhelp Canada, as the case may be, in each case as set out above. Webhelp Canada or Webhelp Nova Scotia, as the case may be, will deliver or cause the transfer agent to deliver (i) certificates, representing the aggregate number of shares of Common Stock due in respect of the aggregate Retraction Price, registered in the name of the holder or in such other name as the holder may request; and (ii) if applicable, a cheque for the aggregate Dividend Amount to the holder at the address recorded in the securities register or at the address specified in the holder's Retraction Request or by holding the same for pick up by the holder at the registered office of Webhelp Canada or the office of the transfer agent as specified by Webhelp Canada, in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom.

If, as a result of solvency requirements or applicable law, Webhelp Canada is not permitted to redeem all Retracted Shares tendered by a retracting holder, and provided that Webhelp Nova Scotia has not exercised the Retraction Call Right with respect to such Retracted Shares, Webhelp Canada will redeem only those Retracted Shares tendered by the holder (rounded down to the nearest whole number of shares) as would not be contrary to such provisions of applicable law. The Trustee, on behalf of the holder of any Retracted Shares not so redeemed by Webhelp Canada, will, pursuant to the Exchange Right, require Webhelp to purchase the Retracted Shares not redeemed on the Retraction Date.

Redemption

Subject to applicable law and the Redemption Call Right, Webhelp Canada will, on the Redemption Date, redeem all but not less than all of the then outstanding Exchangeable Shares for a redemption price per share equal to the Redemption Price. Webhelp Canada will, at least 60 days prior to the Redemption Date, or such number of days as the board of directors of Webhelp Canada may determine to be reasonably practicable under the circumstances in respect of a Redemption Date arising in connection with, among other events, an Webhelp Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, provide the registered holders of the Exchangeable Shares with written notice of the proposed redemption of the Exchangeable Shares by Webhelp Canada or of the purchase of the Exchangeable Shares by Webhelp Nova Scotia pursuant to the Redemption Call Right described below.

Webhelp Nova Scotia will have an overriding Redemption Call Right to purchase on the Redemption Date all but not less than all of the Exchangeable Shares then outstanding (other than Exchangeable Shares held by Webhelp and its Affiliates) for a purchase price per share equal to the Redemption Price. Upon the exercise of the Redemption Call Right, holders will be obligated to sell their Exchangeable Shares to Webhelp Nova Scotia.

If Webhelp Nova Scotia exercises the Redemption Call Right in respect of a holder's Exchangeable Shares and pays all amounts payable by it to such holder in connection with such exercise, Webhelp Canada's right and obligation to redeem the Exchangeable Shares on such Redemption Date will terminate and it shall not be obligated to pay to the holder any declared and unpaid dividends on such Exchangeable Shares.

The "Redemption Date" will be the date, if any, established by the board of directors of Webhelp Canada for the redemption by Webhelp Canada of all but not less than all of the outstanding Exchangeable Shares pursuant to the Exchangeable Share Provisions, which date shall be no earlier than September 30, 2015, unless:

(i) there are fewer than ● Exchangeable Shares outstanding (other than Exchangeable Shares held by Webhelp and its Affiliates), as such number of shares may be adjusted by the board of directors of Webhelp Canada to give effect to any subdivision or consolidation of or stock dividend on the Exchangeable Shares, any issue or distribution of rights to acquire Exchangeable Shares or securities exchangeable for or convertible into Exchangeable Shares, any issue or distribution of other securities or rights or evidences of indebtedness, or assets, or any other capital reorganization or other transaction affecting the Exchangeable Shares, in which case the board of directors of Webhelp Canada may accelerate such redemption date to such date prior to September 30, 2015, as it may determine, upon at least 60 days' prior written notice to the registered holders of the Exchangeable Shares and the Trustee;

(ii) an Webhelp Control Transaction occurs, in which case, provided that the board of directors of Webhelp Canada determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with such Webhelp Control Transaction and that the redemption of all but not less than all of the outstanding Exchangeable Shares is necessary to enable the completion of such Webhelp Control Transaction in accordance with its terms, the board of directors of Webhelp Canada may accelerate such redemption date to such date prior to September 30, 2015, as it may determine upon such number of days' prior written notice to the registered holders of the Exchangeable Shares and the Trustee as the board of directors of Webhelp Canada may determine to be reasonably practicable in such circumstances;

(iii) an Exchangeable Share Voting Event is proposed, in which case, provided that the board of directors of Webhelp Canada has determined, in good faith and in its sole discretion, that it is not reasonably practicable to accomplish the business purpose intended by the Exchangeable Share Voting Event, which business purpose must be *bona fide* and not for the primary purpose of causing the occurrence of a Redemption Date, in any other commercially reasonable manner that does not result in an Exchangeable Share Voting Event, the redemption date will be the Business Day prior to the record date for any meeting or vote of the holders of the Exchangeable Shares to consider the Exchangeable Share Voting Event, and the board of directors of Webhelp Canada shall give such number of days' prior written notice of such redemption to the registered holders of the Exchangeable Shares and the Trustee as it may determine to be reasonably practicable in such circumstances; or

(iv) an Exempt Exchangeable Share Voting Event is proposed and the holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exempt Exchangeable Share Voting Event, in which case the redemption date shall be the Business Day following the day on which the holders of the Exchangeable Shares failed to take such action, and the board of directors of Webhelp Canada will give such number of days' prior written notice of such redemption to the registered holders of the Exchangeable Shares and the Trustee as it may determine to be reasonably practicable in such circumstances,

provided, however, that the accidental failure or omission to give any notice of redemption under clause (i), (ii), (iii) or (iv) above to less than 10% of such holders of Exchangeable Shares will not affect the validity of any such redemption.

Take-Over Bids or Tender Offers

The Exchangeable Share Support Agreement provides that, in the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to the Webhelp Common Stock (each, an "Offer") is proposed by Webhelp or is proposed to Webhelp or its stockholders and is recommended by the board of directors of Webhelp, or is otherwise effected or to be effected with the consent or approval of the board of directors of Webhelp, and the Exchangeable Shares are not otherwise redeemed or repurchased by Webhelp Canada or Webhelp Nova Scotia, Webhelp will use its reasonable efforts to enable and permit holders of Exchangeable Shares to participate in such Offer to the same extent and on an economically equivalent basis as the holders of Webhelp Common Stock. Without limiting the generality of the foregoing, Webhelp will use its reasonable efforts to ensure that holders of Exchangeable Shares may participate in all Offers without being required to exercise their right to retract their Exchangeable Shares as described under "— Retraction" or, if so required, to ensure that any such retraction will be effective only upon, and shall be conditional upon, the closing of the Offer and only to the extent necessary to tender to or deposit under the Offer.

Certain Restrictions

Without the approval of the holders of the Exchangeable Shares as set forth below under the heading "— Amendment and Approval", Webhelp Canada will not:

(i) pay any dividends on the common shares of Webhelp Canada, or any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in common shares of Webhelp Canada, or any such other shares ranking junior to the Exchangeable Shares, as the case may be;

(ii) redeem, purchase or make any capital distribution in respect of common shares of Webhelp Canada, or any other shares ranking junior to the Exchangeable Shares;

(iii) redeem or purchase any other shares of Webhelp Canada ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution;

(iv) issue any Exchangeable Shares provided that Webhelp Canada may at any time, with or without such approval, issue Exchangeable Shares (A) pursuant to any shareholder rights plan or equity incentive plan adopted by Webhelp Canada (B) by way of stock dividend to the holders of Exchangeable Shares or (C) by way of any subdivision of Exchangeable Shares described above under the heading "— Voting, Dividend and Liquidation Rights"; or

(v) issue any shares of Webhelp Canada ranking equally with, or superior to, the Exchangeable Shares other than by way of stock dividends to the holders of such Exchangeable Shares.

The restrictions in clauses (i), (ii), (iii) and (iv) above will not apply at any time when the dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid on the Common Stock have been declared and paid in full.

Amendment and Approval

The Exchangeable Share Provisions may be added to, changed or removed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the Exchangeable Shares will be deemed to have been sufficiently given if given in accordance with applicable law, subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of the holders of Exchangeable Shares duly called and held at which holders of at least 25% of the then-outstanding Exchangeable Shares are present or represented by proxy. If no such quorum is present at such meeting within one-half hour after the time appointed therefor, then the meeting will be adjourned to such place and time (not less than five days later) as may be designated by the chairman of such meeting. At such adjourned meeting, the holders of Exchangeable Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution will constitute the approval or consent of the holders of the Exchangeable Shares.

In accordance with the terms of the Exchangeable Share Support Agreement, neither Webhelp nor any of its Affiliates will exercise any voting rights with respect to any Exchangeable Shares held by it, although it will appoint proxyholders with respect to such Exchangeable Shares for the sole purpose of attending meetings of the holders of Exchangeable Shares in order to be counted as part of the quorum for such meetings.

Support Obligation

Pursuant to an Exchangeable Share Support Agreement to be entered into by Webhelp, Webhelp Canada and Webhelp Nova Scotia on closing of this offering (the "Exchangeable Share Support Agreement"), Webhelp will make the following covenants for so long as any Exchangeable Shares (other than Exchangeable Shares owned by Webhelp or its Affiliates) remain outstanding:

(i) Webhelp will not declare or pay dividends on its Common Stock unless Webhelp Canada is able to (A) declare and pay and simultaneously declares or pays, as the case may be, an equivalent dividend on the Exchangeable Shares or (B) subdivide and simultaneously subdivides the Exchangeable Shares in lieu of a stock dividend (as provided for in the Exchangeable Share Provisions);

(ii) Webhelp will advise Webhelp Canada in advance of the declaration of any dividend on the Common Stock and ensure that (A) the declaration date, record date and payment date for dividends on the Exchangeable Shares are the same as those for the corresponding dividend on the Common Stock or (B) the record date and effective date for a subdivision of the Exchangeable Shares in lieu of a stock dividend (as provided for in the Exchangeable Share Provisions) are the same as the record date and payment date for the corresponding stock dividend on the Common Stock;

(iii) Webhelp will ensure that the record date for any dividend declared on the Common Stock is not less than 10 Business Days after the declaration date of such dividend;

(iv) Webhelp will take all actions and do all things reasonably necessary or desirable to enable and permit Webhelp Canada, in accordance with applicable law, to pay to the holders of the Exchangeable Shares and otherwise perform its obligations with respect to the satisfaction of the applicable Company Liquidation Amount, Redemption Price and Retraction Price in the event of a liquidation, dissolution or winding-up of Webhelp Canada, a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Webhelp Canada;

(v) Webhelp will take all actions and do all things reasonably necessary or desirable to enable and permit Webhelp Nova Scotia, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Call Rights, including the delivery of Common Stock to holders of Exchangeable Shares in accordance with the provisions of the applicable Call Right; and

(vi) if Webhelp becomes a "specified financial institution" (as such term is defined in the Tax Act) or does not deal at arm's length with such a person, Webhelp will take all such actions and do all such things as are reasonably necessary or desirable to cause Webhelp Nova Scotia to exercise the Retraction Call Right if requested to do so by a holder of Exchangeable Shares making a Retraction Request.

The Exchangeable Share Support Agreement and the Exchangeable Share Provisions will provide that, without the prior approval of Webhelp Canada and the holders of the Exchangeable Shares given in the manner set forth above under the heading "— Amendment and Approval", Webhelp will not issue or distribute additional Common Stock, securities exchangeable for or convertible into or carrying rights to acquire Common Stock, rights, options or warrants to subscribe therefor, evidences of indebtedness or other assets, to all or substantially all holders of Common Stock, nor shall Webhelp subdivide, redivide, reduce, combine, reclassify or otherwise change the Common Stock, unless the same or an economically equivalent distribution on or change to the Exchangeable Shares (or in the rights of the holders thereof) is made simultaneously. Webhelp Canada's board of directors will be conclusively empowered to determine in good faith and in its sole discretion whether any corresponding distribution on or change to the Exchangeable Shares is the same as or economically equivalent to any proposed distribution on or change to the Common Stock. In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to the Common Stock which is recommended by the Webhelp board of directors and in connection with which the Exchangeable

Shares are not redeemed by Webhelp Canada or purchased by Webhelp Nova Scotia pursuant to the Redemption Call Right, Webhelp will use reasonable efforts to take all actions necessary or desirable to enable holders of Exchangeable Shares to participate in such transaction to the same extent and on an economically equivalent basis as the holders of Common Stock.

In order to assist Webhelp in complying with its obligations under the Exchangeable Share Support Agreement and to permit Webhelp Nova Scotia to exercise the Call Rights, Webhelp Canada will be required to notify Webhelp and Webhelp Nova Scotia of the occurrence of certain events, such as the liquidation, dissolution or winding-up of Webhelp Canada whether on a voluntary or involuntary basis, Webhelp Canada's receipt of a Retraction Request from a holder of Exchangeable Shares, and the issuance by Webhelp Canada of any Exchangeable Shares, rights, options or warrants to acquire Exchangeable Shares or other securities exchangeable for or convertible into Exchangeable Shares.

Under the Exchangeable Share Support Agreement, Webhelp will agree that it will not, and will cause its Affiliates not to, exercise any voting rights attached to the Exchangeable Shares owned by it or them on any matter considered at meetings of holders of Exchangeable Shares. Webhelp has also agreed to use its reasonable best efforts to enable Webhelp Canada to maintain a listing for the Exchangeable Shares on a Canadian stock exchange.

With the exception of administrative changes for the purpose of adding covenants of any or all parties, making certain necessary amendments or curing ambiguities or clerical errors (in each case, provided that the board of directors of each of Webhelp, Webhelp Canada and Webhelp Nova Scotia are of the opinion that such amendments are not prejudicial to the interests of the holders of Exchangeable Shares), the Exchangeable Share Support Agreement may not be amended without the approval of the holders of Exchangeable Shares given in the manner set forth above under the heading "— Amendment and Approval".

Ranking

The Exchangeable Shares will be entitled to a preference over Webhelp Canada's common shares and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of a liquidation, dissolution or winding-up of Webhelp Canada, whether voluntary or involuntary, or any other distribution of the assets of Webhelp Canada among its shareholders for the purpose of winding-up its affairs.

Withholding Rights

Webhelp Canada, Webhelp Nova Scotia, Webhelp and the transfer agent will be entitled to deduct and withhold from any dividends or consideration otherwise payable to any holder of Common Stock or Exchangeable Shares such amounts as Webhelp Canada, Webhelp Nova Scotia, Webhelp or the transfer agent are required to deduct and withhold with respect to such payment under the Canadian Tax Act, the Code or any provision of provincial, state, local or foreign tax law. Any amounts withheld will be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. If the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the amount otherwise payable to the holder, Webhelp Canada, Webhelp Nova Scotia, Webhelp or the transfer agent may sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Webhelp Canada, Webhelp Nova Scotia, Webhelp or the transfer agent, as the case may be, to enable it to comply with such deduction or withholding requirement. Webhelp Canada, Webhelp Nova Scotia, Webhelp or the transfer agent, as the case may be, must notify the holder of any such sale and remit to such holder any unapplied balance of the net proceeds of such sale.

DEFINITIONS

Unless the context otherwise requires, the following terms have the meanings set forth below when used in this prospectus.

"Affiliate" of any person means any other person directly or indirectly controlling, controlled by, or under common control of, that person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control of"), as applied to any person, means the possession by another person, directly or indirectly, of the power to direct or cause the direction of the management and policies of that first-mentioned person, whether through the ownership of voting securities, by contract or otherwise.

"Ancillary Rights" means the Automatic Exchange Right, the Exchange Right and the Voting Rights, collectively.

"Automatic Exchange Right" means the benefit of the obligation of Webhelp, in the event of an Webhelp Liquidation Event, to purchase all of the outstanding Exchangeable Shares (other than Exchangeable Shares held by Webhelp or its Affiliates) from the holders thereof on the fifth Business Day prior to the effective date of any such Webhelp Liquidation Event in exchange for Common Stock, plus the aggregate Dividend Amount, pursuant to the Voting and Exchange Trust Agreement.

"Beneficiaries" means the registered holders from time to time of Exchangeable Shares, other than Webhelp and its Affiliates.

"Business Day" means any day on which commercial banks are open for business in Toronto, Ontario, and New York, New York, other than a Saturday, a Sunday or a day observed as a holiday in Toronto, Ontario, under the laws of the Province of Ontario or the federal laws of Canada or in New York, New York, under the laws of the State of New York or the federal laws of the United States of America.

"Call Rights" means the Liquidation Call Right, the Redemption Call Right and the Retraction Call Right, collectively.

"Canadian Dollar Equivalent" means in respect of an amount expressed in a currency other than Canadian dollars (the "Foreign Currency Amount") at any date, the product obtained by multiplying:

(i) the Foreign Currency Amount; and

(ii) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, if such noon spot exchange rate is not available, such spot exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the board of directors of Webhelp Canada to be appropriate for such purpose.

"Canadian Resident" means a resident of Canada for the purposes of the Canadian Tax Act.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company Insolvency Event" means the consent of Webhelp Canada to the institution of bankruptcy, insolvency or winding-up proceedings against it, or the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including without limitation, the *Companies Creditors' Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), where Webhelp Canada fails to contest in good faith any such proceedings commenced in respect of it within 30 days of becoming aware thereof, or the consent by Webhelp Canada to the filing of any such petition or to the appointment of a receiver, or the institution by Webhelp Canada of any such proceeding, or the making by Webhelp Canada of a general assignment for the benefit of creditors, or the admission in writing by Webhelp Canada of its inability to pay its debts generally as they become due, or Webhelp Canada not being permitted, pursuant to solvency requirements of applicable law, to redeem any Retracted Shares.

“Company Liquidation Amount” means, with respect to each Exchangeable Share, an amount equal to the Current Market Price of a share of Common Stock on the last Business Day prior to the Company Liquidation Date, to be satisfied by the delivery of one share of Common Stock plus the Dividend Amount.

“Company Liquidation Date” means the effective date of the liquidation, dissolution or winding-up of Webhelp Canada.

“Current Market Price” means, in respect of a share of Common Stock on any date, the Canadian Dollar Equivalent of the average of the closing bid and ask prices of Common Stock during a period of 20 consecutive trading days ending not more than three trading days before such date on the TSE, or, if the Common Stock is not then quoted on the TSE, on such other stock exchange or automated quotation system on which the Common Stock is listed or quoted, as the case may be, as may be selected by the board of directors of Webhelp Canada for such purpose; provided, however, that if in the opinion of the board of directors of Webhelp Canada the public distribution or trading activity of the Common Stock during such period does not create a market that reflects the fair market value of Common Stock, then the Current Market Price of a share of Common Stock shall be determined by the board of directors of Webhelp Canada, in good faith and in its sole discretion, and provided further that any such selection, opinion, or determination by the board of directors of Webhelp Canada shall be conclusive and binding.

