WEBHIRE INC
Form 10-K
January 12, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: SEPTEMBER 30, 2000

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______ TO ______

COMMISSION FILE NUMBER: 0-20735

WEBHIRE, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	04-2935271
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
91 HARTWELL AVENUE LEXINGTON, MA	02421
(Address of principal executive offices)	(zip code)

(781) 869-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of the common stock on January 9, 2001, as reported on The Nasdaq National Market was approximately $9,188,000. Shares of common stock held by each executive officer and director and by each person who owned 5% or more of the outstanding common stock as of such date have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding on January 9, 2001 was 22,527,034.

Part III incorporates by reference information from the definitive Proxy Statement for the 2000 Annual Meeting of Stockholders to be filed by the Company with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

WEBHIRE, INC.
FORM 10-K
TABLE OF CONTENTS

1

PART I

STATEMENTS MADE OR INCORPORATED IN THIS FORM 10-K INCLUDE A NUMBER OF FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "ANTICIPATES", "BELIEVES", "EXPECTS", "INTENDS", "FUTURE", AND WORDS OF SIMILAR IMPORT WHICH EXPRESS MANAGEMENT'S BELIEFS, EXPECTATIONS OR INTENTIONS REGARDING THE COMPANY'S FUTURE PERFORMANCE. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. CERTAIN FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE ARE DISCUSSED IN THE SECTION ENTITLED "FACTORS AFFECTING FUTURE OPERATING RESULTS" WHICH BEGINS ON PAGE 20 OF THIS FORM 10-K.

ITEM 1. BUSINESS

OVERVIEW

Webhire, Inc. ("Webhire" or the "Company") designs, develops, markets, implements and supports Internet- and Intranet-based recruiting solutions to automate candidate sourcing, Internet job posting, and recruitment management at corporations, organizations, Internet portals, and online career sites. The Company's solutions enable organizations to strategically manage their recruiting and staffing activities online and streamline their Internet recruiting process. The Company markets these services to corporations that are experiencing rapid growth, a shortage of skilled labor and an urgent need to complete staffing initiatives.

In July 2000, the Company entered into a new alliance with Yahoo!, Inc. (see Note 4 of Notes to Consolidated Financial Statements). Through this alliance, the Company develops, markets, and supports Yahoo! Careers Resume Database, which is a subscription-based online service that corporate recruiters and hiring managers use to search the resumes contained in the Yahoo! Careers Resume Database. The Company's solutions are the exclusive means for corporations to gain access to the online candidates within the Yahoo! Careers Resume Database. The Company shares revenues from this subscription service with Yahoo!.

The Company delivers the following products and services: WEBHIRE RECRUITER, a complete end-to-end Internet recruiting solution; WEBHIRE ENTERPRISE, a complete, integrated recruiting suite designed to meet the needs of large organizations; WEBHIRE AGENT, an automated search agent that finds resumes and candidates on the web; WEBHIRE JOB SITE HOSTING, which lists a company's own job listings as part of its corporate web site; and WEBHIRE JOB POST, an automated solution for posting corporate jobs to more than 2000 job boards and career sites.

The Company delivers its Internet solutions to customers using a web services model, selling the services on a subscription basis, for direct access by subscribers over the Internet via a standard web browser. The Company's solution for large organizations, WEBHIRE ENTERPRISE, is sold through both the application service provider (ASP) model and also as traditionally licensed software.

The Company's principal offerings are online recruiting services. These services are implemented using standard Internet industry protocols, such as TCP/IP, HTTP and XML. Our service-based approach provides our customers with a robust set of product features and a high performance end user experience without requiring them to install any software. Our service infrastructure is based on leading edge technologies from a number of vendors, including Microsoft, Oracle and Sun. The infrastructure is designed for high performance, scalability and high availability.

The Company was incorporated in 1982 as a Massachusetts corporation and was reincorporated as a Delaware corporation in 1994. As of June 1, 1999 the Company effected a name change to Webhire, Inc. Restrac Securities Corporation, a wholly-owned subsidiary of Webhire, Inc., was incorporated in September 1996 as a Massachusetts securities corporation for the purpose of holding and managing certain of the Company's cash and investments.

In July 1999, the Company purchased Hireworks, Inc, a developer of innovative resume searching technology that automatically searches the entire Internet for resumes, matching them against customer specified criteria (see Note 6 of the Notes to Consolidated Financial Statements). This technology has been enhanced and is today marketed as the WEBHIRE AGENT service.

In December 1999, the Company acquired the technology assets of HR Sites International, a developer of an Internet job posting platform that provided automated connections to online job boards and career sites (see Note 6 of the Notes to Consolidated Financial Statements). This technology has been enhanced and is today integrated with both WEBHIRE RECRUITER and WEBHIRE JOB POST.

INDUSTRY BACKGROUND

Recruiting has emerged as one of the most strategic and competitive initiatives for corporations. Hiring and retaining outstanding employees is critical to corporate success. U.S. employment, as reported by the U.S. Department of Labor, has reached historically high levels. In general, there is an unprecedented shortage of candidates available to fill an increasing number of jobs. In fact, today there is a "job gap"--according to some industry analysts there are over 2 million jobs that remain open because there are no qualified candidates in the labor market to fill them. This is not a temporary phenomenon. U.S. Census data indicate that the population of 30 - 45 year olds, the primary labor pool for middle managers across U.S. corporations, peaked in 1997 and is actually declining in real terms. Today's candidate shortage represents the norm for the future labor market.

Traditional recruiting methods, such as print advertisements and professional recruiters (or "headhunters"), lose their effectiveness in a market where there is a shortage of candidates. During the past three years, the Internet has evolved into a sophisticated and ubiquitous communications infrastructure. The Internet has emerged as the critical medium for recruiting because it brings candidates and employers together in a directly connected marketplace. On the Internet, an employer has access to literally millions of resumes, can post job openings on thousands of online job boards, and can communicate with candidates in seconds.