“Dividend Amount” means, at any time with respect to an Exchangeable Share, the full amount of all dividends, if any, declared and unpaid on each such Exchangeable Share held by a holder on any dividend record date occurring prior to such time.

“Exchange Right” means the exchange right, granted by Webhelp to the Trustee as trustee for and on behalf of and for the benefit of the Beneficiaries pursuant to the Voting and Exchange Trust Agreement, to require Webhelp to purchase all or any part of the Exchangeable Shares and the Automatic Exchange Right from the holders thereof in exchange for Common Stock, plus an amount per share equal to the Dividend Amount, upon the occurrence and during the continuance of a Company Insolvency Event.

“Exchangeable Share Provisions” means the rights, privileges, restrictions and conditions attached to the Exchangeable Shares.

“Exchangeable Share Voting Event” means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of Webhelp Canada, other than an Exempt Exchangeable Share Voting Event, and, for greater certainty, excluding any matter in respect of which holders of Exchangeable Shares are entitled to vote (or instruct the Trustee to vote) in their capacity as Beneficiaries under the Voting and Exchange Trust Agreement.

“Exempt Exchangeable Share Voting Event” means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of Webhelp Canada in order to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change would be required to maintain the equivalence of the Common Stock and the Exchangeable Shares.

“Liquidation Call Right” means the overriding right of Webhelp Nova Scotia, in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of Webhelp Canada, to purchase from all but not less than all of the holders of Exchangeable Shares (other than Webhelp and its Affiliates) on the Company Liquidation Date all but not less than all of the Exchangeable Shares held by each holder in exchange for the Company Liquidation Amount, pursuant to the Exchangeable Share Provisions.

“Redemption Call Right” means the overriding right of Webhelp Nova Scotia to purchase from all but not less than all of the holders of Exchangeable Shares (other than Webhelp and its Affiliates) on the Redemption Date all but not less than all of the Exchangeable Shares held by each such holder in exchange for the Redemption Price, pursuant to the Exchangeable Share Provisions.

“Redemption Price” means, with respect to each Exchangeable Share, an amount equal to the Current Market Price of a share of Common Stock on the last Business Day prior to the Redemption Date, to be satisfied by the delivery of one share of Common Stock plus the Dividend Amount.

“Retracted Shares” means the Exchangeable Shares in respect of which a holder thereof has delivered a Retraction Request.

“Retraction Call Right” means the overriding right of Webhelp Nova Scotia, in the event of an exercise of the right under Article 6 of the Exchangeable Share Provisions by a holder of Exchangeable Shares requiring Webhelp Canada to redeem such Exchangeable Shares, to purchase from such holder on the Retraction Date all but not less than all of the Exchangeable Shares subject to a Retraction Request, in exchange for the Retraction Price, pursuant to the Exchangeable Share Provisions.

“Retraction Date” means the Business Day on which a holder of Exchangeable Shares desires to have Webhelp Canada redeem the Exchangeable Shares as set out in the Exchangeable Share Provisions, which date will not be less than 10 Business Days, nor more than 15 Business Days, after the date on which the Retraction Request is received by Webhelp Canada.

“Retraction Price” means, at any time with respect to each Exchangeable Share, an amount equal to the Current Market Price of a share of Common Stock on the last Business Day prior to the Retraction Date, to be satisfied by the delivery of one share of Common Stock plus the Dividend Amount.

“Retraction Request” means a duly executed request for redemption of Exchangeable Shares made by a holder thereof in accordance with the Exchangeable Share Provisions.

“Webhelp Control Transaction” means any merger, amalgamation, tender offer, material sale of shares or rights or interests therein or thereto or similar transactions involving, for or by Webhelp, or any proposal to take any such action.

“Webhelp Liquidation Amount” means, with respect to each Exchangeable Share, an amount equal to the Current Market Price of a share of Common Stock on the fifth Business Day prior to the effective date of an Webhelp Liquidation Event, to be satisfied by delivery of one share of Common Stock, plus the Dividend Amount.

“Webhelp Liquidation Event” means (i) any determination by the Webhelp board of directors to institute voluntary liquidation, dissolution, or winding-up proceedings with respect to Webhelp or to effect any other distribution of its assets among its shareholders for the purpose of winding-up its affairs or (ii) the earlier of (A) receipt by Webhelp of notice of, and (B) Webhelp becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Webhelp or to effect any other distribution of assets of Webhelp among its shareholders for the purpose of winding-up its affairs, in each case of (A) or (B) above where Webhelp has failed to contest in good faith any such proceeding commenced in respect of Webhelp within 30 days of becoming aware thereof.

“Webhelp Nova Scotia” means Webhelp Nova Scotia Company, a wholly-owned subsidiary of Webhelp.

“Webhelp Stockholders” means holders of Common Stock of Webhelp.

“Voting Rights” means the rights of the holders of Exchangeable Shares to direct the voting of the Special Voting Share in accordance with the Voting and Exchange Trust Agreement.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys and Blake, Cassels & Graydon LLP, the following summary fairly presents the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "Canadian Tax Act") generally applicable to a purchaser of Common Stock or Exchangeable Shares pursuant to this offering who, for the purposes of the Canadian Tax Act and the *Canada — United States Income Tax Convention*, (1980) (the "Canada — U.S. Convention") is and at all relevant times will be a holder that (i) is resident or deemed to be a resident of Canada and is not a resident or deemed to be a resident or a former resident of the United States; (ii) holds the Common Stock and Exchangeable Shares as capital property; and (iii) deals at arm's length with, and is not affiliated with, Webhelp, Webhelp Canada and Webhelp Nova Scotia. This summary does not apply to financial institutions as defined in section 142.2 of the Canadian Tax Act. This summary does not apply to a holder with respect to whom Webhelp is or will be a foreign affiliate within the meaning of the Canadian Tax Act.

Exchangeable shares and shares of Common Stock will generally be considered to be capital property to a holder unless the shares are held in the course of carrying on a business of buying and selling shares or are acquired in a transaction considered to be an adventure in the nature of trade. Canadian resident holders whose Exchangeable Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election under subsection 39(4) of the Canadian Tax Act to have all their Canadian securities, including their Exchangeable Shares, treated as capital property in the taxation year in which the election is made and in all subsequent years. In addition, Common Stock and Exchangeable Shares held by a financial institution, as defined for the purposes of the mark-to-market rules in the Canadian Tax Act, will generally not be considered to be capital property. Holders that are financial institutions should consult their own tax advisors to determine the tax consequences to them of the application of the mark-to-market rules.

This summary is based upon the current provisions of the Canadian Tax Act, the regulations thereunder, specific proposals to amend the Canadian Tax Act or the regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date of this prospectus, the current provisions of the Canada — U.S. Convention and counsel's understanding of the current administrative policies and assessing practices published by the Canada Customs and Revenue Agency (the "CCRA"). This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative action, or changes in administrative policies or assessing practices, nor does it take into account provincial or territorial or foreign income tax laws.

This summary is of a general nature and is not intended to be, and should not be construed as, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.

For the purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of Common Stock or Exchangeable Shares, including dividends, adjusted cost base and proceeds of disposition, must be expressed in Canadian dollars; amounts denominated in U.S. dollars must be converted into Canadian dollars based on the Canadian/U.S. dollar exchange rate generally prevailing at the time the amounts arise.

Dividends

Dividends on Exchangeable Shares. Dividends on Exchangeable Shares received or deemed to be received by a holder who is an individual will be included in computing the holder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from a corporation resident in Canada.

Dividends on Exchangeable Shares received or deemed to be received on Exchangeable Shares by a holder that is a corporation, other than a "specified financial institution" as defined in the Canadian Tax Act, will be included in computing the holder's income and, subject to the discussion below respecting the denial of the inter-corporate dividend deduction, will generally be deductible in computing its taxable income.

A dividend received by a holder that is a specified financial institution will be deductible in computing its taxable income only if (i) the holder did not acquire the Exchangeable Shares in the ordinary course of its business, or (ii) at the time the dividend is received, the Exchangeable Shares are listed on a prescribed stock exchange in Canada (which includes the TSE) and the holder, alone or together with persons with whom it does not deal at arm's length, does not receive and is not deemed to receive dividends in respect of more than 10% of the outstanding Exchangeable Shares either directly or through a partnership or, in certain cases, through a trust.

If Webhelp, or any other person with whom Webhelp does not deal at arm's length, is a specified financial institution at the time a dividend on Exchangeable Shares is paid or deemed to be paid, then subject to the exemption described below, a holder that is a corporation will not be entitled to deduct the dividend or deemed dividend in computing its taxable income. In general, a corporation is a specified financial institution if it is a bank, a trust company, a credit union, an insurance corporation or a corporation whose principal business is lending money to, or purchasing debt obligations issued by, persons with whom the corporation is dealing at arm's length or a combination of these activities, or a corporation that is controlled by, or related to, one or more of such entities. Webhelp has informed counsel that it is of the view that neither it nor any person with whom it does not deal at arm's length is a specified financial institution at the present time. There can be no assurance, however, that this status will not change before a dividend is received or deemed to be received by a corporate shareholder. In any event, this rule will not apply if, at the time a dividend is, or is deemed to be, paid to a holder, Webhelp is related to Webhelp Canada for purposes of the Canadian Tax Act, the Exchangeable Shares are listed on a prescribed stock exchange in Canada (which includes the TSE) and dividends in respect of not more than 10% of the outstanding Exchangeable Shares are, or are deemed to be, paid to the holder or to the holder and persons with whom the holder does not deal at arm's length or any partnership or trust of which the holder or non-arm's length person is a member or beneficiary.

A holder that is a "private corporation" as defined in the Canadian Tax Act or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Canadian Tax Act of 33⅓% of dividends received or deemed to be received on the Exchangeable Shares to the extent that such dividends are deductible in computing the holder's taxable income. A holder that is a "Canadian-controlled private corporation" as defined in the Canadian Tax Act may be liable to pay an additional refundable tax of 6⅔% on dividends or deemed dividends that are not deductible in computing taxable income.

The Exchangeable Shares will be "taxable preferred shares" and "short-term preferred shares" for purposes of the Canadian Tax Act. Accordingly, Webhelp Canada may be subject to a 66⅔% tax under Part VI.1 of the Canadian Tax Act on dividends paid or deemed to be paid on the Exchangeable Shares. Webhelp Canada will also be entitled to deduct ¾ of any Part VI.1 tax payable in computing its taxable income. Dividends received or deemed to be received on the Exchangeable Shares will not be subject to the 10% tax under Part IV.1 of the Canadian Tax Act.

Dividends on Common Stock. The Canadian dollar equivalent of dividends received on the Common Stock (including the amount of any U.S. taxes withheld therefrom) will be included in computing the holder's income for purposes of the Canadian Tax Act. The amount of such dividends will not be subject to the dividend gross-up and tax credit rules generally applicable to taxable dividends paid by a taxable Canadian corporation in the case of a holder that is an individual and will not be deductible in computing taxable income in the case of a holder that is a corporation. A holder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 6⅔% on such dividends. Holders may be eligible for a foreign tax credit or deduction for Canadian tax purposes to the extent and under the circumstances permitted in the Canadian Tax Act in respect of any United States non-resident withholding tax on such dividends.

Redemption or Exchange of Exchangeable Shares

On the redemption (including a retraction) of an Exchangeable Share by Webhelp Canada, the holder will be deemed to have received a dividend equal to the amount, if any, by which the redemption proceeds (the fair market value at that time of the shares of Common Stock plus the Dividend Amount, if any, received by the holder on the redemption) exceeds the paid-up capital for purposes of the Canadian Tax Act of the Exchangeable Share at the time of the redemption. The amount of any such deemed dividend will be subject to the tax treatment described above under the heading "— Dividends — Dividends on Exchangeable Shares". On the redemption, the holder will also be considered to have disposed of the Exchangeable Share for proceeds of disposition equal to the redemption proceeds less the amount of such deemed dividend and will generally realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition exceed (or are less than) the holder's adjusted cost base of the Exchangeable Shares. See "— Taxation of Capital Gains or Capital Losses" below. In some circumstances, the amount of any such deemed dividend received by a holder that is a corporation on the redemption of Exchangeable Shares may be treated as proceeds of disposition and not as a dividend.

Where an Exchangeable Share is exchanged with Webhelp or Webhelp Nova Scotia for shares of Common Stock, the holder will generally realize a capital gain (or a capital loss) to the extent the proceeds of disposition of the Exchangeable Share exceed (or are less than) the holder's adjusted cost base of the Exchangeable Share and any reasonable costs of disposition. For this purpose, the proceeds of disposition will be the aggregate of the fair market value, at the time of the exchange, of the shares of Common Stock received on the exchange, any Dividend Amount received by the holder as part of the exchange consideration and the amount of any cash received in lieu of a fractional share. See "— Taxation of Capital Gains or Capital Losses" below.

Because of the existence of the Call Rights, the Exchange Right and the Automatic Exchange Right, a holder of Exchangeable Shares cannot control whether such holder will receive shares of Common Stock by way of redemption of the Exchangeable Shares by Webhelp Canada or by way of purchase of the Exchangeable Shares by Webhelp or Webhelp Nova Scotia. As described above, the Canadian federal income tax consequences of a redemption differ from those of a purchase.

Acquisition and Disposition of Common Stock

The cost of the shares of Common Stock received on the retraction, redemption or exchange of an Exchangeable Share will be equal to the fair market value of such shares at the time and will be averaged with the adjusted cost base of other shares of Common Stock held by the holder as capital property at that time.

A disposition or deemed disposition of Common Stock by a holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the holder's adjusted cost base of Common Stock and any reasonable costs of disposition.

Taxation of Capital Gains or Capital Losses

Under proposed amendments to the Canadian Tax Act, one-half of any capital gain (a "taxable capital gain") will generally be included in the holder's income in the taxation year in which the disposition occurs and one-half of any capital loss (an "allowable capital loss") may be deducted against taxable capital gains in the taxation year in which the disposition occurs in accordance with the rules in the Canadian Tax Act and the proposed amendments. Allowable capital losses which cannot be deducted from taxable capital gains in the year of disposition may generally be carried back three years and forward indefinitely to offset taxable capital gains in the years to the extent and in the circumstances set out in the Canadian Tax Act and the proposed amendments.

Capital gains realized by individuals and certain trusts may give rise to alternative minimum tax under the Canadian Tax Act. A holder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 6⅔% on taxable capital gains.

If the holder of an Exchangeable Share is a corporation, the amount of any capital loss arising on a disposition or deemed disposition of an Exchangeable Share may be reduced by the amount of dividends received or deemed to have been received by it on the share to the extent and in the circumstances prescribed by the Canadian Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Exchangeable Shares or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares.

Qualified Investments

If, as and when listed on a prescribed stock exchange (which includes the TSE), the Exchangeable Shares will be qualified investments under the Canadian Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "deferred income plans").

The Ancillary Rights will not be qualified investments under the Canadian Tax Act. However, Webhelp Canada is of the view, and has advised counsel, that the fair market value of such rights is nominal. Counsel express no opinion as to the appropriateness or the accuracy of this valuation. Any determination of value is not binding on the CCRA. Provided that this valuation of the Ancillary Rights is correct, there should be no material consequences under the Canadian Tax Act to deferred income plans holding the Ancillary Rights. The registration of a registered education savings plan becomes revocable if it acquires a non-qualified investment and, accordingly, Exchangeable Shares are not suitable investments for trusts governed by registered education savings plans.

Shares of Common Stock will be qualified investments under the Canadian Tax Act for deferred income plans and for trusts governed by registered education savings plans provided such shares are listed on a prescribed stock exchange (which includes the TSE).

Foreign Property

On the date of closing, based in part on a certificate of an officer of Webhelp Canada, the Exchangeable Shares will not be foreign property under the Canadian Tax Act for deferred income plans and certain other persons to whom Part XI of the Canadian Tax Act is applicable provided that the Exchangeable Shares are listed on a prescribed stock exchange in Canada (which includes the TSE). The Ancillary Rights will be foreign property under the Canadian Tax Act. However, Webhelp Canada is of the view, and has advised counsel, that the fair market value of such rights is nominal. Counsel expresses no opinion as to the appropriations or accuracy of this valuation. Any determination of value is not binding on the CCRA. Shares of Common Stock will be foreign property under the Canadian Tax Act.

Foreign Property Information Reporting

A holder of Common Stock or Exchangeable Shares who is a "specified Canadian entity" for a taxation year or a fiscal period and whose total cost amount of "specified foreign property", including such shares, at any time in the year or fiscal period exceeds Cdn. $100,000 will be required to file an information return for the year or period disclosing prescribed information. Subject to exceptions, a Canadian resident taxpayer in the year will generally be a specified Canadian entity. A holder of Common Stock or Exchangeable Shares should consult its own advisors about whether it must comply with these rules.

Call Rights

Webhelp Canada is of the view, and has advised counsel, that the fair market value of the Call Rights is nominal. Counsel expresses no opinion as to the appropriateness or accuracy of this valuation. Any determination of value is not binding on the CCRA. Provided that this valuation of the Call Rights is correct, the granting of the Call Rights to Webhelp Nova Scotia will not result in a capital gain to the holder. If, however, the CCRA challenges this valuation and ultimately succeeds in establishing that the Call Rights have a fair market value in excess of a nominal amount, holders may realize a capital gain as a result of the granting of the Call Rights. The general tax treatment of capital gains and capital losses is discussed under the heading "— Taxation of Capital Gains or Capital Losses" above.

Proposed Foreign Investment Entity Rules

On June 22, 2000, the Minister of Finance (Canada) introduced draft legislation regarding the taxation of investments in foreign investment entities ("FIEs"). On September 7, 2000, the Minister announced proposed changes to this draft legislation, including delayed implementation to taxation years beginning after 2001, and invited public comment until December 31, 2000. As currently released, subject to certain exceptions, these rules may require a holder to annually recognize its gain (or loss) on the Common Stock or Exchangeable Shares on a mark-to-market basis, if Webhelp is a FIE, as such term is defined in the draft legislation. The resulting gain (or loss) will be fully taxable (or deductible in certain circumstances) to the holder, rather than being treated as a capital gain (or capital loss). In addition, these rules may require a holder to treat a gain (or loss) realized on the disposition of Common Stock or Exchangeable Shares as ordinary income (or loss) rather than as a capital gain (or capital loss). However, these rules do not apply to a share that is an "exempt interest". The Common Stock and Exchangeable Shares will be exempt interests provided that the Common Stock and Exchangeable Shares are listed on a prescribed stock exchange (which includes the TSE), widely held and actively traded on a regular basis and that the principal business of Webhelp is not an "investment business", as defined in the draft legislation.

It is impossible to predict whether the proposed rules will be enacted in the form contained in the draft legislation or what changes to the proposed rules might be made before they are enacted. Webhelp believes that, if the proposed rules applied on the date hereof, Webhelp would be an FIE, but that the Common Stock and Exchangeable Shares would be exempt interests, and therefore holders of such shares would not be subject to the FIE rules, provided the Common Stock and Exchangeable Shares are listed on a prescribed stock exchange, widely held and actively traded on a regular basis. Furthermore, Webhelp expects to conduct its affairs in such a manner that, if the proposed rules are enacted in the form contained in the draft legislation, the Common Stock and Exchangeable Shares would continue to be exempt interests provided such shares continue to be listed on a prescribed stock exchange, widely held and actively traded on a regular basis.

SHARES ELIGIBLE FOR FUTURE SALE

Resale Restrictions

All of our current stockholders have agreed to a 180-day "lock-up" with respect to their Common Stock that they own or may acquire by exercising stock options. This generally means that they cannot sell these shares during the 180 days following the date of this prospectus. This "lock-up" may be waived by CIBC World Markets Inc. on behalf of the Underwriters although it has given no indication to us that it intends to waive these restrictions.

U.S. Resale Restrictions

Webhelp is a party to an amended and restated investor rights agreement dated as of December 31, 1999 that provides eliance, InSight Capital Partners III, L.P., InSight Capital Partners (Cayman) III, L.P., InSight Capital Partners (Co-Invest) III, L.P., Insight Capital Partners II, L.P., Insight Capital Partners (Cayman) II, L.P., W-W-H Investors LLC, Imprimis SB LP, CIBC WMC Inc., Kerry Adler, Laura Hantho, Hugh Cumming, Dan Walter, and Shukie Halfon with the ability to demand registration under the U.S. Securities Act of 1933 of all or a portion of the shares of our Common Stock owned by them from time to time at any time after we become eligible to file a registration statement on Form S-3, which will not be earlier than one year after consummation of a public offering of Common Stock registered under the U.S. Securities Act of 1933. Of these shares, including shares issued upon the conversion of the Series A preferred stock and Series B preferred stock to Common Stock upon consummation of the offering, 2,776,915 are held by eliance, 565,735 are held by Insight Capital Partners II, L.P., 62,859 are held by Insight Capital Partners (Cayman) II, L.P., 1,835,974 are held by Insight Capital Partners III, L.P., 321,822 are held by Insight Capital Partners (Co-Invest) III, L.P., 454,804 are held by Insight Capital Partners (Cayman) III, L.P., 1,878,420 are held by W-W-H Investors LLC, 773,466 are held by Imprimis SB LP, 5,316,642 are held by CIBC WMC, Inc., 4,880,619 are beneficially held by Kerry Adler, 1,301,499 are beneficially held by Laura Hantho, 976,124 are beneficially held by Hugh Cumming and 813,437 are held by Dan Walter. In general, eliance or a stockholder or stockholders holding in the aggregate at least 75% of the Series B preferred stock may request that we register the sale of their shares of Common Stock on one occasion, and a stockholder or stockholders, other than eliance or holders of Series B preferred stock, holding in the aggregate at least 20% of the shares subject to the agreement may request that we register the sale of their shares of Common Stock on up to two occasions. These stockholders also have the right under certain circumstances to include all or a portion of their shares of Common Stock on registration statements we file. We are obligated to bear all of the expenses in connection with the registration of these shares except for registrations initiated by eliance or, under certain circumstances, upon withdrawal of a registration request by an initiating stockholder. On April 19, 2000, we entered into a registration rights agreement with WH Holdings, Ltd., a Cayman Islands company that acquired 258,799 shares of Common Stock from eliance. The registration rights agreement granted WH Holdings the right to have its 258,799 shares registered by us if we are registering shares on a registration statement on Form S-3. Our obligation to register the shares of Common Stock subject to each of these agreements terminates five years after consummation of a public offering of Common Stock registered under the U.S. Securities Act of 1933.

We intend to file a registration statement on Form S-8 under the U.S. Securities Act to register the shares of our Common Stock authorized and reserved for issuance pursuant to our 1999 Long Term Incentive Plan. Upon the filing of the Form S-8, outstanding shares of our Common Stock so registered may be freely sold without restriction, except for shares held by our officers, directors and other affiliates.

Canadian Resale Restrictions

As of October 20, 2000, Canadian residents held 406,071 options or warrants to purchase shares of Common Stock. Under applicable Canadian securities laws, all shares issuable upon exercise of these options may not be sold or otherwise disposed of for value, except pursuant to a prospectus, a discretionary exemption or a statutory exemption available only in specific limited circumstances, until we have been a reporting issuer for at least 12 months, or 18 months in the case of a control person under applicable Canadian securities laws, in the province in which the shareholder or optionee resides. We will become a reporting issuer when we file this prospectus with the securities regulatory authorities of those provinces and when those authorities issue receipts for the prospectus. We expect that the receipts will be issued on or about the date of this prospectus.

PRIOR SALES

The following are the only transactions involving the sale of equity securities during the 12 months prior to the date of this prospectus (adjusted to reflect the previous 16,000-for-1 subdivision of the Common Stock and the 2.8-for-1 consolidation or reverse stock split approved October 19, 2000), all of which relate to Webhelp:

Date	Reason for Issuance	Price Per Share	Shares Issued
December 29, 1999	Acquisition of Assets	U.S. $1.49	3,035,714 common
(pursuant to agreements dated November 29, 1999 and November 18, 1999, respectively)	Private Placement	U.S. $0.53	15,000,000 Series A Convertible Preferred
December 31, 1999	Private Placement	U.S. $8.17	3,671,329 Series B Convertible Preferred
October 24, 2000	Private Placement	U.S. $8.17	611,888 Series B Convertible Preferred

PLAN OF DISTRIBUTION

We have entered into an underwriting agreement dated ● , 2000 (the “Underwriting Agreement”) with CIBC World Markets Inc., RBC Dominion Securities Inc. and Yorkton Securities Inc. who are the Underwriters for this offering.

The Underwriting Agreement provides for the purchase of a specific number of Offered Securities by each of the Underwriters. The Underwriters’ obligations are several, which means that each Underwriter is required to purchase a specified number of Offered Securities, but is not responsible for the commitment of any other Underwriter to purchase Offered Securities. Subject to the terms and conditions of the Underwriting Agreement, each Underwriter has severally agreed to purchase the number of Offered Securities of Common Stock set forth opposite its name below:

Underwriter	Number of Offered Securities
CIBC World Markets Inc.	●
RBC Dominion Securities Inc.	●
Yorkton Securities Inc.	●
Total	●

In return for their services as underwriters, we have agreed to pay the Underwriters a fee of Cdn. $ ● for each Offered Security purchased by them.

In addition, we have agreed to issue Compensation Options to the Underwriters entitling them to acquire that number of Offered Securities equal to 10% of the number of Offered Securities sold in this Offering at an exercise price equal to $ ● per Offered Security. One-half of the Compensation Options are exercisable 30 days after the closing of the offering and for a period of 24 months thereafter and the other one-half are exercisable 12 months after the closing of the offering and for a period of 24 months thereafter.

The Underwriters have agreed to purchase all of the Offered Securities offered by this prospectus (other than those covered by the over-allotment option described below) if any are purchased. Under the Underwriting Agreement, if an Underwriter defaults in its commitment to purchase Offered Securities, the commitments of non-defaulting Underwriters may be increased at the option of the non-defaulting Underwriters. The obligations of the Underwriters under the Underwriting Agreement may be terminated upon the occurrence of certain stated events, including the occurrence of a material adverse change in the state of the financial markets.

The Offered Securities should be ready for delivery on or about ● , 2000 against payment in immediately available funds. The Underwriters have advised us that they propose to offer the Offered Securities directly to the public at the public offering price that appears on the cover page of this prospectus. In addition, the Underwriters may offer some of the Offered Securities to other securities dealers. After the Offered Securities are released for sale to the public, the Underwriters may change the offering price and other selling terms at various times.

We have granted the Underwriters an over-allotment option. This option, which is exercisable for up to 30 days after the date of this prospectus, permits the Underwriters to purchase a maximum of ● additional Offered Securities from us to cover over-allotments, if any, and for market stabilization purposes. If the Underwriters exercise all or part of this option, they will purchase Offered Securities covered by the option at the initial public offering price that appears on the cover page of this prospectus, less the underwriting fee. If this option is exercised in full, the total price to public will be $ ● and the total proceeds to us will be $ ● . The Underwriters have severally agreed that, so long as the conditions of the Underwriting Agreement are satisfied to the extent the over-allotment option is exercised, they will each purchase a number of additional Offered Securities proportionate to the Underwriter's initial amount reflected in the foregoing table.

We estimate that our total expenses of the offering, excluding the underwriting fees and commissions, will be approximately $ ● .

We have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the applicable Canadian provincial securities legislation and to contribute to payments that the Underwriters may be required to make for these liabilities.

We and our officers and directors and substantially all other current stockholders, have agreed to a 180-day "lock up" with respect to the shares of Common Stock that they beneficially own, including securities that are convertible into shares of Common Stock and securities that are exchangeable or exercisable for shares of Common Stock. This means that for a period of 180 days following the date of this prospectus, neither we nor these persons may directly or indirectly offer, sell, pledge or otherwise dispose of these securities without the prior written consent of CIBC World Markets Inc.

At our request, the Underwriters have reserved for sale up to 5% of the Offered Securities to be sold in the offering for employees, directors and other persons associated with us such as customers, suppliers, advisors and friends and relatives of employees and directors. These reserved Offered Securities will be sold at the initial public offering price that appears on the cover page of this prospectus. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of Offered Securities available for sale to the general public in the offering will be reduced to the extent reserved Offered Securities are purchased by these persons. The Underwriters will offer to the general public, on the same terms as other securities offered by this prospectus, any reserved Offered Securities that are not purchased by these persons.

There is no established trading market for the Common Stock or Exchangeable Shares. The offering price for the Common Stock and Exchangeable Shares has been determined by us and the Underwriters, based on the following factors:

- the history of, and prospects for, us and the industry in which we compete;
- our past and present financial performance;

- assessment of our management and the present state of our development;
- our prospects for future earnings;
- the prevailing market condition of the applicable Canadian and U.S. securities markets at the time of this offering;
- market valuations of publicly traded companies that we and the Underwriters believe to be comparable to us; and
- other factors that we deemed relevant.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilieres du Quebec, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Stock or Exchangeable Shares. This restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Common Stock or the Exchangeable Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of TSE relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

An affiliate of CIBC World Markets Inc., one of the Underwriters, holds an aggregate of 4,283,217 shares of Series B preferred, stock of which 3,671,329 shares were acquired on December 31, 1999 at a price of $8.17 per share for an aggregate purchase price of approximately $30,000,000 and 611,888 shares were acquired on October 24, 2000 also at a price of $8.17 per share for an aggregate purchase price of approximately $5,000,000. Assuming the net proceeds from this offering are at least $25,000,000, these shares will automatically convert into 5,316,642 shares of Common Stock upon the completion of this offering. This affiliate also holds a warrant to purchase additional shares of Common Stock in certain circumstances. See "Certain Transactions — Issuance of Series B Convertible Preferred Stock and Warrants".

RISK FACTORS

You should carefully consider the following factors in addition to the other information in this prospectus before deciding to invest in the Common Stock and Exchangeable Shares.

Risks Related to our Business

It is extremely difficult to evaluate our prospects or future results because our business model is unproven, we only recently began to generate revenue, we have a limited operating history and we may never achieve profitability

Webhelp was incorporated on May 27, 1999 and Webhelp Canada was incorporated on November 19, 1999. Neither company generated any revenue prior to the launch of our Webhelp portal on November 30, 1999. Therefore, we have a limited operating history for you to use in evaluating our prospects and our historical financial information is of limited value in projecting our future operating results. Due to our limited operating history, you should not take our recent financial results as indicative of the rate of growth, if any, that you can expect in the future. As a strategic response to a rapidly changing competitive environment, we may choose to make pricing, service or marketing decisions or acquisitions that would adversely impact our operations and profitability. We cannot be certain that our business strategy will be successful or that we will ever become profitable.

From our inception through September 30, 2000, we have incurred net losses totaling $25.8 million and expect to continue to incur net losses and negative cash flows from operations which may cause our stock price to decline

We have incurred significant losses since our inception and expect to incur increasing losses and have negative cash flows for the foreseeable future. For the period from our inception, May 27, 1999, to September 30, 2000, we have reported cumulative net losses of $25.8 million. For the nine months ended

September 30, 2000, we recorded a net loss of $20.9 million and as of September 30, 2000, we had an accumulated deficit of $35.8 million. We reported a net loss of $0.57 per share for the period from our inception to December 31, 1999 and a loss of $2.27 per share for the nine months ended September 30, 2000. We expect that we will continue to incur losses and generate negative cash flow in the future as we continue to expend financial and management resources to develop our brand loyalty through marketing and promotion, enhancement of our existing services and expansion into other services. Our inability to stem our net losses and generate positive cash flow could cause our stock price to decline.

If our operating expenses and cost of revenue continue to exceed our revenue growth we will never be able to achieve profitability

The size of our losses will depend to a significant extent on the rate of growth of our operating costs and cost of revenue as compared with any revenue growth. We currently expect that our operating expenses, which were $16.6 million for the nine months ended September 30, 2000, will continue to increase as we expand our infrastructure, sales and marketing operations, fund further development and enhancements to our Webhelp portal, expand our administrative staff and develop and acquire complementary technologies. The amount of expenditures in these areas will depend upon numerous factors including our ability to attract financing, our rate of growth, the effectiveness of our marketing initiatives and the competitiveness of our market. We currently expect that the majority of the proceeds from this offering will be invested in these areas over a three-year period. We expect that our cost of revenue will increase at a rate that may exceed our revenue growth due to continued investment in developing our technology infrastructure and our Webhelp portal content as well as the further development of our customer service capabilities provided by our outsourced contractors who employ the Online Service Professionals. We may also incur costs connected with the expansion of our Web Centers where our Online Service Professionals are located. Because we currently make our Webhelp portal services available free of charge, we will incur costs relating to Online Service Professionals without corresponding direct revenue sufficient to cover this expense. In addition, as we grow, we will add Online Service Professionals and will incur the related costs associated with recruiting, training and quality assurance. These Online Service Professional costs may grow faster than our ability to use the added Online Service Professionals efficiently. This will cause us to incur more costs than we may be able to recover from the related revenue. We also may incur costs relating to operating inefficiencies that may exist within the Web Centers as a result of uneven call traffic flow, training inadequacies, technology problems or as a result of our decision to increase staff levels in the Web Centers in advance of business demands, and costs associated with the development, marketing and implementation of new service offerings. If we are unable to reduce the increases in our operating costs and/or if our revenue growth does not begin to exceed those operating costs, we will not achieve profitability.

Our operating results may be volatile and difficult to predict, which may cause the market price of our Common Stock and Exchangeable Shares to decline

We have a limited operating history, and as our business develops, we may be subject to material fluctuations in our revenue and operating results. We currently incur a significant level of fixed expenditures for operating expenses related to the development of our business excluding costs of revenue, discretionary marketing and depreciation and amortization. The level of these fixed expenditures is currently approximately $1.55 million per month. We expect our revenue and operating results to fluctuate due to a number of factors such as changes in advertising rates and timing and seasonality of marketing expenditures. Due to our limited operating history and our inability to accurately predict our revenue, we may not be able to predict our operating results, or take actions on a timely basis with respect to reducing costs to mitigate the impact of changes in our revenue. This could result in significant variations in our operating results from quarter to quarter. As a result, our quarterly revenue and operating results may fluctuate, adversely affecting the market price for our Common Stock and Exchangeable Shares, our ability to raise future capital as may be required from time to time and our long-term viability.

If we do not attract and transition clients on a timely basis, we will not generate sufficient revenue or achieve profitability

Our ability to generate revenue from clients on a timely basis will be affected by the amount of time it takes us to sell our services to these clients, the amount of time it takes us to transition these clients' services onto our technology platform, the costs of this transitioning and the length of these client contracts. We currently do not have a sufficient history of selling our services to predict accurately what our average sales cycle will be. We believe that the average sales cycle from the time we deliver an active proposal to a client until the time we deliver our first services will range from between one and six months. The time it takes to transition a client onto our services will depend upon the nature of the services we will be providing. To date, our limited experience suggests that we can transition a client onto our services in under one month. We believe that many of our clients will want to run a test period for our services before they enter into a longer term contract. As such, our initial contracts will likely be for a period of up to 90 days. We expect that thereafter, our contracts will generally have a one-year term. The cost of transitioning clients onto our services, and the initial training and development costs associated with individual contracts will vary with each contract. If we are unable to minimize these transition costs, or to recover the costs of these transitions from our customers, our operating results will be adversely affected.

If we fail to retain clients it may have an adverse effect on our revenue

In fiscal 2000, we expect that revenue from clients will be derived from a limited number of clients. We currently have 16 clients. If we do not complete sales or grow existing accounts to a sufficient number of clients, our future revenue will not meet our current expectations and this could impact our profitability, cash flow and the market value of our Common Stock.

We expect that our client contracts will generally have a one-year term following a 60 to 90-day trial period for implementation of our Webhelp Direct services. As a result, if we are unable to offer valuable services to our clients during the term of these contracts, if our clients choose a competitor's service over our service, or if these clients decide to use their own proprietary technology to develop services similar to ours, these clients may not renew their contracts. If we do not obtain a sufficient number of contract renewals or if these renewal contracts are obtained on terms less favorable than the original contracts, we will not generate sufficient revenue to succeed.

If text-based chat is not adopted broadly as a means of providing customer, sales and technical support, our business strategy could fail

Our business strategy is focused on providing customer, sales and technical support services on both our clients' Web sites and our Webhelp portal, primarily using text-based chat. We have invested most of our funds to date in developing, marketing and operating our text-based chat platform and Online Service Professionals services. There are several alternative means of providing services similar to ours using other technologies, including frequently asked questions databases, e-mail response systems, telephone call centers and, more recently, voice over IP. If text-based chat does not become an accepted means of providing customer, sales and technical support, our business could fail. It is difficult to predict the extent and rate of user adoption of our services. We cannot assure you that our services will be broadly accepted.