Internet recruiting has become a central staffing strategy for today's corporation. How effectively a company utilizes the Internet for recruiting is rapidly becoming a synonym for how effectively a company recruits.

WEBHIRE INTERNET RECRUITING SOLUTIONS

The Company's Internet recruiting services enable organizations to recruit more efficiently in today's tight labor market. The Company's services enable corporations to reduce the time and effort required to source candidates on the Internet, provide tools that help corporate recruiters and hiring managers identify the best possible talent for open positions and enable the management of the entire staffing process online. Because the Company's primary solutions are provided to employers over the Internet, start-up times and extensive IT infrastructure requirements are eliminated.

DIRECT INTERNET SOURCING. The Company provides several services that enable corporate recruiters to directly source candidates from the Internet. The Company, as a result of its business ventures with Yahoo!, Inc. and other partners, manages and maintains large pools of candidate resumes on the Internet. As of December 2000, there are approximately 600,000 resumes accessible for targeted searching through the Company's proprietary recruiting solutions. The Company, as a result of its

acquisition of HireWorks, Inc., also offers an automated intelligent search agent that conducts resume searching and ranking across the entire Internet. It is estimated that approximately 6 million resumes are accessible through the Company's agent technology.

INTEGRATED INTERNET JOB POSTING. There are now hundreds of career sites and thousands of use.net discussion groups on the web, each with its own specific job posting format and protocol. A successful corporate recruiting strategy includes job posting to use multiple destinations that reach national, regional and special interest audiences. The Company provides integrated job posting solutions that enable jobs to be posted to multiple job boards in one simple operation. Currently there are over 2000 job boards available for customers to utilize.

RESUME PROCESSING. The creation of a private online electronic database of resumes is central to the Company's candidate management solutions. The Company processes paper resumes and faxed resumes using the latest optical character recognition technologies and processes resumes sent via email or directly over the web with its own proprietary resume processing software. The Company processed approximately 2.5 million resumes during 2000. The processed resumes are stored online in secure databases that are accessible only to customers. The resulting electronic resume pool is a knowledge asset that can be shared throughout an organization. Manual input is virtually eliminated, allowing organizations to collect and store skills and experience data on hundreds of thousands of candidates. The Company's services provide a shared, re-useable pool of candidates, limiting the need for organizations to use employment agencies and advertising to source candidates.

SOPHISTICATED SKILLS MANAGEMENT AND SELECTION. The Company's software uses a sophisticated search process to rapidly identify and rank qualified candidates based on skills criteria determined by the user. User searches are enhanced by the Company's integrated skills library, which translates high-level job requirements into the words and synonyms commonly used by candidates on resumes.

CANDIDATE MANAGEMENT PROCESS. The Company's solutions incorporate a user-friendly, process-oriented graphical user interface (GUI) designed to simplify the administration of the candidate management process including job requisition creation and editing, candidate tracking, and integrated reporting on the hiring process and sourcing effectiveness. These capabilities reduce delays typical to the staffing process and eliminate redundancies.

By providing an easily-accessible, shared, re-useable pool of candidates, the Company's software allows organizations to significantly reduce recruitment advertising costs and employment agency fees. In addition, the Company's software is designed to increase recruiter productivity through the elimination of manual entry of resume information and by increasing the efficiency of the hiring process.

STRATEGY

The Company believes that it is currently the market leader in the Internet recruiting marketplace and the Company's objective is to extend this market leader position to become the standard solution for corporate Internet recruiting. The Company has developed a pyramid of subscription-based Internet recruiting services that offer many different entry points into the Company's solution set. As customers' Internet recruiting needs mature and grow, the Company provides additional service offerings that extend the features and capabilities of its solutions. Taken individually, the Company's services meet the needs of virtually the entire corporate recruiting marketplace. Today, the Company's solutions are used by companies with less than 100 employees, are being adopted regularly by companies in the broad middle market, and continue to be the recruiting standard at hundreds of Fortune 1000 companies. The Company estimates that there are approximately 250,000 corporations in its target audience.

The Company's solutions range in price from less than one thousand dollars per month for entry-level Internet sourcing tools, to tens of thousands of dollars a month for complete enterprise recruiting

solutions. At the top of the Company's solution pyramid, a customer has an option to purchase and install the Company's solution as a traditionally licensed software application. The Company believes that the solution pyramid approach will yield larger subscription contracts through the placements of additional services at existing accounts.

PRODUCTS

The Company has developed a wide-ranging suite of service offerings that span many aspects of Internet recruiting. The offerings that are sold primarily to small and mid-sized corporations include WEBHIRE RECRUITER (introduced in November 1997, upgraded in 1998, 1999 and in December 2000), YAHOO! RESUMES (introduced in December 1999), WEBHIRE AGENT (introduced in November 1999), WEBHIRE JOB POST (introduced in November 1998) and WEBHIRE JOB SITE HOSTING (introduced in April 2000). The Company also delivers WEBHIRE ENTERPRISE, released in June 1998 as a comprehensive recruiting automation suite designed specifically to meet the needs of large organizations.

WEBHIRE RECRUITER, is a complete, end-to-end solution for Internet recruiting automation. Corporate recruiters use Webhire Recruiter to manage requisitions online, post jobs, search for candidates at Yahoo! Careers and within other Webhire-managed online candidate pools, track hiring status and report on staffing activities. The service offering includes complete resume processing and management, enabling corporations to save money and resources by moving their entire recruiting process online. Webhire Recruiter is available in Canada with access to the Workopolis resume database.