There are few barriers to entry in our market and if larger companies with greater resources offer competing services, our business could fail

We expect competition for the type of services we provide to increase because there are no substantial barriers to entry in our market. New market entrants pose a threat to our business. While we have applied for a patent in respect of our system architecture, this would not preclude or inhibit competitors from entering our markets. Existing or future competitors may develop or offer technologies or services that are comparable or superior to ours, which could harm our business. Competition may also increase as a result of industry consolidation. We may not be able to compete successfully. There exists today commercially available technology that allows companies to provide chat-based services to users. Therefore, technology in itself is not a significant barrier to entry for potential competitors. There is no reason to believe that competitors could not develop competing services.

We must compete successfully or we will lose market share and our business will fail

The market for our services is intensely competitive, rapidly changing and significantly affected by the introduction of new products and services. We compete on the basis of price, customer service and technical capabilities. Competitive pressures could reduce our market share or require us to reduce the price of our services which would harm our business and operating results. Webhelp Direct competes against software developers, service providers and other large enterprise software companies and established technology companies. Competitors in the software development category include those whose principal business is e-mail management software, such as Kana and eGain, those who focus on self-service knowledge base software, such as AskJeeves, Primus and Support.com, and those who specialize in chat software, such as Liveperson, Facetime and Webline. Competitors in the service provider category provide outsourced online customer support, and include PeopleSupport, Brigade Solutions, LookSmart.com and eAssist as well as some traditional call centers that now offer online Webhelp Direct services. Our Webhelp portal faces direct competition from companies that provide Internet-wide search, expert search and Web directory services such as AskJeeves, About.com and Yahoo.

Our potential competitors may have longer operating histories, significantly greater financial, technical or other resources or greater name recognition than we do. Our competitors also may be able to respond more quickly to new or emerging technologies and changes in customer requirements. If we are unable to compete successfully, we may lose, or may not be able to increase, our market share, or we may be forced to reduce our prices in order to maintain and increase our market share. As a result, our results of operations and financial condition could be materially adversely affected.

We face risks related to expanding into relatively new services and business areas, in particular e-commerce, in which we have little experience

To increase our revenue, we will need to expand our operations by promoting new or complementary services and by expanding the breadth and depth of our services. In particular, we believe that our future success will depend largely on our ability to substantially increase our revenue from providing customer service, such as online customer interactive chat for businesses that seek to facilitate and enhance e-commerce transactions. We only recently entered this market and have little experience in it. The expansion of our e-commerce services will require additional development resources. Our expansion into new service offerings may not be timely or may not generate sufficient revenue to offset the cost of these offerings. If this occurs, our business, operating results and financial condition will be materially and adversely affected.

Our inability to maintain high user traffic to our Webhelp portal could negatively affect our arrangements with advertisers and sponsors, and therefore reduce our revenue

If we do not maintain high user traffic to our Webhelp portal, we may be required to provide advertisers and our co-branded content providers, known as sponsors, with free advertising space or reduce the fees they pay, thereby lowering our revenue. Our agreements with advertisers and sponsors often require that we display an advertisement a minimum number of times or require a minimum number of user requests for additional content made by clicking on the advertisement or promotional hyperlink. If we do not meet these minimum use targets, we may not be entitled to any revenue under these agreements. We may receive sponsorship fees as well as a portion of transaction revenue received by third-party sponsors from Internet users originated through our Webhelp portal. If we fail to deliver these minimum use targets, the sponsors typically either decrease the fees payable to us or we maintain the co-branded content on our Webhelp portal free until we have achieved these targets.

Sponsors may terminate their relationship with us if we are unable to meet the minimum use targets described above. Our contracts with sponsors typically have short terms of one year or less and are terminable on relatively short notice, usually 30 days. We may not be able to attract additional sponsors or renew existing sponsorship agreements if they terminate, which would decrease an important source of our future revenue. A termination would also waste resources and significant programming and design efforts that we may have dedicated to integrating sponsors' content with our Webhelp portal.

If we do not increase the content available on our Webhelp portal to attract new users and increase advertising revenue, we may not achieve profitability

In order to increase advertising rates and advertising revenue, we will need to continue to increase the content available on our Webhelp portal in an effort to increase the number of users who visit our Webhelp portal, and the length of time that they spend online at our Webhelp portal. As we invest in or acquire new content, the costs of this content may increase faster than the corresponding revenue. The size of our losses will also depend, in part, on our ability to attract and increase revenue from advertisers, individual users and corporate clients. Consequently, it is possible that we may never achieve profitability, and if we do achieve profitability, we may not be able to achieve profitability on a sustainable basis. If we do not achieve profitability on a sustainable basis in the future, we may be unable to continue our operations.

If we are not able to compete effectively for users, our revenues would be reduced, our profit margins would decrease and consequently, our business may fail

Competition could result in less user traffic to our Webhelp portal, price reductions for our advertising, limitations on our ability to charge a subscription fee for our premium Webhelp Express service or decreases in any future subscriber fees we charge for the Webhelp Express service, reduced margins or increased losses to maintain market share and loss of market share, any of which would have a material adverse effect on our business, results of operations and financial condition. We face intense competition for users and for advertisers. Many of our competitors and potential competitors have longer operating histories, larger user bases, longer relationships with consumers, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result of their greater resources, our competitors may be in a position to respond more quickly to new or emerging technologies and changes in consumer requirements, to develop and promote their services more effectively than we do or may try to replicate our live, human-assisted customer support and search model. It is possible that one or more of our competitors may dominate one or more market segments.

Competition to attract advertising revenue is intense and if we are not able to attract increased advertising revenue our business could fail

We compete with other Internet portals and Web sites to attract Internet users, advertisers and sponsors. We also compete with traditional offline media, including print and television, for a share of advertising budgets. There is particularly intense pressure from advertisers to offer lower cost advertising on the Internet which makes it difficult to project future advertising revenue. We are vulnerable to this pressure since we currently receive almost all of our revenue from selling advertising space and sponsorships on our Webhelp portal.

If we are not able to deliver or measure the delivery of advertisements reliably, our advertising revenue could decrease significantly

We currently rely on advertising as an important source of revenue. We rely on third-party advertising managers to sell, manage and deliver advertising on our Webhelp portal. Until April 2000, we relied exclusively on 24/7 Media, Inc. as our advertising manager and we now rely on a combination of third-party advertising managers and internal sales efforts. If our third-party advertising managers fail to sell sufficient advertising, fail to sell advertising at sufficient rates, fail to deliver the advertisements contracted for due to reliability or performance problems, or if advertisements cannot be targeted as promised to advertisers, our revenue will decrease.

The process of reliably delivering and tracking advertising placement within Web sites is an increasingly important and complex task, and currently available software programs and other tracking methods are rapidly evolving. To the extent that we or our third-party advertising managers encounter system failures or material difficulties in the operation of our advertising management system, we could be unable to deliver advertisements through our Webhelp portal. Any extended failure of, or other material difficulties with, our advertising management system may require us to provide advertising free of charge. In addition, advertisers may not advertise on our Webhelp portal or may pay less for advertising if they do not perceive our measurements of impressions and click-throughs to be accurate and reliable.

The failure of our systems could impair our ability to attract and retain corporate clients, Internet users and advertisers

The quality of our services is critical to our reputation and to the marketplace acceptance of our services and, accordingly, to our ability to attract corporate clients to our Webhelp Direct service offerings and Internet users to our Webhelp portal. Any system failure that causes interruptions in the availability of our services could result in interruptions in our services to our corporate clients and less traffic to our Webhelp portal. Because revenue from our Webhelp portal is primarily from advertising, and attracting advertisers is dependent on attracting Internet users, a reduction in traffic to our Webhelp portal could significantly reduce our revenue. To date, we have had six incidents of system downtime totaling 14 hours in the aggregate. Similar interruptions are expected to occur from time to time in the future. If these interruptions continue or are repeated, they could reduce the attractiveness of our services to corporate clients and advertisers, businesses and consumers.

Any substantial increase in the use of our services will require us to expand and adapt our network infrastructure and to add additional software and hardware. Our inability to add additional hardware, software and network infrastructure to accommodate such increased use may cause unanticipated system disruptions. Any failure to do so on a timely basis or on commercially reasonable terms could have a negative impact on our revenue and profits.

If third-party vendors fail to perform or do not renew our contracts, our services will be adversely affected

The delivery of our services has been and may in the future be interrupted due to the failure of third-party providers of hardware, software, Internet access and services. In addition, our success depends to a significant degree upon retaining our key relationships with our outsourced contractors, who employ and manage our trained Online Service Professionals (who are essential to the services we provide to our Corporate clients and on our Webhelp portal). We rely on Exodus Communications for server support and management, eGain Communications Corporation for back-end server processing and Onvoy, Inc. for system backups. These relationships are governed by short-term agreements. If these agreements were to be canceled or terminated, or if the companies were unable to deliver their committed services, and we were unable to replace or renew these agreements or services on satisfactory terms, our ability to provide service would be compromised. In addition to these agreements, we have arrangements with Indian companies to provide Internet services. We depend on eGain Communications Corporation for collaboration server technologies.

We are also dependent on hardware suppliers for prompt delivery, installation, repair and maintenance of servers and other equipment and services used to provide our services. Substantially all of our hardware operations are located at our computer facility in the Chicago, Illinois site of Exodus Communications, Inc. We back up our data daily at the Minneapolis, Minnesota site of Visi, Inc. We also outsource a portion of our hardware operations to eGain Communications, Inc. A system failure at any of our operations locations may harm the performance of our services. Our systems are vulnerable to damage from fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events. Our servers are also vulnerable to computer viruses and similar disruptive problems. Computer viruses or other problems caused by third parties could lead to interruptions, delays or halts in service. The occurrence of any of these risks could harm our business and could have a negative effect on our revenue and profits.

In addition, our registered users depend on Internet Service Providers. other online service providers and other Web site operators for access to our Webhelp portal. Many of these service providers have experienced significant outages in the past and could experience outages, delays and other operating difficulties in the future due to system failures. In addition, our users have experienced difficulties due to browser and provider system failures unrelated to our systems and services. Users who browse the Internet using versions 3.0 or lower of either Netscape or Internet Explorer may experience some degradation in our services.

The failure of the technological infrastructure in India could adversely affect our services

Our operations are dependent on India's technological infrastructure in order to deliver Webhelp Direct services and services to the Webhelp portal of our Indian Web Centers. Any failure in India's telecommunications system could cause interruptions in the availability of our services to our corporate clients and less traffic to our Webhelp portal. Because revenue from our corporate clients and from our Webhelp portal is dependent on interaction with an Online Service Professional in India, any interruption in our ability to access our provider services resulting from a failure of India's telecommunications system portal could significantly reduce our revenue. Our back-up telecommunications links in India are not as reliable and do not have as much bandwidth as our primary link. To date, we have had one incident of system down time as a result of telecommunications service interruptions in India totalling 48 hours in the aggregate. Similar interruptions may accur from time to time in the future. While we continually review and seek to provide for certain system failures or overloads, the failure or delay in India's telecommunications systems or other infrastructure could have a material adverse effect on our business. If these failures continue or are repeated, they could reduce the attractiveness of our services to corporate clients and advertisers, businesses and consumers.

The loss of members of our senior management team could have a negative effect on our business

Our success depends to a significant degree upon the contributions of members of our executive management team, particularly Kerry Adler, our President and Chief Executive Officer. We believe that the management and technological skills they possess in establishing and maintaining multiple Web Centers and establishing training programs for hundreds of Online Service Professionals in customer service would be difficult to replace. The loss of the services of Mr. Adler or other members of our executive management team could disrupt our growth or result in lost revenue. In addition, because we have a limited operating history, our senior managers are still becoming integrated as a management team and may not work effectively as a team to successfully manage our business.

If we do not hire and retain the skilled personnel that we need to be successful, we may be unable to manage and grow our business

Our success depends upon our continued ability to attract and retain key personnel, including highly qualified operations and client service managers, technical personnel, sales personnel and marketing personnel. We seek to hire personnel who have experience in the Internet industry and the customer support industry. There is intense competition among Internet companies for this personnel and locating and hiring personnel with the combination of skills and attributes we require may be a lengthy process. In addition, it is often more difficult to attract employees once a company's stock is publicly traded because the exercise price of equity awards such as stock options is generally based on the public market price, which is highly volatile in our industry. We may be unable to attract, integrate or retain other highly qualified employees in the future. The loss of the services of key personnel or the inability to attract additional qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

If we are not able to effectively manage the potential growth of our business we may not be able to meet our revenue and profitability targets, which could cause the market price of our Common Stock and Exchangeable Shares to decline

The growth of our business has resulted, and is expected in the future to result, in growth in the number of our employees and in increased responsibility for both existing and new management personnel. We cannot assure you that our systems, procedures or controls will be adequate to support our operations or that we will be able to manage our growth effectively. To the extent we continue to grow and do not manage this expansion successfully, our ability to retain key personnel and our business, operating results and financial condition could be materially and adversely affected.

We may need to raise additional capital in the future in order to fund our operations and implement our growth strategy and if we do not our business may fail

We may need to raise additional funds through the public or private sale of our equity or debt securities or from other sources to fund our operations and our growth. We cannot assure you that additional funds will be available when we need them, or that if funds are available, they will be available on terms favorable to us or our stockholders. If we are not able to obtain sufficient funds or if adequate funds are not available on terms acceptable to us, we may not be able to develop or enhance our services. A lack of sufficient funds could also prevent us from taking advantage of market opportunities or being able to respond to competitive pressures. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

Any additional issuances of our equity or debt securities to raise additional funds could seriously dilute your percentage ownership in us

If we raise funds in the future by issuing additional stock or debt that is convertible into additional stock, your percentage ownership in our company may be significantly reduced. Certain types of equity securities that we may issue in the future could have rights, preferences or privileges senior to your rights as a holder of our Common Stock.

If we are not able to identify suitable acquisition and investment candidates at reasonable prices our business strategy will be negatively affected which could cause the market price for our Common Stock and Exchangeable Shares to decline

Part of our business strategy is to expand by making acquisitions of and investments in other businesses and technologies. We are continually evaluating potential acquisitions of additional technologies and assets, as well as selected businesses. We may not be able to identify additional suitable acquisition candidates available for sale at reasonable prices or to complete any desired acquisitions. If we are unable to find suitable acquisition candidates or if we are forced to make acquisitions at prices we do not believe are reasonable, we will not be able to execute one of the elements of our business strategy and our revenue may be less than we anticipate. In connection with any future acquisitions, we may have to issue equity securities, which would dilute the ownership interest of all our stockholders, or incur additional debt.

We may have trouble integrating any of the future businesses and technologies we may acquire which could affect the success of our business

Any acquisition that we may pursue could involve numerous additional risks, including difficulties in integrating the operations, services, products and personnel of the acquired business. We may not be able to successfully integrate any or all of the businesses we may acquire into our operations. Our systems, procedures or controls may not be able to support increased operations resulting from acquisitions. Acquisitions also divert management's attention from other business objectives. We also encounter risks by entering markets in which we have little or no experience. We may make investments in companies involved in the development of technologies or services that are complementary or related to our operations in the future. We cannot assure you that any investments in these companies will result in any return, nor can there be any assurance as to the timing of any return.

If we are unable to find suitable candidates to enter into international arrangements with, our business strategy may fail

To increase revenue, we plan to expand internationally through licensing and service arrangements to provide our services in languages other than English. On June 6, 2000, we entered into an agreement with an investment group comprised of numerous investors led by Europ@Web to establish a new company to provide our live, human-assisted customer support and search services in the French language. On August 31, 2000, we amended this agreement to allow for services in the German language. We are also considering offering our services in other languages through similar arrangements. We cannot assure you that we will be able to negotiate any other acceptable partnership or joint venture arrangements in the future, that these arrangements will be successful or that potential partners will not pursue alternative means of providing live, human-assisted customer support and search services. Whether or not the parties with whom we enter into licensing and service arrangements will devote sufficient resources to the venture will be beyond our control. Depending on our obligations and rights in these potential licensing and service arrangements, any termination or cancellation of these arrangements could also adversely affect our financial condition and results of operations.

We have limited experience in conducting international operations and therefore are not able to quantify the costs and risks of entering international markets or the revenue we may generate

We believe that international expansion is important to our ability to continue to grow and market our services globally. In marketing our services globally, however, our operating costs will increase and we will face new competitors. In addition, our ability to enter international markets will be dependent upon our ability to create localized versions of our services. We cannot assure you that we will be successful in creating versions of our services for international markets, or marketing or distributing our services abroad. In addition, we are currently unable to quantify the costs of entering an international market or, once established, maintaining international operations, and there can be no assurances that our international revenue will be adequate to offset this expense. To date, we have limited experience in marketing and distributing our services internationally.

In addition to the uncertainty of profitability from establishing an international presence, there are difficulties and risks inherent in doing business on an international level, such as:

- compliance with foreign regulatory requirements and changes in those requirements;
- trade barriers;
- protection of intellectual property rights in foreign markets which may not offer the same level of protection as in the United States; and
- difficulties in staffing and managing international operations.

We cannot assure you that one or more of these factors will not have a material adverse effect on any international operations established by us and, consequently, on our business, results of operations and financial condition.

More than 90% of our Online Service Professionals are located in India and any adverse changes in Indian government policies or economic or political conditions may negatively affect our operations

Our offering of live, human-assisted customer support and search services over the Internet is highly dependent on our Online Service Professionals. The majority of our Online Service Professionals are currently located in India. Our ability to service traffic to our Webhelp portal may be affected by changes in Indian government policy, taxation, social and ethnic instability and other political, economic or other developments in or affecting India. Since achieving independence in 1947, India has had a mixed economy with a large public sector and an extensively regulated private sector. Indian central and state governments have in the past, among other things:

- imposed controls on prices of a broad range of goods and services;
- restricted the ability of private sector enterprises to expand capacity, reduce production or employment, or enter new businesses; and
- allocated raw materials and foreign exchange.

The role of the Indian central and state governments in the Indian economy, as producers, consumers and regulators, remains significant in ways which directly affect our ability to rely on Online Service Professionals based in India. We cannot assure you that the economic liberalization policies pursued by recent governments during the past decade will be continued or that changes in Indian government policies or future developments in the Indian economy may not adversely affect our operations. If they were not continued, our operating expenses could increase or we could be unable to continue to use Indian outsourced service providers at all.

Our outsourced contractors in India may be unable to attract qualified Online Service Professionals which could affect the quality of the Webhelp Direct services we offer

Our Online Service Professionals are employees of companies providing outsourced personnel services to us, and must be educated and fluent in English. Because the services of Online Service Professionals are being provided to us through these outsourced companies, we have less control over these Online Service Professionals which could impair the quality of their work. If we are unable to attract a sufficient number of qualified Online Service Professionals at current compensation levels the quality of our Webhelp Direct services may suffer or we may have to incur increased operating costs to obtain qualified professionals.

Economic sanctions imposed on India by the United States could restrict our Indian Web Centers' access to technology and limit our ability to rely on Online Service Professionals in India

In May 1998, the United States imposed economic sanctions against India in response to India's testing of nuclear devices. Since then, the United States has waived some of these sanctions after discussions with the government of India. These sanctions, or additional sanctions, could restrict our access to technology that is required to construct and operate the Web Centers providing us with services. Web Centers located in India are the building facilities where our Online Service Professionals work from. They include office furniture and desks, computer workstations and local area network infrastructures. We cannot assure you that any of these sanctions will continue to be waived, that additional economic sanctions of this nature will not be imposed, or that these sanctions or any additional sanctions that are imposed will not have a material adverse effect on our business.

We could incur significant withholding taxes and employee benefit expenses if our Online Service Professionals were deemed to be our employees rather than employees of our independent contractors

The outsourced service providers that employ Online Service Professionals act as our independent contractors. One or more jurisdictions or taxing authorities, including the Internal Revenue Service, could seek to treat them as our employees rather than employees of these independent contractors. As a result, they may seek to impose taxes, interest and penalties on us. In addition, employees are generally entitled to healthcare and other benefits that are typically unavailable to employees of independent contractors. Our business, results of operations and financial condition would be materially adversely affected if these claims are made and we do not prevail in opposing them or if we are required to treat the Online Service Professionals as employees for tax or employee benefit purposes or otherwise.

We are dependent on our intellectual property, and our methods of protecting our intellectual property may not be adequate

Our success depends significantly upon our proprietary technology, particularly our system architecture and interface which are important components of our service delivery platform. We currently rely on a combination of copyright, trademark and patent laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. Other parties may challenge our trademarks, the patent application we have filed or any patent that may be issued from the application. If challenges are brought or if the U.S. Patent and Trademark Office disallows our applications, the patent or trademark registrations may not be granted or, if granted, may be expunged. Also, we cannot assure you that we will develop additional proprietary services or technologies that are patentable, that any issued patent will provide us with any competitive advantages or will not be challenged by third parties, or that the patents of others will not have a material adverse effect on our ability to do business. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. The laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States. We do not currently have any patents or patent applications pending in any country outside of the United States.

Our means of protecting our proprietary rights outside of the United States may not be adequate. Additionally, our competitors may independently develop similar technology, duplicate our services or design around our intellectual property rights.

We may become involved in intellectual property litigation which could impair our ability to conduct our business

There has been substantial litigation in the software and Internet industries regarding intellectual property rights. We or our licensors may become involved in claims and counterclaims with third parties regarding infringement with respect to current or future products or trademarks or other proprietary rights. Any infringement or other claims or counterclaims could impair our business because they could:

- be time-consuming;
- result in costly litigation;
- divert management's attention from the effective operation of our business;
- cause service delays; or
- require us to redesign our services or enter into royalty or licensing agreements which may not be available on terms acceptable to us, or at all.

Risks Related to the Internet Industry

Our performance will depend on the growth and commercial acceptance of the Internet

Our future success will depend substantially upon the widespread adoption of the Internet as a primary medium for commerce and business applications. If the Internet does not become a viable and substantial commercial medium, our business, operating results and financial condition will be materially adversely affected. The Internet has experienced, and is expected to continue to experience, significant user and traffic growth, which has, at times, caused user frustration with slow access and download times. The Internet infrastructure may not be able to support the demands placed on it by continued growth. There have been regular failures in the Internet infrastructure, and there are likely to be more in the future, which may undermine our potential corporate clients' confidence in the Internet as a viable commercial medium. Critical issues concerning the commercial use of the Internet, such as security, reliability, cost, accessibility and quality of service, remain unresolved and may negatively affect the growth of Internet use or the attractiveness of commerce and business communication on the Internet. In addition, the Internet could lose its viability if there are delays in the development or adoption of new standards and protocols to handle increased activity or if there is increased government regulation and taxation of Internet commerce.

We may not be able to maintain advertising revenue if the Internet is not adopted as an advertising medium

We expect to earn a significant portion of our revenue by selling advertisements on our Webhelp portal. For the period from our inception, May 27, 1999 to September 30, 2000, advertising revenue represented approximately 46% of our revenue. In the next three years, we expect that advertising revenue will account for no less than 15% of our total revenue. We will not be able to sustain or increase our advertising revenue if the Internet does not develop into an attractive and sustainable advertising medium. For example, Internet users may purchase "filter" software programs that limit or remove advertising from the user's browser display. The widespread adoption of this software could negatively impact the use of advertising on the Internet. It is also difficult to predict which method of pricing will be adopted by the industry or advertisers. For example, our advertising revenue could decrease if advertising rates are based on the number of users who access the advertiser's Web site from our Webhelp portal or seek additional information about a product or service by "clicking" on the advertisement, rather than rates being based solely on the number of times an advertisement is displayed. In order to maintain and increase advertising revenue, we must develop a large base of registered users with demographic characteristics attractive to advertisers. If we are unable to attract Internet users to our

Webhelp portal, advertising revenue could be impaired, advertisers and sponsors may terminate their agreements with us, advertisers may not be willing to pay as much as they currently pay to appear on our Webhelp portal and we may be required to supply our services to advertisers for free.

Security concerns could hinder e-commerce transactions conducted over the Internet

The need to transmit confidential information securely over the Internet has been a significant barrier to conducting commercial transactions and communicating over the Internet. Any well-publicized compromise of security could deter some consumers from using the Internet or from using it to conduct transactions that involve transmitting confidential information, such as stock trades or purchases of goods or services. Because much of our business strategy involves consumers' use of the Internet to purchase goods or services, our business could be adversely affected by security violations by us or our commerce partners.

We may also incur significant costs to protect against the threat of security violations or to alleviate problems caused by these violations. These violations could expose us to a risk of loss or litigation and possible liability. In addition, we may suffer losses as a result of orders placed with fraudulent credit card data, even though the consumer's payment for these orders has been authorized by the associated financial institution.

We are subject to concerns regarding privacy of personal information about the users of our services

We maintain a privacy policy that is displayed on our Webhelp portal. Our policy is not to disclose willfully any individually identifiable information about any user of our services to a third party without the user's consent. This information may include personal identification information, demographic profile data, user preferences, Web site behavioral data and chat transcripts. We collect this data from information provided to us by users, users' click-patterns while on our Webhelp portal or the Web Sites of our corporate clients and the transcripts of chats between users and our Online Service Professionals. Our policy and user choices regarding the dissemination of personal information collected on our Webhelp portal are accessible to users of our personalized services when they initially register. In addition, the Federal Trade Commission and several states have been investigating some Internet companies regarding their use of personal information. We could incur additional expenses and reduced revenue if new regulations regarding the use of personal information are introduced or if our privacy practices are investigated. In addition, if third persons were able to penetrate our network security or otherwise misappropriate users' personal information, we could be subject to costly liability claims. These could include claims for unauthorized purchases, impersonation or other similar fraud claims, as well as claims for other misuses of personal information, such as for unauthorized marketing purposes.

We depend on third-party content over which we have no control, and if users are dissatisfied with the quality of the content or are redirected to other home pages our service may become less attractive to users

Our Internet search service is designed to directly link our users to a page within a third-party's Web site that presents the answer to a question asked. However, when we attempt to direct users to a page within these Web sites, some companies have automatically redirected our users to their home page. If companies prevent us from directly linking our users to a particular page within a third-party Web site, and if there are no comparable alternative Web sites to which we can direct our users, the utility and attractiveness of our services to Internet users may be reduced. If this occurs, traffic on our Webhelp portal could significantly decrease, which would seriously harm our business. In addition, we have little control over the content contained on these third-party Web sites. If these third-party Web sites do not contain high-quality, up-to-date and useful information to the user, the utility of our service to the user will be reduced, which could seriously harm our business.

Recent litigation could seriously impair our ability to access third-party content

A federal judge in the United States District Court for the Northern District of California recently issued a preliminary injunction preventing the operator of a Web site that aggregates information regarding online auction Web sites from accessing the computer system of a major online auction Web site by use of any automated querying system without the auction site's written authorization. The injunction, which is to remain in effect until a full trial is held in March of next year, upholds the claim of the operator of the online auction Web site that it holds a protected property right in its database, and that the practice of using automated technology to search its database to compile information for use on another Web site amounts to a trespass. As a basis for the injunction, the judge ruled that this automated search technology could overload the computer system of the searched Web site. If this ruling is not reversed and if other courts follow the reasoning of the judge in this ruling, it could inhibit our ability to access third party content and to provide price comparison services. We cannot be certain that we would be able to obtain the appropriate consent to search third-party Web sites and accordingly, this ruling could have a detrimental effect on our business.

We may be liable for content retrieved from the Internet

We could be exposed to liability with respect to the selection of third-party Web sites that may be accessible through our Webhelp portal. These claims might include, among others, that by linking to Web sites operated by third parties, we may be liable for copyright or trademark infringement or other unauthorized actions by these third-party Web sites. Because material may be downloaded by the online or Internet services operated or facilitated by us or the Internet access providers with which we have relationships, and may be subsequently distributed to others, it is also possible that claims will be made against us on the basis of defamation, negligence, copyright or trademark infringement or other theories based on the nature and content of such materials. These claims could be based on us providing access to obscene or indecent content. Implementing measures to reduce our exposure to this liability may require substantial resources and may limit the attractiveness of our services to Internet users.

Our insurance may not cover potential claims of this type, or may not be adequate to indemnify us for all types of liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could impair our business.

Government regulation of the Internet and legal uncertainties caused by this regulation could impair our business

We are not currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally, including as they apply to access to, or commerce on, the Internet. The adoption of such laws or regulations could increase our cost of doing business and may decrease the growth of the Internet and the demand for our services. Due to the increasing popularity and use of the Internet, it is likely that laws and regulations may be adopted with respect to issues such as the protection of databases, user privacy, consumer protection, copyrights, pricing and characteristics and quality of products and services. It is not possible to fully determine the impact of this legislation, which could subject us and/or our corporate clients or their customers to potential liability, which could have a material adverse effect on our business, results of operations and financial position.

Additional jurisdictions may attempt to regulate the transmission of our services which could result in fines and penalties and other possible legal sanctions against us

Due to the global nature of the Internet, it is possible that, although transmission of our services originates from our operations in North America and India, the governments of states and foreign countries where we do not have operations may attempt to regulate our transmissions or to prosecute us for violations of their laws. Violations of local laws may be alleged or charged by state or foreign governments. We may violate these laws unintentionally and these laws may be modified, or new laws enacted. It is also possible that states or foreign countries may seek to impose sales taxes on out-of-state companies that engage in commerce over the Internet. In the event that states or foreign countries succeed in imposing sales or other taxes on commerce conducted over the Internet, the growth of the use of the Internet for commerce could slow substantially, thereby causing a negative effect on our business and profitability.

Attempts by some states to regulate the collection and use of user data over the Internet could seriously impact our Webhelp Direct service for our corporate clients

Several states have proposed legislation that would govern the collection and use of information gathered from Internet users. As we and some of our corporate clients aggregate this data, any legislation of this type could restrict these activities. In addition, consumers who have privacy concerns may avoid Web sites that collect information from their users.

If the tax moratorium imposed by the United States Congress on e-commerce transactions ends, our ability to become profitable may be seriously impacted

The Internet Tax Freedom Act enacted by the United States Congress imposed a three-year moratorium, which commenced October 1, 1998 and ends on October 21, 2001, on state and local taxes on e-commerce and on Internet access, where those taxes are multiple or discriminatory, unless those taxes were generally imposed and actually enforced prior to October 1, 1998. It is possible that the tax moratorium could fail to be renewed prior to October 21, 2001. Failure to renew this legislation could allow various states to impose taxes on Internet-based commerce. The imposition of these taxes could adversely affect our ability to become profitable.

If the Federal Communications Commission imposes access fees on Internet service providers it could seriously slow the growth of the Internet and impact our ability to become profitable

Several telecommunications carriers are advocating that the United States Federal Communications Commission regulate the Internet in the same manner as it does other telecommunications services by imposing access fees on Internet service providers. These regulations could substantially increase the costs of communicating on the Internet. This, in turn, could slow the growth in Internet use and thereby decrease the demand for our services.

The application of pre-existing laws to the Internet could seriously slow the growth of the Internet and our business

In addition, we are not certain how our business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, taxation, libel, obscenity and export or import matters. Most of these laws were adopted prior to the advent of the Internet. As a result, they do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws intended to address these issues could create uncertainty in the Internet market. This uncertainty could reduce demand for our services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

Risks Related to the Offering

If we fail to meet the expectations of public market investors, the market price of our Common Stock and Exchangeable Shares may decline significantly

Investors have not been able to develop consistent financial models for the Internet market because of the unpredictable rate of growth of Internet users, the rapidly changing models of doing business on the Internet and the Internet's relatively low barriers to entry. As a result, and because of the other risks discussed in this prospectus, it is unlikely that our actual results will meet the expectations of investors in future periods. If this occurs, the price of the Common Stock and the Exchangeable Shares will likely fall. In addition, our potential inability to keep short-term expense levels in line with revenue could adversely affect our financial results for any given quarter. It is possible that in some future quarter our operating results may be below the expectations of investors, which could reduce the price of the Common Stock and the Exchangeable Shares.

Our operating results can be affected by seasonality, which could cause the market price of our Common Stock and the Exchangeable Shares to decline

We expect to experience seasonality in our business. Historically, Internet users have made a smaller number of visits to the Web sites of our competitors during the summer and the year-end vacation and holiday periods when Internet usage typically declines. As a result, our quarterly revenue may fluctuate, adversely affecting the market price of the Common Stock and the Exchangeable Shares.

Webhelp sold 19,283,217 shares of its preferred stock which if resold could cause the market price of our Common Stock and Exchangeable Shares to decline

In December 1999, Webhelp sold 18,671,329 shares of its preferred stock and on October 24, 2000 a further 611,888 for a total of 19,283,217. All outstanding shares of preferred stock are convertible into 11,209,722 shares of Common Stock at the option of the holder at any time and is subject to mandatory conversion upon the closing of this offering. If the holders of this Common Stock sell a significant amount of their shares in a public offering, these sales could adversely affect the market price of the Common Stock and Exchangeable Shares and our ability to raise equity capital.

After the offering, there will be a significant number of our shares of Common Stock and Exchangeable Shares eligible for future sale, which could cause the market price of our Common Stock and Exchangeable Shares to decline

Sales of substantial amounts of our Common Stock in the public market after the offering or the perception that those sales could occur could adversely affect the market price of the Common Stock and Exchangeable Shares and our ability to raise equity capital in the future. Upon completion of the offering, Webhelp will have ● outstanding shares of Common Stock and ● Exchangeable Shares, assuming no exercise of outstanding options or warrants. Of these shares, the Common Stock sold in the offering will be freely in Canada tradable without restriction or limitation. Holders of the remaining shares of Common Stock which are not freely tradeable have agreed, until at least 180 days after the date of this prospectus, not to sell or otherwise dispose of such shares, without the prior written consent of the Underwriters. Pursuant to an amended and restated investor rights agreement dated as of December 31, 1999, eliance, Insight Capital Partners III, L.P., Insight Capital Partners (Cayman) III, L.P., Insight Capital Partners (Co-Invest) III, L.P., CIBC WMC Inc., Kerry Adler, Laura Hantho, Hugh Cumming, Dan Walter and Shukie Halfon have the ability to demand registration under the U.S. Securities Act of all or a portion of our Common Stock owned by them when we are eligible to use an S-3 short-form registration, which will not be earlier than one year after the date of this offering. On April 19, 2000, we entered into a registration rights agreement with WH Holdings, Ltd., a Cayman Islands company that acquired 258,799 shares of our Common Stock from eliance. The registration rights agreement granted WH Holdings the right to have its shares registered by us if we are registering shares on a registration statement on Form S-3. In addition, 2,142,857 shares of Common Stock are reserved for issuance under our 1999 Long Term Incentive Plan. When these "locked-up" and other shares issued prior to the completion of this offering become eligible for sale or are sold, the market price for our Common Stock and Exchangeable Shares may decline.

Concentrated ownership may discourage bids to purchase our Common Stock and Exchangeable Shares

Our existing stockholders will, in the aggregate, beneficially own approximately ● % of our outstanding shares of Common Stock after the offering. As a result, these stockholders, acting together, would be able to control many matters requiring approval by our stockholders including the election of directors and bids to purchase any shares of our Common Stock you purchase may be delayed or prevented.

Provisions of Delaware law and Webhelp's certificate of incorporation and by-laws could discourage or delay offers to purchase its Common Stock

Our certificate of incorporation and by-laws contain certain provisions that could discourage or delay an acquisition of its Common Stock, even though you may want the acquisition to occur. In addition, provisions of

Delaware law, our 1999 Long Term Incentive Plan and some of our executive officers' employment agreements may have the same effect.

Purchasers of Offered Securities in the offering will have the pro forma net tangible book value per share of their Offered Securities immediately and substantially diluted

If the Offered Securities are sold at a price of $ ● , the purchasers will experience immediate dilution in pro forma net tangible book value per share of the Common Stock of $ ● from the initial public offering price (assuming the exchange of all Exchangeable Shares for Common Stock).

We do not pay, nor do we anticipate paying, any dividends

We do not currently pay dividends and we do not anticipate paying any dividends in the foreseeable future. The terms of any future debt financings may restrict the payment of dividends.

You may not be able to obtain enforcement of civil liabilities against Webhelp outside Canada

Webhelp is incorporated under the laws of a foreign jurisdiction. Although its head office is in Canada, it may be impossible for you to collect from Webhelp judgments obtained in courts in Canada predicated on the civil liability provisions of provincial securities laws.

You will not be able to deliver Common Stock on a normal settlement cycle if you intend to sell Common Stock immediately following the exchange of your Exchangeable Shares

A holder of Exchangeable Shares that exercises the retraction rights associated with those shares cannot specify a retraction date that is less than 10 Business Days following the date on which the Retraction Request is received by Webhelp Canada. Due to the length of this notice period, if you intend to deliver a Retraction Request to Webhelp Canada in order to sell Common Stock immediately thereafter, you will not be able to make delivery of the Common Stock on a normal settlement cycle.