YAHOO! RESUMES, powered by Webhire, provides customers with direct access to the candidate resumes at Yahoo! Careers. Using the service's sophisticated searching screens; customers can create skills based searches that are targeted geographically, by job function or by industry. The resulting ranked list of the best fitting resumes for a job puts talent in front of a recruiter or hiring manager in seconds, without the need for advertising campaigns and external recruiters.

WEBHIRE AGENT is an intelligent search agent that mines the entire Internet for resumes, evaluating and scoring found resumes against customer-defined skills requirements for a job opening. Webhire Agent returns a relevance ranked list of the best qualified resumes it discovered on the Internet. Optionally, Webhire Agent can initiate an e-mail correspondence with candidates who meet or exceed a user-specific scoring threshold.

WEBHIRE JOB POST is an automated job publishing service that customers use to publish open jobs to career sites across the Internet. A customer subscribing to Webhire Job Post can publish each of their open jobs to one or more destinations by selecting from more than 2000 job boards.

WEBHIRE JOB SITE HOSTING is a hosting service designed so customers can post jobs and administer the careers section of their corporate web site. Candidates coming to the career section of a corporate web site can search open jobs by keyword, location, department/division and/or job title or browse the lists of open jobs by location, department or other categories. Customers create, edit, update and remove jobs from their careers section from within Webhire Recruiter. Webhire Job Site Hosting also features an online Employee Referral Program as well as options to list internal-only job listings on a corporate intranet.

WEBHIRE ENTERPRISE is a complete, integrated recruiting automation suite designed specifically for large organizations. The technology can be delivered to customers as an ASP service or as traditionally licensed software. Webhire Enterprise incorporates requisition management, resume processing, candidate ranking, staffing workflow automation, and customizable reporting features. Through the service's Manager's Workbench option, customers can connect hiring managers across their organization enabling hiring managers to directly initiate job requisitions, review resumes online, manage team interviews and initiate a job offer. New hire information contained in the Webhire Enterprise database is easily integrated with Peoplesoft and SAP Human Resource Information Solutions.

CUSTOMER SERVICES

The Company believes that superior customer service and support are critical to customer satisfaction. As of September 30, 2000, the Company's customer service organization included 69 employees, providing Professional Services, Technical Support and Outsourced Services.

PROFESSIONAL SERVICES. The Professional Services Group manages system implementation, provides additional services such as process design and system tailoring and provides basic and advanced training both on-line, on-site during system implementation and at the Company's Corporate Training Centers throughout the year.

TECHNICAL SUPPORT. The Technical Support Group provides daily assistance to customers with maintenance agreements through the Company's support help line. The Company provides support Monday through Friday from 8:30 a.m.-8:00 p.m. Eastern Time.

OUTSOURCED SERVICES. Outsourced Services were introduced by the Company in July 1996 and consist of scanning services, provided principally through third-party arrangements, and correspondence generation.

TECHNOLOGY

WEBHIRE RECRUITER

Webhire Recruiter, the Company's Internet-based service offering, is based on open, extensible Internet development tools. It makes wide use of standard technologies. This adherence to standard technologies ensures that Webhire Recruiter can be scaled as demand for the service increases. Client access to the Webhire system is provided through either Microsoft or Netscape web browsers.

WEBHIRE ENTERPRISE

Webhire Enterprise is a Microsoft Windows-based application which operates over a standard TCP/IP intranet connection. The application server component of the product utilizes Microsoft Windows NT Server and Microsoft Internet Information Server. Client access is provided via both a Windows application and a browser interface which is compatible with Microsoft Windows 95/98 or Microsoft Windows NT. This architecture combines the functionality of a traditional client/server application with the easy deployability of an intranet application.

PRODUCT DEVELOPMENT

The Company believes that its future success will depend upon its ability to enhance its existing software and develop and introduce new products and functions that keep pace with rapid changes in the marketplace. The Company has increased its investments in its engineering and quality groups to broaden its product and service offerings, enhance product functionality, improve performance and expand the ability of its software to interoperate with third-party software. Research and development expenses totaled (in thousands) $12,191, $7,798 and $5,588 for fiscal years 2000, 1999, and 1998, respectively. While the Company expects that certain of its new products and functions will be developed internally, the Company may, based on timing and cost considerations, expand its product offerings through acquisitions or strategic relationships. Software products as complex as those currently under development by the Company are subject to frequent delays and there can be no assurance that the Company will not encounter difficulties that could delay or prevent the successful and timely development, introduction and marketing of these potential new products.

6

SALES AND MARKETING

The Company markets its Internet-based services through telesales representatives and sales personnel located in Lexington, Massachusetts, Foster City, California, Chicago, Illinois, Dallas, Texas and Los Angeles, California. The average sales cycle for this service, typically 3 months, is substantially shorter than that experienced for the Company's enterprise products.

The Company markets its enterprise products and services through a direct sales force in North America. The Company supports its sales force through comprehensive marketing programs which include public relations, direct mail, advertising, seminars, trade shows, ongoing customer communication programs and strategic relationships. While the sales cycle varies from customer to customer, it typically spans from four to nine months from generation of a lead from one of these sources to execution of a license agreement. The Company's direct sales force is structured regionally and is managed through sales and service offices in Lexington, Massachusetts, and Foster City, California, and through sales personnel located in Baltimore, Maryland, Chicago, Illinois, Dallas, Texas and Pleasant Prairie, Wisconsin.