The tax consequences to you of a redemption of the Exchangeable Shares will differ from those of a purchase

Under the Exchangeable Share Provisions and the Voting and Exchange Trust Agreement, we will have the discretion to determine whether you receive Webhelp Common Stock in exchange for Exchangeable Shares by way of a redemption of the Exchangeable Shares by Webhelp Canada, or by way of a purchase of those Exchangeable Shares by Webhelp or Webhelp Nova Scotia. As described under the heading "Certain Income Tax Considerations — Canadian Federal Income Tax Considerations — Redemption or Exchange of Exchangeable Shares", the Canadian federal income tax consequences of a redemption differ from those of a purchase.

We may redeem the Exchangeable Shares in certain circumstances

The Exchangeable Shares will not be redeemable by Webhelp Canada before September 30, 2015, except in certain circumstances described under "Details of the Offering". On such a redemption, you would receive Common Stock, which is currently "foreign property" for purposes of the Canadian Tax Act. An investment in stock that is "foreign property" may not be consistent with your original investment objectives.

DILUTION

Our pro forma net tangible book value as of September 30, 2000 was approximately $ ● million, or $ ● per share. "Pro forma net tangible book value per share" represents the amount of our total tangible assets reduced by the amount of the total liabilities and divided by the number of shares outstanding, after giving effect to the conversion of all of our outstanding preferred stock into Common Stock.

After giving effect to adjustments relating to the offering, our pro forma net tangible book value as of September 30, 2000 would have been $ ● million or $ ● per share. The adjustments made to determine pro forma net tangible book value per share after the offering are the following:

- an increase in total assets to reflect the net proceeds of the offering as described under "Use of Proceeds"; and
- the addition of the number of shares offered by this prospectus to the number of shares outstanding.

The following table illustrates, as of September 30, 2000, the increase in pro forma net tangible book value of $ ● per share and the dilution (the difference between the offering price per offered security and the pro forma net tangible book value per share) to new investors:

Public offering price per offered security	$ ●
Pro forma net tangible book value per share of Common Stock as of September 30, 2000	$ ●
Increase in pro forma net tangible book value per share of Common Stock attributable to the offering	●
Pro forma net tangible book value per share of Common Stock after the offering (assuming all the Exchangeable Shares are exchanged for Common Stock)	●
Dilution per share to new investors	$ ●

The foregoing calculations:

- do not include shares issuable upon exercise of options outstanding as of the date of this prospectus;
- assume the conversion of all preferred stock into 11,209,722 shares of Common Stock (which includes the issuance of 611,888 Series B Convertible Preferred Stock on October 24, 2000) upon the closing of this offering; and
- assume no exercise of the Underwriters' over-allotment option or compensation options.

To the extent outstanding options are exercised, there will be further dilution to new investors.

LEGAL MATTERS

The validity of the shares of Common Stock and the Exchangeable Shares being offered hereby will be passed upon for us by Torys, Suite 3000, Maritime Life Tower, 79 Wellington Street West, Toronto, Ontario M5K 1N2 and 237 Park Avenue, New York, New York 10017. Certain legal matters in connection with the sale of the Common Stock and the Exchangeable Shares offered hereby will be passed upon for the Underwriters by Blake, Cassels & Graydon LLP, Suite 2300, Commerce Court West, Toronto, Ontario, M5L 1A9. Lawyers in these firms own collectively less than 1% of the Common Stock of Webhelp.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which we have entered into within the past two years or which are proposed to be entered into:

1. The Underwriting Agreement referred to under "Plan of Distribution".
2. Amended and Restated Investor Rights Agreement dated as of December 31, 1999 with certain of our shareholders. See "Certain Transactions — Registration Rights of Certain Holders".

3. Registration Rights Agreement dated April 19, 2000 with WH Holdings, Ltd. See "Certain Transactions — Registration Rights of Certain Holders".
4. Internet Services Agreement dated December 2, 1999. See "Business — Operations".
5. Internet Services Agreement dated October 19, 1999. See "Business — Operations".
6. Internet Services Agreement dated October 14, 2000. See "Business — Operations".
7. Employment Agreement with Kerry Adler dated December 29, 1999. See "Management — Employment Agreements".
8. Share Escrow Agreement dated as of December 29, 1999 with eliance, iSpoke.com Inc., Kerry Adler, Laura Hantho, Hugh Cumming, Shukie Halfon and Torys. See "Certain Transactions — Transaction with eliance".

Copies of these agreements, following execution where not executed, may be examined at our head and principal office during normal business hours during the course of distribution to the public of the Offered Securities and for 30 days thereafter.

AUDITORS AND REGISTRAR AND TRANSFER AGENT

Our auditors are Ernst & Young LLP, Ernst & Young Tower, 222 Bay Street, Toronto, Ontario M5K 1J7.

The transfer agent and registrar for the Common Stock and the Exchangeable Shares is CIBC Mellon Trust Company at its principal offices in Toronto.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces of Canada, securities legislation further provides a purchaser with remedies of rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for recission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Webhelp Inc.

We have audited the accompanying consolidated balance sheet of Webhelp Inc. (formerly Webhelp.com Inc.) as of December 31, 1999 and the related consolidated statement of operations and comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficiency) and cash flows for the period from May 27, 1999 to December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Webhelp Inc. as of December 31, 1999, and the consolidated results of its operations and its cash flows for the period from May 27, 1999 to December 31, 1999 in conformity with accounting principles generally accepted in the United States.

Toronto, Canada,
January 12, 2000 (except as to notes 10(a), 13(b) and 16
which are dated as of October ● , 2000).

WEBHELP INC.

CONSOLIDATED BALANCE SHEET

(expressed in United States dollars)

	Actual		Pro forma
	As at December 31, 1999	**As at September 30, 2000**	**As at September 30, 2000**
	$	$ (Unaudited)	$ (Unaudited)
ASSETS			
Current			
Cash and cash equivalents (*note 3*)	21,178,857	7,364,222	7,364,222
Accounts receivable	32,795	332,133	332,133
Prepaid expenses	2,475,294	1,536,186	1,536,186
Due from shareholder (*note 11*)	2,563,280	893,834	893,834
Other assets	—	263,191	263,191
Total current assets	26,250,226	10,389,566	10,389,566
Fixed assets, net (*note 6*)	2,354,797	3,994,803	3,994,803
Deferred offering costs (*note 4*)	—	1,200,939	1,200,939
Intangible assets, net (*note 7*)	582,207	424,644	424,644
Investment in Webhelp.fr (*note 8*)	—	2,415,220	2,415,220
Total assets	29,187,230	18,425,172	18,425,172
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable	1,340,444	3,002,318	3,002,318
Professional fees payable	222,843	1,924,978	1,924,978
Accrued compensation and related expenses	134,928	524,056	524,056
Other accrued liabilities	53,401	347,581	347,581
Deferred revenue (*note 8*)	—	844,539	844,539
Current portion of obligation under capital lease (*note 13*)	—	45,711	45,711
Total current liabilities	1,751,616	6,689,183	6,689,183
Deferred revenue (*note 8*)	—	2,403,867	2,403,867
Obligation under capital lease (*note 13*)	—	102,004	102,004
Total liabilities	1,751,616	9,195,054	9,195,054
Commitments and contingencies (*note 13*)			
Redeemable convertible preferred stock			
Redeemable convertible preferred stock, $0.01 par value; 20,000,000 shares authorized; issuable in series (*note 9*)			
Series A redeemable convertible preferred stock, $0.01 par value; 15,000,000 shares designated, issued and outstanding (none pro forma), convertible into 5,357,143 shares of common stock at a rate of 0.357 for 1; aggregate liquidation preference of $19,200,000 (none pro forma)	7,898,798	7,898,798	—
Series B redeemable convertible preferred stock, $0.01 par value; 3,671,329 shares designated, issued and outstanding (none pro forma), convertible into 1,311,189 shares of common stock at a rate of 0.357 for 1; aggregate liquidation preference of $72,435,321 (none pro forma)	29,691,615	29,691,615	—
Stockholders' equity (deficiency)			
Common stock, $0.01 par value; 65,000,000 shares authorized; 11,170,080 shares as at December 31, 1999 and as at September 30, 2000 issued and outstanding (pro forma 17,838,412) (*note 10*)	111,701	111,701	178,384
Additional paid-in capital	4,639,487	9,752,514	47,276,244
Deferred stock compensation	—	(2,439,243)	(2,439,243)
Accumulated deficit	(14,905,987)	(35,785,267)	(35,785,267)
Total stockholders' equity (deficiency)	(10,154,799)	(28,360,295)	9,230,118
Total liabilities and stockholders' equity (deficiency)	29,187,230	18,425,172	18,425,172

On behalf of the Board:

(Signed) KERRY E. ADLER
Director

(Signed) LAURA HANTHO
Director

See accompanying notes

WEBHELP INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in United States dollars)

	Nine months ended September 30, 2000	Period from inception May 27, 1999 to December 31, 1999
	$ (Unaudited)	$
Revenue	2,008,078	29,857
Cost of revenue	6,985,201	844,916
Gross profit (loss)	(4,977,123)	(815,059)
Operating expenses		
Sales and marketing	7,093,016	654,124
General and administrative (*note 5*)	5,559,462	3,110,672
Product development	372,993	180,638
Depreciation and amortization of fixed assets	718,928	67,278
Amortization of intangible assets	157,563	48,063
Amortization of deferred stock compensation (*note 10(b)*)	2,673,784	—
Total operating expenses	16,575,746	4,060,775
Operating loss	(21,552,869)	(4,875,834)
Interest income	677,740	9,847
Interest expense	(4,151)	(40,000)
Net loss and comprehensive loss for the period	(20,879,280)	(4,905,987)
Net loss per share — basic and diluted	$ (2.27)	$ (0.57)
Weighted average number of shares outstanding used to compute basic and diluted net loss per share (*note 2*)	9,205,794	8,578,630
Pro forma net loss per share — basic and diluted	$ (1.32)	$ (0.57)
Weighted average number of shares outstanding used to compute pro forma basic and diluted net loss per share (*note 2*)	15,874,126	8,658,003

See accompanying notes

WEBHELP INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(expressed in United States dollars)

	Nine months ended September 30, 2000	Period from inception May 27, 1999 to December 31, 1999
	$ (Unaudited)	$
OPERATING ACTIVITIES		
Net loss for the period	(20,879,280)	(4,905,987)
Add items not involving cash:		
Expenses paid for in common stock (*note 5*)	—	1,340,958
Depreciation and amortization of fixed assets	738,070	67,278
Amortization of intangible assets	157,563	48,063
Amortization of deferred stock compensation	2,673,784	—
Changes in operating assets and liabilities:		
Accounts receivable	(299,338)	(32,795)
Prepaid expenses	939,108	793,748
Due from shareholder	(893,834)	—
Other assets	(263,191)	—
Accounts payable	961,874	1,340,444
Professional fees payable	948,897	222,843
Accrued compensation and related expenses	389,128	134,928
Other accrued liabilities	294,180	53,401
Deferred revenue	844,539	—
Cash used in operating activities	(14,388,500)	(937,119)
INVESTING ACTIVITIES		
Purchase of fixed assets	(1,530,361)	(131,654)
Purchase of assets (*note 5*)	—	(2,997,358)
Investment in Webhelp.fr	(11,353)	—
Cash used in investing activities	(1,541,714)	(3,129,012)
FINANCING ACTIVITIES		
Proceeds from issuance of bridge loan (*note 9*)	—	2,000,000
Receipt of common stock subscription receivable	2,563,280	—
Deferred offering costs	(447,701)	—
Issuance of common stock, net of issuance costs (*note 10(a)*)	—	16,412
Issuance of convertible preferred stock Series A, net of issuance costs	—	3,377,250
Issuance of convertible preferred stock Series B, net of issuance costs	—	29,851,326
Repurchase of common stock	—	(10,000,000)
Cash provided by financing activities	2,115,579	25,244,988
Net increase (decrease) in cash and cash equivalents during the period	(13,814,635)	21,178,857
Cash and cash equivalents, beginning of period	21,178,857	—
Cash and cash equivalents, end of period	7,364,222	21,178,857

See accompanying notes

WEBHELP INC.

CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIENCY)

(expressed in United States dollars)
(Information as at September 30, 2000 and for the nine months ended September 30, 2000 is unaudited)

	Redeemable convertible preferred stock Series A		Redeemable convertible preferred stock Series B		Common stock — Par value		Additional paid-in capital	Accumulated deficit	Deferred stock compensation	Total stockholders' equity (deficiency)
	Number	$	Number	$	Number	$	$	$	$	$
Balance, May 27, 1999 (inception) (*note 10(a)*)	—	—	—	—	8,485,714	84,857	152,743	—	—	237,600
Issuance of common stock (*note 10(a)*)	—	—	—	—	85,714	857	48,888	—	—	49,745
Issuance of preferred stock (*note 9*)	15,000,000	7,898,798	—	—	—	—	—	—	—	—
Issuance of common stock (*notes 5 and 10(a)*)	—	—	—	—	3,035,714	30,357	4,445,724	—	—	4,476,081
Issuance of preferred stock (*note 9*)	—	—	3,671,329	29,691,615	—	—	—	—	—	—
Repurchase of common stock (*note 10(a)*)	—	—	—	—	(437,062)	(4,370)	(7,868)	(10,000,000)	—	(10,012,238)
Net loss for the period	—	—	—	—	—	—	—	(4,905,987)	—	(4,905,987)
Balance, December 31, 1999	15,000,000	7,898,798	3,671,329	29,691,615	11,170,080	111,701	4,639,487	(14,905,987)	—	(10,154,799)
Deferred stock compensation (*note 10(b)*)	—	—	—	—	—	—	5,113,027	—	(5,113,027)	—
Amortization of deferred stock compensation	—	—	—	—	—	—	—	—	2,673,784	2,673,784
Net loss for the period	—	—	—	—	—	—	—	(20,879,280)	—	(20,879,280)
Balance, September 30, 2000	15,000,000	7,898,798	3,671,329	29,691,615	11,170,080	111,701	9,752,514	(35,785,267)	(2,439,243)	(28,360,295)

See accompanying notes

WEBHELP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(expressed in United States dollars)
(information as at September 30, 2000 and for the nine-months ended September 30, 2000 is unaudited)

1. NATURE OF BUSINESS

Webhelp Inc. ("Webhelp" or the "Company") develops proprietary technology and service offerings that enable the Company to provide live, human-assisted customer, sales and technical support and search services over the Internet. The Company focuses on providing services to corporate clients under the brand name Webhelp Direct. It also operates a consumer portal located at www.webhelp.com. The Company's principal markets are in North America.

The Company was incorporated in the State of Delaware on May 27, 1999 as BlueSky Ventures Inc. On November 30, 1999, the Company launched its Web site. On December 2, 1999, the name of the Company was changed to Webhelp.com Inc. On September 20, 2000, the name of the Company was changed to Webhelp Inc.

For the period until December 31, 1999, the Company met the definition of a development stage company under Statement of Financial Accounting Standards (''SFAS'') No. 7. Since January 1, 2000, the Company has directed its efforts towards generating revenue and it is deploying the majority of its available funding towards operating activities. Accordingly, the Company no longer meets the criterion of a development stage company.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are stated in United States dollars. All figures relating to the Company's operations during 1999 are for the period from inception May 27, 1999 until December 31, 1999, the Company's fiscal year end.

Unaudited interim financial statements and pro forma balance sheet

The accompanying consolidated financial statements as at September 30, 2000 are unaudited but include all adjustments (all of which are normal and recurring in nature), which in the opinion of management, are necessary for a fair statement of the financial position and the operating results and cash flows for the interim period since the Company's fiscal period ended December 31, 1999. The comparative pro forma unaudited balance sheet gives effect to the conversion of preferred shares that will automatically convert upon completion of the Company's initial public offering, using the if converted method. Results for the interim period ended September 30, 2000 are not necessarily indicative of results for the entire fiscal year or future periods.

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Ispoke.com Inc., a U.S. company, and Webhelp Canada Inc., a Canadian company. All intercompany accounts and transactions have been eliminated on consolidation.

Long-term investments

Investments of less than 20% of the voting interest of other companies are accounted for using the cost method unless management determines that it exercises significant influence over operating and financial policies of the investee company in which case, the Company uses the equity method of accounting. In the event that management identifies an impairment in the estimated fair value of an investment to an amount below cost, such investment will be written down to fair market value.

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the following periods:

Computer software	2-3 years
Computer hardware	3-5 years
Furniture and fixtures	3-5 years
Leasehold improvements	lesser of 3 years and the term of the lease

Software development costs

The Company accounts for software development costs including website development costs, in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" under which certain software development costs incurred subsequent to the establishment of technological feasibility are capitalized and amortized over the estimated lives of the related products, which is generally expected to be two years. Technological feasibility is established upon the completion of a working model. The amount of software development costs capitalized for the nine months ended September 30, 2000 was $631,000. For the period ended December 31, 1999, software development costs incurred subsequent to the establishment of technological feasibility were not significant, and accordingly, were charged to product development expense.

In March 2000, the Emerging Issues Task Force ("EITF") issued EITF No. 00-2 "Accounting for Web site Development Costs", under which a consensus was reached that all costs relating to software used to operate a Web site should be accounted for under SFAS No. 86, when a plan exists to market the software externally. Since the Company licenses the technology relating to its website, these costs have been accounted for in accordance with SFAS No. 86.

Intangible assets

Intangible assets represent licenses, trademarks, names and other intangibles. Intangible assets are amortized on a straight-line basis over three years.

Long lived assets

SFAS No. 121, "Accounting for the Impairment of Long Lived Assets" establishes accounting standards for the impairment of long lived assets. For fixed assets and certain intangibles, the Company assesses the recoverability by determining whether the carrying value of such assets can be recovered through projected undiscounted cash flows. If the sum of expected future cash flows, undiscounted and without interest charges, is less than net book value, the excess of the net book value over the estimated fair value is charged to operations in the period in which such impairment is determined by management.

Cash and cash equivalents

The Company invests its excess cash in debt securities and considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. As at September 30, 2000 and December 31, 1999, all of the Company's cash equivalents were classified as held-to-maturity and are recorded at amortized cost.

Concentration of credit risk and credit risk evaluations

Financial instruments which subject the Company to concentration of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents consist principally of debt securities held with North American financial institutions with high credit standing. As at September 30, 2000 and December 31, 1999, 99% and 94%, respectively, of the Company's cash and cash equivalents were held at one institution. The Company has not experienced any significant losses on its cash and cash equivalents.