CUSTOMERS

The following is a partial listing of the Company's customers as of

September 30, 2000:

BANKING/FINANCIAL SERVICES	HEALTHCARE/PHARMACEUTICALS	CONSUMER
American Express	Abbott Laboratories	Levi Strauss
Bank of America	Bio-Rad Laboratories	Liz Claiborne, Inc.
Hibernia National Bank	Boston Scientific	Nabisco
M&T Bank	Johnson & Johnson	Starbucks
National City Corporation	Memorial Sloan Kettering	
Wachovia Corporation	Pfizer Pharmaceuticals	
PUBLISHING/ENTERTAINMENT	INSURANCE	E-COMMERCE
Blockbuster Entertainment	John Hancock	Akamai Technologies
Gannett	New York Life Benefit Services, Inc	CMGI
		iCopyright.com
ENGINEERING/CONSULTING	TECHNOLOGY/COMMUNICATIONS	Morningstar, Inc.
CH2M Hill	The Boeing Company	Oasis Technology
	EMC	One to One Interact
	Genetech	Open Market, Inc.
	Lockheed	Open Text Corporati
	Microsoft	PC Connection

STRATEGIC RELATIONSHIPS

The Company has established a number of relationships both to leverage marketing channels and complementary technologies and to meet customer demands for open, integrated, multi-vendor solutions. Strategic partners are categorized into four groups: Technology Partners, who provide the Company with innovative technologies that are integrated into the Company's products; Applications Partners, who provide the Company's customers with value-added software, consulting or other services that are complementary to the Company's software and services and that enable the Company's customers to better utilize the Company's software; Service and Implementation Partners, who extend the Company's support, implementation and service offerings by delivering the specialized services our customers need; and Internet/Information Partners, who provide the Company's customers with the

ability to access and distribute crucial staffing information, including job postings, candidate information, and resumes, often via the Internet. Examples of the Company's strategic partners include:

YAHOO!, INC.

In July 2000, the Company extended its alliance with Yahoo!, Inc. Through this alliance, the Company develops, markets, and supports the Yahoo! Careers Resume Database a subscription-based online service that corporate recruiters and hiring managers use to search the resumes contained in the Yahoo! Careers Resume Database. The Company's solutions are the exclusive means for corporations to gain access to the online candidates within the Yahoo! Careers Resume Database. The Company shares revenues from this service with Yahoo!.

VERITY, INC.

The Company's software incorporates the text search software tools developed by Verity, Inc., a technology partner, which allow Webhire clients to search through vast amounts of candidate and job data, delivering only the most relevant information directly to the desktop.

SAZTEC INTERNATIONAL.

SAZTEC International, a leading provider of information management services, is a certified Webhire scanning partner. SAZTEC provides the Company with a variety of resume processing services, including resume scanning, clean-up and verification, contact information extraction, and acknowledgement card shipping. SAZTEC processes hard copy, fax and e-mailed resumes.

INTERNET JOB POSTING PARTNERS

The Company's Internet job posting services provide customers with access to over 2,000 online job posting destinations. These destinations include major national career sites, regional career sites, and special interest or affinity sites. The following is a representative list of the Company's job posting partners:

Yahoo! Careers	BlackVoices.com
Monster.com	workopolis.com
America's Job Bank	Careermag.com
Excite@Home Careers Network	HeadHunter.net

COMPETITION

The marketplace for staffing solutions is intensely competitive and is rapidly changing. Traditional Client/Server providers have been eclipsed by providers of Internet recruiting services. The growth in the marketplace is coming from smaller and mid-sized corporations who are demanding online solutions that leverage the new online marketplace for candidates.

Across the many market segments where the Company provides recruiting solutions, the Company has distinct competitors. No single company competes with the Company across all of its markets.

The Company's chief direct competitors in the Internet recruiting business services marketplace are BrassRing Systems and ISearch, both privately-held developers of online staffing automation solutions. The Company also competes against other recruiting automation services providers and job posting services.

The Company believes that the principal competitive factors affecting its market include product functionality, breadth, ease of use, scaleability and flexibility, integration and interoperability with standard platforms and operating systems and other software products, price, product reputation,

customer service and support, sales and marketing effectiveness and company reputation. Although the Company believes it competes favorably with respect to such factors, there can be no assurance that the Company can maintain this position against current and potential competitors.

INTELLECTUAL PROPERTY

The Company relies on a combination of copyright and trade secret laws, employee and third-party non-disclosure agreements and other methods to protect its proprietary rights. The Company believes that, due to the rapid pace of technological innovation within its industry, the Company's ability to establish and maintain a position of technology leadership in the industry is dependent more upon the skills of its development personnel and its existing skills library than upon the legal protections afforded its existing technology.

The Company's success is dependent in part upon its proprietary software. There can be no assurance that the Company's agreements with employees, consultants and others who participate in the development of its software will not be breached, that the Company will have adequate remedies for any breach, or that the Company's trade secrets will not otherwise become known. Furthermore, there can be no assurance that the measures taken by the Company to protect its proprietary rights will be adequate to prevent misappropriation of its technology or independent development by others of similar technology.

The Company is not aware of any patent infringement charge or any violation of other proprietary rights claimed by any third party relating to the Company or the Company's products. However, the computer technology market is characterized by frequent and substantial intellectual property litigation. Intellectual property litigation is complex and expensive, and the outcome of such litigation is difficult to predict.

The Company relies on certain technology which it licenses from third parties. The Company's success will depend in part on its continued ability to obtain and use licensed technology that is important to the functionality of its products. An inability to continue to procure or use such technology would likely have a material adverse effect on the Company's business, financial condition and operating results.

EMPLOYEES

As of September 30, 2000, the Company had 238 full time employees consisting of 72 in sales and marketing, 54 in product development, 69 in client services and 43 in corporate operations. The Company's employees are not represented by any collective bargaining organizations, and the Company has never experienced any work stoppages. The Company considers its relations with its employees to be good.

9

EXECUTIVE OFFICERS AND DIRECTORS

NAME	AGE	POSITION
Lars D. Perkins	41	Chairman of the Board
Martin J. Fahey	46	President, Chief Executive Officer and Director
Stephen D. Allison	55	Chief Financial Officer, Vice President of Finance, and Treasurer
Timothy J. McManus	47	Chief Marketing Officer
Robert J. Lederman, Jr.	43	Vice President, Sales
Thomas F. Brady	48	Vice President of Services and Operations
Edward F. Murray	45	Chief Technology Officer
Elise J. Sargent	47	Vice President, Engineering
Ronald M. Visocchi	51	Vice President, General Manager of Enterprise Division
Robert J. Perry	43	Vice President of Marketing
Russell J. Campanello	44	Director
J. Paul Costello	61	Director
Charles R. Lax	41	Director
Peter L. Dunn	55	Director

LARS D. PERKINS, co-founder of the Company, has served as Chairman of the Board of the Company since 1986. Mr. Perkins served as President of the Company from 1986 to 1997 and as Chief Executive Officer from 1986 to 1999.

MARTIN J. FAHEY, was named Chief Executive Officer in July 1999. Mr. Fahey was elected President of the Company and as a member of the Board of Directors in July 1997. Mr. Fahey joined the Company as Vice President and Chief Operating Officer in May 1996. From January 1995 to May 1996, Mr. Fahey was an independent consultant for a variety of software companies. From July 1991 to December 1994, he was Chief Executive Officer of Vertigo Development, a multimedia company which Mr. Fahey co-founded. Mr. Fahey was employed by Lotus Development Corporation, a software company, from January 1983 to June 1991, most recently as the Director of Spreadsheet Marketing.

STEPHEN D. ALLISON joined the Company as Chief Financial Officer, Vice President of Finance and Treasurer in February 2000. From May 1997 to January 2000, Mr. Allison was Chief Financial Officer for PRI Automation, the leading global supplier of advanced factory automation systems and software for semiconductor and OEM process tool manufacturers. Prior to joining PRI Automation, Mr. Allison was employed at Helix Technology Corporation, the leading manufacturer of cryogenic vacuum systems serving the global electronics marketplace, as Vice President and Chief Financial Officer from April 1995 to April 1997.

TIMOTHY J. MCMANUS was named Chief Marketing Officer in July 2000. From November 1998 to June 2000 Mr. McManus served as Vice President of Strategic Alliances. Mr. McManus joined the Company as Vice President of Internet Products in November 1997. From January 1997 to October 1997, Mr. McManus was the founder of Calendarcast, Inc., a development stage company evaluating applications of Internet-based push technologies. From March 1996 to January 1997, Mr. McManus was Vice President of Product Management and Development at Corechange LLC, a spin-off of Cambridge Technology Partners, Inc. From October 1987 to March 1996, Mr. McManus was employed at Lotus Development Corporation where he managed a number of key product and business development functions within both the Communications Products Division and the Desktop Products Organization.

ROBERT J. LEDERMAN, JR. was named Vice President of Sales in July 2000. From June 1999 to June 2000, Mr. Lederman served as Vice President of Internet Sales. Mr. Lederman joined the

Company as Vice President of Human Resources in January 1997. From June 1994 to January 1997, Mr. Lederman was employed by Fidelity Investments as the Director of Human Resources. From June 1992 to June 1994, Mr. Lederman was Director of Employment and Employee Relations for Clean Harbors Environmental Services Company.

THOMAS F. BRADY was named Vice President of Services and Operations in November 1998. Mr. Brady joined the Company as Vice President of Client Services in October 1997. From May 1995 to October 1997, he served as Vice President of Services of Kronos, Inc., a leading provider of labor management software. Prior to joining Kronos, Inc., Mr. Brady was employed at Digital Corporation from 1977 to 1995 in various operations and business development management positions.

EDWARD F. MURRAY was named Chief Technology Officer in May 2000. Mr. Murray joined the Company as Vice President of Development for Electronic Commerce in November 1998. From September 1996 to November 1998, Mr. Murray was Vice President and Chief Technologist of the Product Development division of The Instream Corporation. From October 1989 to October 1995, Mr. Murray was employed by Lotus Development Corporation where he was responsible for the development of several product lines including Lotus Works and Lotus Forms.

ELISE J. SARGENT joined the Company as Vice President, Engineering in January 2000. From February 1997 to December 1999, Ms. Sargent was employed by Infinium Software, most recently as Vice President of NT Development for the Infinium suite of business applications. Ms. Sargent had previously served as Infinium's Director of Development for HR applications. From December 1995 to January 1997, Ms. Sargent was employed by Intersolv, Inc. as Director, Analysis and Design Development.

RONALD M. VISOCCHI was elected Vice President, General Manager of the Enterprise Division in April 1999. Mr. Visocchi joined the Company in February 1998 as Director of Sales. From March 1995 to January 1998, Mr. Visocchi was President of the Holos Corporation, a start-up company. From June 1985 to March 1992, Mr. Visocchi was Vice President, General Manager of an Atex Publishing Systems Business Unit of Eastman Kodak. Mr. Visocchi began his career with 13 years in marketing and sales management at Xerox Corporation. Mr. Visocchi resigned from his position effective September 30, 2000.

ROBERT J. PERRY assumed operational responsibility for the marketing organization in November 1996 and was elected to the office of Vice President, Marketing effective as of January 1, 1997. Mr. Perry joined the Company in May 1996 as Director of Product Management. From November 1995 through May 1996, Mr. Perry was an independent marketing and product management consultant. From October 1983 to November 1995, Mr. Perry was employed by Lotus Development Corporation and served most recently as Director of Advanced Corporate Technology Liaisons. He had previously served as Director of Product Management for Notes, Director of Product Management for Graphical Spreadsheets and Group Product Manager for Spreadsheets. Mr. Perry resigned from his position effective September 30, 2000.