The Company conducts business with companies in various industries primarily in the United States. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Allowances are maintained for potential credit issues.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Company earns advertising revenue derived from short-term advertising contracts. Under these contracts, the Company delivers impressions (for example banner ads on our website or within e-mail, page sponsorships and buttons) to users of the Company's consumer portal over a specific period of time for a fixed fee. Advertising rates, typically measured on a cost per thousand impressions ("CPMs") basis, are dependent on whether the impressions are for general rotation throughout the Company's website or for targeted audiences and properties within specific areas of Webhelp's Internet page. The Company recognizes revenue based upon actual impressions delivered, net of any selling commissions payable to third parties.

Beginning in the month of March 2000, the Company began to earn revenue from the provision of online Internet customer sales and Webhelp Direct services to corporate customers. Revenue from online support to corporate customers has three components as follows: upfront implementation and staff training costs charged to the customer; per engagement or per time period charges; and e-commerce commissions payable to the Company. The Company records revenue from upfront implementation and staff training ratably over the term of the contract. The Company recognizes revenue from per engagement or per time period services based on the actual number of engagements performed, or based on the time incurred in providing services at contracted rates. Commissions from e-commerce transactions earned by the Company will be recorded when the ultimate consumer has consummated his or her transaction online with the Company's third party client, and the value of the Company's commission can be ascertained.

Beginning in the month of June 2000, the Company began to earn revenue from technology, license and service agreements related to the provision of Webhelp services in languages other than English. These arrangements are expected to have different components as follows: upfront license fees or proceeds from the sale of intellectual property; ongoing services revenue related to the provision of services from the Company to the partner; and professional and consulting fees provided by the Company to the partner. Upfront license fees or proceeds from the license of intellectual property are recognized ratably over the term of the related license agreement. Ongoing services revenue will be recognized as the services are delivered based on the terms of any related agreement. Professional or consulting fees will be recognized when the services are delivered and at fair market rates for equivalent services.

During the remainder of 2000, the Company expects to earn additional revenue from corporate and consumer services which may include:

- Licensing of technology to corporate clients;
- Subscriptions charged on a monthly or a per engagement basis;
- E-commerce transaction fees; and
- Internet-based educational services

Revenue from the licensing of technology to corporate clients will be recognized in accordance with Statement of Position ("SOP") No. 97-2, "Software Revenue Recognition". This requires that revenue recognized from software arrangements be allocated to each element of the arrangement based on the relative fair values of the elements, such as software products, upgrades, enhancements, post contract customer support, installation or training. Under SOP 97-2, the determination of fair value is based upon objective evidence that is specific to the vendor. If evidence of the fair value for each element of the arrangement does not exist, all revenue from the arrangement is deferred until such time as evidence of fair value does exist or until all elements of the arrangement are delivered.

License revenue is recognized when there is persuasive evidence of an arrangement and delivery to the customer has occurred, provided that the arrangement does not require significant customization of the software, the fee is fixed and determinable, and collectibility is considered probable. Maintenance contracts generally call for the Company to provide technical support and software updates and upgrades to customers. Revenue from maintenance contracts is recognized ratably over the term of the maintenance contract on a straight line basis.

Subscription revenue will be recognized ratably based on the passage of time or on a per engagement basis based on the terms of the subscription. Commission based e-commerce services will be recorded when the ultimate consumer has consummated his or her transaction online with the Company's third party client, and the value of the Company's commission can be ascertained. Revenues from Internet-based educational services will be recognized as services are provided.

No barter transactions were entered into for the period ended September 30, 2000 or for the period ended December 31, 1999.

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Assets and liabilities recorded in foreign currencies are translated at the exchange rate prevailing at the consolidated balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the period. Gains and losses on foreign currency transactions are included in general and administrative expenses. Foreign exchange losses recorded for the period ended September 30, 2000 were $186,000 and for the period ended December 31, 1999 were $24,000.

Accounting for stock-based compensation

The Company accounts for employee stock options using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and makes the pro forma disclosures required by SFAS No. 123, "Accounting for Stock-Based Compensation".

Advertising costs

The Company expenses the costs of advertising as incurred. Advertising expense for the period ended September 30, 2000 was $3,438,000 and for the period ended December 31, 1999 was $614,000. Advertising expenses consisted primarily of online Internet advertising, paper based media advertising and related professional services.

Income taxes

The Company uses the liability method to account for income taxes as required by SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Net loss per share

Basic net loss per share is computed by dividing net loss for the period by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities by adding other common stock equivalents in the weighted average number of common shares outstanding for a period, if dilutive. Potentially dilutive securities have been excluded from the computation if their effect is anti-dilutive.

The Company's basic and diluted net loss per share has been determined as follows:

	Nine months ended September 30, 2000		
	Net loss	No. of Shares	Per share amount
	$	#	$
Net loss for the period	(20,879,280)	11,170,080	
Effect of contingently returnable common stock		(1,964,286)	
Basic and diluted net loss per share	(20,879,280)	9,205,794	(2.27)

	Period from May 27, 1999 to December 31, 2000		
	Net loss	No. of Shares	Per share amount
	$	#	$
Net loss for the period	(4,905,987)	8,605,538	
Effect of contingently returnable common stock		(26,908)	
Basic and diluted net loss per share	(4,905,987)	8,578,630	(0.57)

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has excluded from the calculation of diluted net loss per share convertible preferred stock, contingently returnable common stock and outstanding stock options because all of these securities are anti-dilutive for the periods presented. The Company has excluded from pro forma diluted net loss per share contingently returnable common stock and outstanding stock options because these securities are anti-dilutive for the periods presented. If the Company is successful in completing a public offering of stock for gross proceeds (net of underwriting discounts and commissions) of at least $25,000,000, then all of the convertible preferred stock outstanding will automatically be converted into common stock. The total number of shares excluded from the calculation of diluted net loss per share is as follows:

	September 30, 2000	December 31, 1999
	#	#
Convertible preferred stock (adjusted to reflect conversion rate)	6,668,332	6,668,332
Stock options	944,053	—
Contingently returnable common stock (*note 5*)	1,964,286	1,964,286
	9,576,671	8,632,618

Pro forma net loss per share

Pro forma net loss per share has been computed as described above and also gives effect to the conversion of preferred shares not included above that will automatically convert upon completion of the Company's initial public offering, using the if converted method. The calculation of historical and pro forma basic and diluted net loss per share is as follows:

	September 30, 2000	December 31, 1999
	$	$
Historical net loss	(20,879,280)	(4,905,987)
Weighted average shares outstanding used to compute basic and diluted net loss per share	9,205,794	8,578,630
Basic and diluted net loss per share	$ (2.27)	$ (0.57)
Pro forma net loss	(20,879,280)	(4,905,987)
Weighted average number of shares of common stock used in computing basic and diluted net loss per share (from above)	9,205,794	8,578,630
Adjustment to reflect the effect of the assumed conversion of preferred stock from the date of issuance	6,668,332	79,373
Weighted average shares outstanding used in computing pro forma basic and diluted net loss per share	15,874,126	8,658,003
Pro forma basic and diluted net loss per share	$ (1.32)	$ (0.57)

Business segments

As at September 30, 2000 and December 31, 1999, for management purposes, the Company is managed as one business segment and as such, the Company has determined that it does not have separately reportable operating segments.

The Company maintains offices in both the U.S. and Canada. For the periods ended September 30, 2000 and December 31, 1999, respectively, all of the Company's revenue was earned in the U.S. As at September 30, 2000 and December 31, 1999, $850,000 and $250,000 of the Company's fixed assets were held in Canada, with the balance held in the U.S.

New accounting standards

The Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 137, "Deferral of Effective Date for SFAS No. 133" which are effective for fiscal years beginning after June 15, 2000. Management has not yet determined the impact on the consolidated financial position or results of operations of the Company of this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (”SAB”) No. 101. SAB No. 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. Management believes that the Company's current revenue recognition policies comply with SAB No. 101.

In January 2000, the EITF issued EITF No. 99-17 "Accounting for Advertising Barter Transactions", under which a consensus was reached that revenue and expense should be recognized at fair value from an advertising barter transaction only if the fair value of the advertising surrendered in the transaction is determinable based on the entity's own historical practice of receiving cash, marketable securities, or other consideration that is readily convertible to a known amount of cash for similar advertising from buyers unrelated to the counterparty in the barter transaction. The Company's current policies comply with EITF No. 99-17.

In March 2000, the EITF issued EITF No. 00-2 "Accounting for Website Development Costs", under which a consensus was reached that all costs relating to software used to operate a Website should be accounted for under SOP 98-1 unless a plan exists or is being developed to market the software externally, in which case the costs relating to the software should be accounted for pursuant to Statement 86. The Company's current policies comply with EITF No. 00-2.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation — an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The issue of FIN 44 did not have a material impact on the consolidated financial position or results of operations of the Company. As a result of an amendment to the exercise price of the Company's outstanding stock options (note 16), the Company will be required to use variable accounting for these stock options.

In July 2000, the EITF issued EITF No. 99-19 "Recording Revenue Gross as a Principal versus Net as an Agent", under which a consensus was reached that whether a company should recognize revenue based on (a) the gross amount billed to a customer because it has earned revenue from the sale of the goods or services or (b) the net amount retained because it has earned a commission or fee is a matter of judgement that depends on the relevant facts and circumstances. The EITF also provided a set of factors or indicators to be considered in that evaluation. The Company's current policies comply with EITF No. 99-19.

3. CASH AND CASH EQUIVALENTS

Under the terms of a credit card facility with the Company's bankers, the Company has pledged $400,000 of its cash as collateral for amounts owing under the facility. The Company has also issued a letter of credit in the amount of $181,250, in favour of one of its landlords, as security for payment of rent.

4. DEFERRED OFFERING COSTS

Deferred offering costs represent specific incremental costs incurred to date relating to the proposed initial public offering of the Company. These costs and any additional costs related to the offering will be accounted for as a charge against additional paid-in capital. If the Company does not complete the offering, these costs will be charged to income at the time the decision is made to not complete the offering.

5. ASSET PURCHASE

On November 29, 1999, the Company entered into a binding letter of intent whereby the Company would purchase certain assets of eliance Corporation ("eliance") and enter into an Internet services agreement in return for shares of common stock of the Company and cash consideration. On December 29, 1999, pursuant to this binding letter of intent, the Company entered into an Internet services agreement and acquired, pursuant to an asset purchase agreement (jointly the "eliance Agreement"), certain assets of eliance, in exchange for $4,256,400 in cash and 3,035,714 common shares of the Company. At the time of the eliance Agreement, eliance was controlled by an existing minority stockholder of the Company. As at November 29, 1999, the effective date of this agreement, the 3,035,714 common shares of the Company had a fair value of $1.49 per share and an aggregate fair value of $4,533,333 (*note 10(a)*). Total consideration paid under the eliance Agreement was $8,789,733.

As part of the eliance Agreement, the Company purchased (i) certain fixed assets; (ii) certain intangible assets such as licenses, trademarks and names; (iii) other intangibles; (iv) prepaid expenses; and (v) entered into an Internet services agreement. A portion of

(expressed in United States dollars)

5. ASSET PURCHASE (Continued)

the consideration paid represented a reimbursement of expenses incurred by eliance on behalf of the Company and a release from prior obligations with eliance. Accordingly, these expenses have been charged to general and administrative expenses in 1999.

The table below represents the allocation of the consideration paid under the eliance Agreement.

	$
Fixed assets	2,290,421
Intangibles (*note 7*)	630,270
Prepaid expenses	3,269,042
Net assets acquired	6,189,733
Reimbursement of expenses and release	2,600,000
Total consideration	8,789,733

Reimbursement of expenses and release of $2,600,000 represent the approximate costs which were paid by eliance relating to the Company's business during the period that eliance and the Company were negotiating towards a proposed business combination. These expenses, which would otherwise have been paid by the Company, included salaries and other employee costs and general and administrative costs during the period from July to December 1999. Also included in this amount is a release from eliance with respect to any further costs or obligations incurred by or related to eliance.

Included in prepaid expenses, as at December 31, 1999, is $2,000,000 representing a prepayment with respect to the Internet services agreement for the period from January 1, 2000 until May 31, 2000. Also included in prepaid expenses acquired was $684,000 relating to web center services from eliance for the month of December 1999 and $585,000 of prepaid advertising expenses paid by eliance on behalf of the Company.

For purposes of the Company's 1999 Consolidated Statement of Cash Flows, management has apportioned the cash component of the consideration paid to eliance on a pro rata basis with $1,109,129 being allocated to fixed assets, $305,206 to intangibles, $1,583,023 to prepaid expenses and $1,259,042 to operating expenses. Accordingly, $1,181,292 of fixed assets, $325,064 of intangible assets, $1,686,019 of prepaid expenses and $1,340,958 of operating expenses have been deemed to have been paid for in common shares of the Company and do not result in a use of cash.

Concurrent with the execution of the eliance Agreement, the Company and eliance entered into a share escrow agreement under which 1,964,286 of the common shares issued to eliance were deposited in escrow for a period of five years. Should eliance not meet certain of its obligations under the eliance Agreement within the first year of the escrow agreement, the Company shall have the right to recover a portion of these shares from the escrow agent as indemnification. eliance's obligations relate primarily to indemnification provisions under the asset purchase agreement and with respect to performance obligations under the Internet services agreement. Accordingly, the Company considers these shares of common stock to be contingently returnable and as such have excluded these shares from the calculation of our basic earnings per share as these are potentially anti-dilutive.

(expressed in United States dollars)

6. FIXED ASSETS

Fixed assets consist of the following:

	September 30, 2000
	$
Cost	
Computer software	2,127,399
Computer hardware	1,785,523
Furniture and fixtures	846,102
Leasehold improvements	41,127
	4,800,151
Less accumulated depreciation and amortization	
Computer software	275,044
Computer hardware	394,657
Furniture and fixtures	132,208
Leasehold improvements	3,439
	805,348
Net book value	3,994,803

	December 31, 1999
	$
Cost	
Computer software	764,673
Computer hardware	1,432,037
Furniture and fixtures	225,365
	2,422,075
Less accumulated depreciation	
Computer software	21,240
Computer hardware	39,778
Furniture and fixtures	6,260
	67,278
Net book value	2,354,797

Fixed assets include furniture and fixtures under a capital lease of $202,084 as at September 30, 2000 (December 31, 1999 — nil). Included in accumulated depreciation and amortization for furniture and fixtures as at September 30, 2000 is $11,171 (December 31, 1999 — nil) related to this capital lease.

During the period ended September 30, 2000, the Company and eliance agreed to an adjustment to the eliance Agreement (*note 5*) relating to certain fixed assets not transferred pursuant to the agreement. Accordingly, fixed assets and due from shareholder have been reduced by $282,845.

7. INTANGIBLE ASSETS

Intangible assets consist of licenses, trademarks, names and other intangibles (*note 5*).

	September 30, 2000
	$
Cost	630,270
Less accumulated amortization	205,626
Intangible assets, net of accumulated amortization	424,644

(expressed in United States dollars)

7. INTANGIBLE ASSETS (Continued)

	December 31, 1999
	$
Cost	630,270
Less accumulated amortization	48,063
Intangible assets, net of accumulated amortization	582,207

8. INVESTMENT IN WEBHELP.FR

On June 6, 2000, the Company entered into an agreement with a group of investors with respect to the provision of Webhelp related services in the French language. Under the terms of the agreement, the Company acquired a 19.88% interest in a new company (''Webhelp.fr'') established to provide these services, will receive a $5,000,000 upfront payment paid in three installments during the year 2000, and will receive certain ongoing fees with respect to services provided to Webhelp.fr. In return, the Company granted to Webhelp.fr a license to certain intellectual property and the exclusive right to provide Webhelp-type services in the French language for a term of four years. The Company has entered into a services agreement with Webhelp.fr with respect to upfront and ongoing services provided by the Company. The Company accounts for its investment in Webhelp.fr on the cost basis.

On August 31, 2000, the Company entered into an amendment to the original agreement that allowed for the provision of Webhelp related services in the German language. Under the terms of the amended agreement, the Company will receive an additional $3,500,000 upfront payment paid in three installments during the year 2000.

As at September 30, 2000, $1,500,000 of the upfront payments have been received, and have been recorded as deferred revenue. The remaining $7,000,000 owing to the Company will be recorded as deferred revenue when the cash is received.

9. REDEEMABLE CONVERTIBLE PREFERRED STOCK

Subject to certain anti-dilutive provisions, each share of Series A and B redeemable convertible preferred stock, par value of $0.01 per share, is convertible at the option of the holder into 0.357 shares of common stock. The Series A and B redeemable convertible preferred stock will be automatically converted into common stock in the event of an initial public offering, pursuant to an effective registration statement under the Securities Act of 1933, as amended, with gross proceeds (net of underwriting discounts and commission) of at least $25,000,000.

The holders of the Series A and B redeemable convertible preferred stock are entitled to receive non-cumulative dividends when and if declared by the Board of Directors. These dividends are in preference to any declaration or payment of any dividend on the common stock of the Company. Subject to certain anti-dilutive provisions, the dividends per share of the Series A and B redeemable convertible preferred stock have to be at least equal to the dividend per share declared or paid on the common stock of the Company. As at September 30, 2000, no dividends have been declared on the Series A and B redeemable convertible preferred stock.

In the event of any liquidation, the holders of the Series A and B redeemable convertible preferred stock have a liquidation preference over holders of common stock equal to $1.28 and $19.73 per preferred share, respectively, plus any declared and unpaid dividends. The remaining assets will be distributed to the common stockholders. In the event of the sale of all, or substantially all, of the assets of the Company, shares of Series A and B redeemable convertible preferred stock are redeemable at the amount of their liquidation preference.

Each holder of the outstanding shares of the Series A and B redeemable convertible preferred stock is entitled to the number of votes equal to the number of whole shares of common stock into which the shares of the redeemable convertible preferred stock held by such holder are then convertible.

On November 10, 1999, the Company received $2,000,000 in the form of a bridge loan (the "Advance") from InSight Investors, bearing interest at 8%. On November 18, 1999, the Company and InSight Investors signed a binding letter of intent under which InSight Investors agreed to invest in the Company as described below. On December 29, 1999, in accordance with the binding letter of intent, a stock purchase agreement was entered into pursuant to which the Company issued an aggregate of 15,000,000 shares of Series A preferred stock for a purchase price of $0.53 per share and total consideration of $8,000,000 which was comprised of $6,000,000 in cash and conversion of the Advance into convertible preferred stock. Of the 15,000,000 shares issued, 5,797,592 shares were issued to InSight Capital Partners III, L.P.; 1,436,168 shares were issued to InSight Capital Partners (Cayman) III, L.P.; 1,016,240 shares were issued to InSight Capital Partners (Co-Invest) III, L.P.; 4,781,250 shares were issued to W-W-H Investors LLC and 1,968,750 shares were issued to Imprimis SB LP. At December 31, 1999, $2,563,280 of the cash consideration was outstanding from the Insight Investors. This amount

(expressed in United States dollars)

9. REDEEMABLE CONVERTIBLE PREFERRED STOCK (Continued)

was paid on January 3, 2000. As at December 31, 1999, the Company has accrued $40,000 of interest in respect of loans and advances from Insight Investors. This amount, which has not yet been paid, will be paid in cash.