RUSSELL J. CAMPANELLO was elected as a director of the Company in October 1994. Since July 2000, Mr. Campanello has served as Chief People Officer at NerveWire, a business-to-business Internet professional services firm. From February 1998 to June 2000, Mr. Campanello served as Senior Vice President, Human Resources at Genzyme Corporation. From March 1996 to February 1998, Mr. Campanello was Vice President of Nets Incorporated, an Internet-based marketing company. From June 1987 to February 1996, Mr. Campanello served as Vice President of Human Resources of Lotus Development Corporation.

J. PAUL COSTELLO was a co-founder of the Company and a member of the Board of Directors of the Company since its founding in 1982. Mr. Costello has served as President of J. Paul Costello Associates, Inc., a consulting company, since 1969 and President of Costello & Company, Inc., a

contract recruiting company, since 1979. In December 1992, he also was named President of Corporate Staffing Center, Inc., a provider of outsourced staffing services to large corporate clients. Mr. Costello has been a human resource management consultant for over thirty years.

CHARLES R. LAX was elected as a director of the Company in September 1999. Mr. Lax is a general partner of SOFTBANK Capital Partners, a firm he co-founded in July 1999. Mr. Lax is also managing director of SOFTBANK Venture Capital, which he co-founded in November 1997. Since 1996, Mr. Lax has been a Vice President of SOFTBANK Holdings Inc. Mr. Lax is also a Director of SOFTBANK Investment America Corporation. Mr. Lax co-founded GrandBanks Capital, a venture capital partnership, sponsored by SOFTBANK Venture Capital in November 2000. He is its Managing General Partner and its Chief Investment Officer. Prior to joining SOFTBANK, Mr. Lax was previously a venture partner at VIMAC Partners

LLC, a venture capital firm specializing in investments in the information technology and Internet-related industries from June 1993 to July 1996. Mr. Lax also serves on the public boards of 1-800-Flowers.com, Inc. (FLWS), Art Technology Group (ARTG), an infrastructure software company; Global Sports Interactive (GSPT), a sports equipment company and Interliant, Inc. (INIT), an Internet hosting service company. Mr. Lax also serves on the board of a number of private companies, including Clearcross, Inc., Third Age Media, Inc., LIMITrader Securities, Inc. and Reciprocal, Inc. Mr. Lax is a MAGNA CUM LAUDE GRADUATE of Boston University where he earned a Bachelor of Science.

PETER L. DUNN was elected as a director of the Company in August 2000. Mr. Dunn is Vice Chair and a member of the Office of the Chief Executive of Korn/Ferry International. Mr. Dunn is also Chairman of Futurestep, a subsidiary of Korn/Ferry International. Mr. Dunn has been a Director of Korn/Ferry International since 1992 and serves as its General Counsel and Corporate Secretary.

ITEM 2. PROPERTIES

The Company's corporate headquarters are located in Lexington, Massachusetts, where it occupies approximately 43,000 square feet of office space under a lease expiring in December 2003. In addition, the Company has a regional sales and service office in Foster City, California under a lease expiring in January 2002. The Company also leases office space in Chicago, Illinois.

ITEM 3. LEGAL PROCEEDINGS

The Company is not involved in any pending legal proceedings other than those arising in the ordinary course of the Company's business. Management believes that the resolution of these matters will not materially affect the Company's business or the financial condition of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

MARKET PRICE OF COMMON STOCK

The Company's common stock (Nasdaq symbol: HIRE) began trading publicly in the over-the-counter market through the NASDAQ National Market System on July 23, 1996. The following table sets forth, for the period indicated, the high and low closing prices of the common stock as reported on The Nasdaq National Market. These prices do not include retail markups, markdowns, or commissions.

COMMON STOCK PRICE

PERIOD	HIGH	LOW
October 1, 1998--December 31, 1998..........................	$ 7.69	$2.25
January 1, 1999--March 31, 1999.............................	$ 6.00	$4.25

April 1, 1999--June 30, 1999	$ 5.63	$4.13
July 1, 1999--September 30, 1999	$14.13	$4.75
October 1, 1999--December 31, 1999	$17.75	$8.00
January 1, 2000--March 31, 2000	$16.88	$8.63
April 1, 2000--June 30, 2000	$15.50	$2.03
July 1, 2000--September 30, 2000	$ 5.38	$2.13

The closing sale price of the Common Stock on September 30, 2000 was $3.50. On January 9, 2001 the closing price reported on the NASDAQ National Market System for the Common Stock was $1.00.

The market price of the Company's Common Stock has fluctuated significantly and is subject to significant fluctuations in the future.

HOLDERS OF COMMON STOCK

As of January 9, 2001, there were approximately 67 shareholders of record of the Company's Common Stock and 22,527,034 shares of common stock outstanding.

DIVIDEND POLICY

The Company has never paid any cash dividends on the Common Stock and does not anticipate paying dividends in the foreseeable future. The Company intends to retain any future earnings for use in the Company's business. The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

RECENT SALES OF UNREGISTERED SECURITIES

On August 10, 2000, the Company completed the sale of an aggregate of 6,808,512 shares of common stock, at a price per share of $2.35, to Korn/Ferry International, SOFTBANK Capital Partners LP, GMN Investors II, L.P., Aventine International Fund and Bricoleur Partners II, L.P., for an aggregate purchase price of approximately $16 million. The Company sold the shares of common stock to these five accredited investors under the exemption from registration provided by Rule 506 promulgated under the Securities Act of 1933. The proceeds from the sale of these shares of common stock are being used for general working capital purposes.

13

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data set forth below with respect to the Company's statements of operations for the three fiscal years ended September 30, 2000, 1999, and 1998 and the balance sheets at September 30, 2000 and 1999 are derived from the consolidated financial statements of the Company included elsewhere in this Form 10-K. The selected financial data set forth below with respect to the years ended September 30, 1997 and 1996 are derived from the consolidated financial statements of the Company previously released on December 22, 1997. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

FISCAL YEAR ENDED SEPTEMBER 30,

	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statement of Operations Data:					
Product revenue....................	$ 4,110	$ 7,755	$16,826	$10,783	$13,265
Services revenue--Enterprise........	10,764	12,484	11,912	10,454	8,327
Services revenue--Internet..........	9,930	5,056	2,117	811	--
Cost of revenue--Enterprise.........	5,552	6,286	6,978	6,543	6,312
Cost of revenue--Internet...........	19,570	10,710	2,023	518	--
Research and development...........	12,191	7,798	5,588	5,446	2,341
Sales and marketing................	13,066	11,446	10,613	8,703	8,004
General and administrative..........	8,256	6,297	4,322	3,541	2,610
Non-cash write-off of other assets...........................	1,000	--	--	--	--
Amortization of intangible assets...	1,748	--	--	--	--
(Loss) income from operations.......	(36,579)	(17,242)	1,331	(2,703)	2,325
Other income, net..................	545	455	593	671	326
(Loss) income before provision (benefit) for income taxes........	(36,034)	(16,787)	1,924	(2,032)	2,651
Provision (benefit) for income taxes...........................	1,165	(568)	577	(752)	1,167
Net (loss) income..................	$(37,199)	$(16,219)	$ 1,347	$(1,280)	$ 1,484
Diluted net (loss) income per common share...........................	$ (2.39)	$ (1.62)	$ .16	$ (.16)	$ .21
Diluted weighted average number of common shares outstanding.........	15,541	10,005	8,518	8,056	7,222

	SEPTEMBER 30,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS)				
Balance Sheet Data:					
Cash, cash equivalents and short term investments.................	$ 14,545	$ 20,126	$16,436	$15,155	$20,368
Working capital....................	$ 3,171	$ 16,848	$15,304	$14,684	$17,418
Total assets.......................	$ 34,303	$ 45,358	$31,431	$27,053	$26,310
Total liabilities..................	$ 18,006	$ 11,342	$11,108	$ 8,513	$ 7,337
Stockholders' equity...............	$ 16,297	$ 34,016	$20,323	$18,540	$18,973

14

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THE STATEMENTS CONTAINED IN THIS REPORT THAT ARE NOT PURELY HISTORICAL ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "ANTICIPATES", "BELIEVES", "EXPECTS", "INTENDS", "FUTURE", AND WORDS OF SIMILAR IMPORT WHICH EXPRESS MANAGEMENT'S BELIEF, EXPECTATIONS OR INTENTIONS REGARDING THE COMPANY'S FUTURE

PERFORMANCE. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS REPORT ARE BASED ON INFORMATION AVAILABLE TO THE COMPANY ON THE DATE HEREOF, AND THE COMPANY HAS NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM ITS HISTORICAL OPERATING RESULTS AND FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING, WITHOUT LIMITATION, THOSE SET FORTH BELOW UNDER "FACTORS AFFECTING FUTURE OPERATING RESULTS" AND ELSEWHERE IN THIS REPORT.

OVERVIEW

The Company's products and services and the markets it serves have evolved and expanded in concert with the rapid advancements in technology and the elevated focus on human resource management. From its inception in 1982 through the first half of fiscal year 1993, the Company's product revenue consisted primarily of DOS-based applicant tracking and succession planning systems. In June 1993, the Company introduced a Windows-based, client/server staffing solution, which incorporated high-volume resume-scanning, skills management and search capabilities. In November 1997, the Company broadened its offerings with the introduction of WEBHIRE RECRUITER, a service that provides candidate management functions via the Internet and the World Wide Web. In June 1998, the Company released WEBHIRE ENTERPRISE, the next-generation enterprise-level automated recruitment solution designed specifically for corporate intranets. The new product and service releases in fiscal year 1998 enhanced the Company's enterprise software operating segment and solidified its emerging Internet and transaction-based solutions segment. WEBHIRE JOBPOST was added to the Internet service offerings with the completion of the Junglee transaction in November 1998. During fiscal 2000, several new Internet service offerings were added including WEBHIRE AGENT, YAHOO! RESUMES, OUTSOURCED WEBHIRE ENTERPRISE and WEBHIRE JOB SITE HOSTING.

Total revenue consists of product revenue and services revenue. Product revenue is generated in the enterprise software operating segment and is derived from perpetual end-user licenses to use the Company's products. Product revenue is recognized upon delivery, provided there are no significant Company obligations remaining and collectibility of the revenue is probable. Services revenue from customer maintenance fees for postcontract support is recognized ratably over the maintenance term, which is typically 12 months. Other services revenue from training, installation, consulting, outsourced services (e.g., scanning, acknowledgement mailings) and WEBHIRE JUMPSTART is recognized as the related services are performed. Services revenue from WEBHIRE RECRUITER, WEBHIRE JOBPOST, WEBHIRE JOB CANOPY, WEBHIRE AGENT, YAHOO! RESUMES, OUTSOURCED WEBHIRE ENTERPRISE and WEBHIRE JOB SITE HOSTING is recognized ratably over the service term. All customer maintenance fees for postcontract support and other services revenue for training, installation and consulting related to enterprise software licensed is attributed to the enterprise software operating segment. Services revenue for WEBHIRE RECRUITER, WEBHIRE JOBPOST, WEBHIRE JOB CANOPY, WEBHIRE AGENT, YAHOO! RESUMES, OUTSOURCED WEBHIRE ENTERPRISE, WEBHIRE JOB SITE HOSTING and outsourced services is attributed to the Internet and transaction-based solutions segment.

15

RESULTS OF OPERATIONS

($ EXPRESSED IN THOUSANDS)

The following table sets forth, for the periods indicated, the percentage of total revenue represented by each item reflected in the Company's Consolidated Statements of Operations.