On December 31, 1999, an agreement (the "CIBC Agreement") was entered into between the Company and CIBC WMC Inc. ("CIBC"), pursuant to which CIBC purchased 3,671,329 shares of Series B redeemable convertible preferred stock at a price of $8.17 per share for a total consideration of $30,000,000 (*note 16*).

10. CAPITAL STOCK

(a) **Share capital issued and outstanding**

On December 29, 1999, the Company approved a 16,000 to 1 stock split for its common stock. On October 19, 2000 the Company approved a 1 to 2.8 reverse stock split for its common stock. All references to common stock and per share amounts have been restated to reflect the stock splits on a retroactive basis.

Common stock

Holders of the common stock with par value of $0.01 per share are entitled to one vote per share, and dividends may be declared and paid on the common stock from funds lawfully available therefor. Upon the dissolution or liquidation of the Company, holders of the common stock will be entitled to receive all assets of the Company available for distribution to its stockholders, subject to any preferential rights of any then outstanding preferred stock.

On May 27, 1999, the Company issued a total of 8,485,714 shares of common stock to the founding shareholders of the Company in exchange for all of their interests in the Company's system architecture and the business plan. The shares of common stock were issued for total consideration of $15, which approximated their fair value.

On June 10, 1999, the Company issued 85,714 shares of common stock to a third party at a price of $0.58 per share for total consideration of $50,000.

On December 29, 1999, pursuant to a binding letter of intent dated November 29, 1999, the Company issued 3,035,714 shares of common stock of the Company at a price of $1.49 per share for total consideration of $4,533,333 (*note 5*).

$10,000,000 of the gross proceeds of $30,000,000 from the issuance of Series B convertible preferred stock to CIBC pursuant to the CIBC Agreement was used to repurchase 437,062 shares of common stock from certain of the stockholders of the Company. Of these shares, 432,692 were originally issued on May 27, 1999 and 4,370 were issued on June 10, 1999. As at September 30, 2000, these shares have not been cancelled.

(b) **Stock options**

On January 28, 2000, the stockholders approved the 1999 Long-term Incentive Plan (the "1999 Plan") for directors, officers, employees and other parties, as may be approved from time to time (collectively, the "Optionees") for which up to 1,250,000 common shares are reserved for issuance pursuant to the 1999 Plan. Under the terms of the 1999 Plan, the Optionees are eligible to receive awards in the form of options, stock appreciation rights, grants of restricted securities, performance awards, or other stock-based awards. As at December 31, 1999, there were no stock options outstanding. Stock option activity under the 1999 Plan during the period ended September 30, 2000 is as follows:

	Number of options	Weighted average exercise price
		$
Balance as at December 31, 1999	—	—
Granted at $13.86	517,321	13.86
Granted at $22.88	441,732	22.88
Cancelled	(15,000)	13.86
Outstanding as at September 30, 2000	944,053	18.08

(expressed in United States dollars)

10. CAPITAL STOCK (Continued)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2000:

	Options outstanding			Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
$13.86	502,321	9.3 years		83,720	
$22.88	441,732	9.5 years		31,786	
	944,053	9.4 years	$18.08	115,506	$16.34

As at September 30, 2000, there were 305,947 shares available for future grant under the 1999 Plan. The weighted average exercise price of options outstanding as at September 30, 2000 is $18.08. 183,259 of the options granted become exercisable during the current fiscal year.

All of the stock option awards vest quarterly and on an even basis over a three-year period except for 131,018 of the issued stock option awards which vest on an annual basis over a three-year period. Stock options expire ten years from the date of grant.

In connection with the grant of certain stock options to employees and certain independent contractors during the period ended September 30, 2000, the Company recorded deferred compensation of $5,113,027. The Company has elected to follow APB No. 25 and related interpretations in accounting for stock options issued to employees and directors of the Company. Under APB No. 25, the amount of deferred compensation represents the difference between the option exercise price and the estimated fair value of the common stock multiplied by the number of options awarded. When the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Deferred compensation relating to options issued to independent contractors is calculated in accordance with SFAS No. 123 whereby the fair value of each option granted is estimated on the date of grant using the Black Scholes valuation model. The fair value of each option is then multiplied by the number of options awarded. In determining the fair value of the options, the Company made the following assumptions: a risk-free interest rate of 6.4%, an expected life of 3 years, a dividend yield of zero percent and a 0.5 volatility factor. The aggregate amount of deferred compensation is recorded as deferred compensation in the stockholders' equity section of the Company's consolidated balance sheet and is amortized on a graded vesting method over the vesting periods of the individual stock options. The Company recorded amortization expense of $2,673,784 during the nine-month period ended September 30, 2000 related to these options.

(c) **Pro forma disclosures of the effect of stock-based compensation**

Pro forma information regarding the results of operations and net loss per share is required by SFAS No. 123, which also requires that the information be determined as if the Company has accounted for its employee stock options using the fair value method of SFAS No. 123. Under SFAS No. 123, the fair value of each option granted is estimated on the date of grant using the Black Scholes valuation model. In determining the fair value of the options, the Company made the following assumptions: a risk-free interest rate of 6.4%, an expected life of 3 years, a dividend yield of zero percent and a 0.5 volatility factor.

Had compensation costs for the Company's stock-based compensation plans been determined using the fair value at the grant dates for awards under those plans calculated using the minimum value method of SFAS No. 123, the Company's net loss and basic and diluted net loss per share would have been increased to the pro forma amounts indicated below:

	Nine months ended September 30, 2000
	$
Pro forma net loss	$(22,266,397)
Pro forma basic and diluted net loss per share	$ (1.40)

The weighted average grant date fair value of options granted which is the value assigned to the options under SFAS No. 123, was $8.74 for grants made during the period ended September 30, 2000.

(expressed in United States dollars)

10. CAPITAL STOCK (Continued)

The pro forma impact of options on net loss for the period ended September 30, 2000 is not representative of the effects on net income (loss) for future periods, as future years may include the effects of additional years of stock option grants.

11. RELATED PARTY TRANSACTIONS

As part of the eliance Agreement (*note 5*), the Company entered into an Internet services agreement with eliance under which eliance provides the Company with web center support services. Under the terms of the agreement, the Company reimbursed eliance for the salaries and benefits of eliance's direct personnel along with a percentage of the leasing cost, utilities and other overheads directly related to the provision of web center services. The term of the agreement covered the period from January 1, 2000 to May 31, 2000. During the nine-month period ended September 30, 2000, $3,479,000 was expensed in respect of amounts owing to eliance under the terms of the Internet services agreement.

Amounts due from eliance as at September 30, 2000 were as follows:

	$
Due from eliance — reimbursable legal fees relating to litigation	888,540
Other amounts due from eliance — net	5,294
Intangible assets, net of accumulated amortization	893,834

The Company has incurred legal fees totaling $1,188,540 relating to the eliance litigation (*note 13(b)*), of which $300,000 has been reimbursed by eliance. Such amounts are recoverable from eliance under the eliance Agreement.

Other amounts due from eliance represent $893,996 due from eliance relating primarily to fixed assets not delivered (*note 6*) and operating costs incurred by the Company recoverable from eliance, and $888,702 owing to eliance relating to services performed by eliance under the Internet Services Agreement. The Company has shown this amount on a net basis as the amounts are determinable, it is the intention of management to offset such amounts and management believes there is a legal right of offset.

As at December 31, 1999, the Company had a subscription receivable from the Insight Investors (*note 9*). This amount of $2,563,280 was collected on January 3, 2000.

12. INCOME TAXES

There has been no provision for income taxes during the periods ended December 31, 1999 and September 30, 2000 as the Company has incurred operating losses.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as at September 30, 2000 and December 31, 1999 are as follows:

	September 30, 2000	December 31, 1999
	$	$
Net operating loss carryforwards	7,592,000	785,000
Depreciation and amortization	(152,000)	—
Total deferred tax assets	7,440,000	785,000
Less valuation allowance	(7,440,000)	(785,000)
Net deferred tax assets	—	—

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. Accordingly, the deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $785,000 for the period ended December 31, 1999 and by $6,655,000 for the nine-month period ended September 30, 2000.

At December 31, 1999, the Company has net operating loss carryforwards for federal income tax purposes of approximately $2,308,000 all of which expire in the year 2019.

(expressed in United States dollars)

13. COMMITMENTS AND CONTINGENCIES

(a) **Lease commitments**

Minimum lease payments for premises and equipment by year and in the aggregate, under non-cancellable operating leases, consist of the following for the years ending December 31:

	$
2000	837,000
2001	826,000
2002	827,000
2003	810,000
2004	688,000
Thereafter	358,000
	4,346,000

The Company has entered into a capital lease for furniture and fixtures which includes imputed interest at 10.4%. The capitalized lease obligations represent the present value of future minimum annual lease payments as follows for the years ending December 31:

	$
2000	14,731
2001	58,924
2002	58,924
2003	39,283
	171,862
Less interest	24,147
	147,715
Less current portion of obligation under capital lease	45,711
	102,004

Rental expense for the nine-month period ended September 30, 2000 was $394,000 and $22,000 for the period ended December 31, 1999.

(b) **Contingencies**

On January 22, 2000, three common stockholders of eliance Corporation commenced a lawsuit on behalf of themselves and, purportedly, on behalf of eliance against the Company, Kerry Adler, the Company's Chief Executive Officer and President, Laura Hantho, the Company's Chief Operating Officer, and various other persons and entities. The lawsuit was commenced in the District Court for the Fourth Judicial District of the County of Hennepin, State of Minnesota. In the lawsuit, the plaintiffs challenge on a number of grounds the sale and transfer of certain assets of eliance to the Company in 1999, alleging, among other things, that the transaction was accomplished by the defendants through breaches of fiduciary duty they then owed as officers or directors of eliance. On May 11, 2000, the plaintiffs amended their complaint to assert claims against the Company for breach of contract, unjust enrichment and fraudulent transfer in connection with the eliance transaction. On August 8, 2000 the courts heard the Company's motion to dismiss the lawsuit. A decision on the motion to dismiss is pending.

Many of the parties to the January 22, 2000 lawsuit other than the Company are also parties to litigation previously filed on or about September 27, 1999 in the United States District Court, District of Minnesota. In that lawsuit, it was alleged that the Board of Directors of eliance was improperly constituted and that various actions of that board were not within their authority. While the federal District Court entered a preliminary injunction that precludes the plaintiffs in the federal lawsuit from interfering with eliance's business, the lawsuit remains pending and the Company is seeking to have the lawsuit dismissed for lack of federal jurisdiction.

On February 22, 2000, three current eliance preferred stockholders commenced a lawsuit against David Erickson, Robert Griggs and Dianhai Du (the three eliance common stockholders who are plaintiffs in the lawsuit filed on January 22, 2000) for breach of

13. COMMITMENTS AND CONTINGENCIES (Continued)

contract, fraud and securities fraud. This lawsuit was also commenced in the District Court for the Fourth Judicial District of the County of Hennepin, State of Minnesota. On or after April 6, 2000, Erickson, Griggs and Du filed an answer, counterclaim and third-party complaint. The third-party complaint asserts claims against the Company and others that are identical to, and duplicative of, the claims in the January 22, 2000 complaint. On June 20, 2000, the Chief Judge of the Minnesota District Court for Hennepin County severed the third-party complaint from this lawsuit and consolidated it with the January 22, 2000 lawsuit.

The Company believes that the claims against it, Mr. Adler and Ms. Hantho in these lawsuits are without merit and intends to defend these suits vigorously. Although the Company can give no assurances, based on the available facts, it believes that the outcome of these matters will not have a material adverse effect upon the Company's financial condition.

The Company is also a defendant in another lawsuit arising in the normal course of its business. While it is not possible to determine the ultimate outcome of the claim at this time, management is of the opinion that the resolution of this claim will not have a material adverse effect upon the Company's consolidated financial position or results of operations.

14. CONSOLIDATED STATEMENT OF CASH FLOWS

There was no cash paid for interest or income taxes for the periods ended September 30, 2000 and December 31, 1999.

Excluded from September 30, 2000 Consolidated Statement of Cash Flows are the following non-cash items:

- the investment in Webhelp.fr of $2,403,867 (*note 8*);
- the accrual of deferred offering costs of $753,238;
- the purchase of computer software licenses of $700,000 for which payment is not yet due; and
- the purchase of assets under capital lease of $147,715.

Excluded from the 1999 Consolidated Statement of Cash Flows is the following:

- the issuance of 8,485,714 shares of common stock of the Company in exchange for system architecture and business plan (*note 10(a)*);
- the conversion of the $2,000,000 Advance in conjunction with the issuance of the Series A convertible preferred stock (*note 9*); and
- the issuance of 3,035,714 common shares as part of the consideration for the eliance Agreement (*note 5*).

15. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are stated in United States dollars. Generally accepted accounting policies in the United States differ from those in Canada. The application of accounting principles generally accepted in Canada would not result in a material difference in the measurement of the Company's consolidated balance sheet, consolidated statements of stockholders' equity, operations and comprehensive loss and cash flows as at September 30, 2000 or December 31, 1999 and for the nine months ended September 30, 2000 and for the period from inception, May 27, 1999 to December 31, 1999, except as follows:

(a) Under accounting principles generally accepted in Canada, the issuance of stock options does not create stock based compensation as an increase to capital stock and the related amortization as a direct charge to expenses of the Company.

(b) The repurchase of common stock in 1999 (*note 10(a)*) would be treated as a deduction of $10,000,000 from capital stock and not as a direct charge of $10,000,000 to accumulated deficit.

(c) The Company's redeemable convertible Series A and Series B preferred stock would be a component of stockholders' equity under accounting principles generally accepted in Canada.

If accounting principles generally accepted in Canada were followed, the effect on the consolidated statement of operations and comprehensive loss for the nine-month period ended September 30, 2000 would have been a reduction in the loss by the amortization of deferred stock compensation in the amount of $2,673,784 to a loss of $18,205,496. There was no effect on the net loss and

(expressed in United States dollars)

15. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA (Continued)

comprehensive loss for the period from inception May 27, 1999 to December 31, 1999. Consolidated balance sheet items which would vary under accounting principles generally accepted in Canada are as follows:

	September 30, 2000	December 31, 1999
	$	$
Additional paid-in capital	32,043,187	32,043,187
Deferred stock compensation	—	—
Accumulated deficit	(23,111,483)	(4,905,987)

16. SUBSEQUENT EVENTS

On October 19, 2000, the Company approved a 1 for 2.8 reverse stock split for its common stock.

On October 19, 2000, the stockholders also amended the exercise price of the Company's outstanding stock options to reflect current market conditions.

On October 19, 2000, the stockholders approved, subject to the completion of the issuance of 611,888 shares of Series B redeemable convertible preferred stock, amendments to the terms of the Series A and Series B redeemable convertible preferred stock. Terms of the Series A and Series B redeemable convertible preferred stock were amended such that they will automatically convert into common stock in the event of an initial public offering in Canada with gross proceeds (net of underwriting discounts and commission) of at least $25,000,000. The rate at which the Series A redeemable convertible preferred stock is convertible into common stock was also changed from 0.357 share of common stock per share of preferred stock to 0.393 share of common stock per share of preferred stock. Terms of the Series B redeemable convertible preferred stock were also amended as follows: the liquidation preference over the holders of the common stock was reduced from $19.73 per preferred share to $8.17 per preferred share, such liquidation preference per share being increased 5% per annum from December 31, 2000, certain consent privileges held by the Series B redeemable convertible preferred stockholders were eliminated, the rate at which the Series B redeemable convertible preferred stock is convertible into common stock was changed from 0.357 share of common stock per share of preferred to 1.241 share of common stock per share of preferred stock.

On October 24, 2000, CIBC purchased an additional 611,888 shares of Series B redeemable convertible preferred stock at a price of $8.17 per share for a total cash consideration of $5,000,000.

On October 24, 2000, concurrently with the issuance of the additional 611,888 shares of Series B redeemable convertible preferred stock to CIBC, the Company issued a warrant to CIBC to purchase shares of common stock. The warrant will entitle CIBC to purchase additional common stock at a price equal to the initial public offering price for a period of five years after completion of the offering. CIBC will be entitled to purchase additional shares of common stock only to the extent that the Company is valued below $155 million, before giving effect to the offering.

On ● , 2000, the Company filed a prospectus to qualify for distribution of the shares of common stock of the Company and exchangeable shares of Webhelp Canada Inc. (collectively, the "Offered Securities") at a purchase price per share of $ ● for aggregate gross proceeds of $ ● . The Webhelp Canada Inc. exchangeable shares are exchangeable, at any time without further payment, for one common share of the Company. The Company has granted the underwriters an over-allotment option to purchase ● Offered Securities during the period expiring 30 days from the date of closing and compensation options exercisable to purchase ● Offered Securities during the period of 24 months from the date of closing.

CERTIFICATE OF WEBHELP INC.

Date: October 24, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, *1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Section 63 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Fraud Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act, 1990* (Newfoundland) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) KERRY E. ADLER
President and Chief Executive Officer

(Signed) TOM CRONIN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DEVEN PAREKH
Director

(Signed) JEFF HORING
Director

CERTIFICATE OF WEBHELP CANADA INC.

Date: October 24, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, *1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Section 63 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Fraud Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act, 1990* (Newfoundland) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) KERRY E. ADLER
President and Chief Executive Officer

(Signed) TOM CRONIN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DEVEN PAREKH
Director

(Signed) BARRY REITER
Director

CERTIFICATE OF THE UNDERWRITERS

Date: October 24, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, *1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Section 64 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Fraud Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act, 1990* (Newfoundland) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

By: (Signed) JIM MELOCHE

RBC DOMINION SECURITIES INC.

By: (Signed) JOHN EASSON

YORKTON SECURITIES INC.

By: (Signed) ALKARIM JIVRAJ

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than five per cent in the capital of:

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank.

RBC DOMINION SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

YORKTON SECURITIES INC.: G. Scott Paterson and Yorkton Holdings Limited.

Selected Clients include

MSN	**AOL**
Microsoft	**CompuServe**
beenz.com	**GE**
Norelco	**AVEO**
AuctionWorks	**AsianAvenue.com**
BlackPlanet.com	**Peterson's**
LessonLink	**Money.net**

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