AS A PERCENTAGE OF TOTAL REVENUE:	FISCAL YEAR ENDED SEPTEMBER 30, 2000	1999	1998
Revenue:			
Product revenue	17%	31%	55%
Services revenue--Enterprise	43	49	38
Services revenue--Internet	40	20	7
Total revenue	100	100	100
Cost of revenue:			
Product revenue	4	3	2
Services revenue--Enterprise	17	22	21
Services revenue--Internet	42	16	6
Non-cash write-off of other assets	1	--	--
Amortization of acquired technologies	37	26	--
Total cost of revenue	101	67	29
Gross profit	(1)	33	71
Operating expenses:			
Research and development	49	31	18
Sales and marketing	53	45	35
General and administrative	33	25	14
Non-cash write-off of other assets	4	--	--
Amortization of intangible assets	7	--	--
Total operating expenses	146	101	67
(Loss) income from operations	(147)	(68)	4
Other income, net	2	2	2
(Loss) income before provision (benefit) for income taxes	(145)	(66)	6
Provision (benefit) for income taxes	5	(2)	2
Net (loss) income	(150)%	(64)%	4%

REVENUE

PRODUCT REVENUE. Product revenue was $4,110, $7,755 and $16,826 in fiscal 2000, 1999 and 1998, respectively, representing a decrease of 47% from fiscal 1999 to fiscal 2000 and a decrease of 54% from fiscal 1998 to fiscal 1999, respectively. Protracted sales cycles resulting from the transition to an Internet/intranet product line, the introduction in the market of competitive Internet-based and outsourced solutions, a general stagnation in sales of client-server software solutions, as well as Year 2000 and other information technology constraints were the primary contributors to these decreases.

SERVICES REVENUE. Services revenue--Enterprise was $10,764, $12,484 and $11,912 in fiscal 2000, 1999 and 1998, respectively, representing a decrease of 14% from fiscal 1999 to fiscal 2000 and an increase of 5% from fiscal 1998 to fiscal 1999. Services revenue--Internet increased 96% to $9,930 for fiscal 2000 from $5,056 for fiscal 1999, and increased 139% to $5,056 for fiscal 1999 from $2,117 for fiscal 1998. Continued growth of the WEBHIRE RECRUITER customer base in the Internet segment and the

additional revenue stream introduced with WEBHIRE AGENT, YAHOO! RESUMES, OUTSOURCED WEBHIRE ENTERPRISE and WEBHIRE JOB SITE HOSTING account for the increases realized. There were 522 WEBHIRE RECRUITER customers as of September 30, 2000 compared to 251 and 47 at September 30, 1999 and 1998, respectively. At September 30, 2000 there were a combined 724 active Internet customers: 522 WEBHIRE RECRUITER customers, 187 sourcing customers and 15 OUTSOURCED ENTERPRISE customers.

COST OF REVENUE

COST OF PRODUCT REVENUE. Cost of product revenue includes royalty payments for third-party software embedded in the Company's products and costs of documentation and shipping. Cost of product revenue was 25%, 9%, and 4% of product revenue in fiscal 2000, 1999 and 1998, respectively. The percentage increase for both periods is attributed primarily to increased royalties due under third-party licensing arrangements for the WEBHIRE ENTERPRISE product and, for the fiscal 2000 period, increased royalties due under a third-party licensing arrangement which expired in the fourth fiscal quarter.

COST OF SERVICES REVENUE. Cost of services revenue includes all costs of maintaining the client services organization and the Internet and transaction-based solutions segment operations, including salaries and personnel-related expenses, travel, outside consulting services, facilities cost and, to a lesser extent, third-party scanning services and royalty payments for software maintenance.

Cost of services revenue--Enterprise decreased 24% to $4,235 for fiscal 2000 from $5,580 for fiscal 1999. Cost of services revenue--Enterprise decreased 12% to $5,580 for fiscal 1999 from $6,347 for fiscal 1998. The reduction for both fiscal periods is due to management's cost containment measures which has also improved gross margins from 47% in fiscal 1998 to 55% in fiscal 1999 and 61% in fiscal 2000.

Cost of services revenue--Internet increased 153% to $10,303 for fiscal 2000 from $4,068 for fiscal 1999. Cost of services revenue--Internet increased 101% to $4,068 for fiscal 1999 from $2,023 for fiscal 1998. The increase in absolute dollars for both periods are principally attributable to costs associated with supporting the expanding WEBHIRE RECRUITER customer base and, for the fiscal 2000 period, the introduction of WEBHIRE AGENT, YAHOO! RESUMES, OUTSOURCED WEBHIRE ENTERPRISE and WEBHIRE JOB SITE HOSTING.

NON-CASH WRITE-OFF OF OTHER ASSETS. The Company recorded a non-cash write-off of other assets during fiscal 2000 of $284 relating to the impairment of prepaid software licenses from a company that had suspended operations during the third fiscal quarter for which there is no alternative use.

AMORTIZATION OF ACQUIRED TECHNOLOGIES. Amortization of acquired technologies was $9,267, $6,642 and $0 in fiscal year 2000, 1999 and 1998, respectively. In connection with the acquisition of HR Sites during fiscal 2000 the Company recorded acquired technology which is being amortized over a three-year estimated life. In connection with an asset purchase from Amazon.com and the acquisition of HireWorks, Inc., during fiscal 1999 the Company recorded acquired technologies which are being amortized over a two-year estimated life from the respective transaction dates.

OPERATING EXPENSES

RESEARCH AND DEVELOPMENT. Research and development expenses include all costs associated with the product engineering and quality functions, including salaries and personnel-related expenses, travel, outside consulting services and facilities costs. Research and development expenses were $12,191 or 49% of total revenue for fiscal 2000 as compared to $7,798 or 31% of total revenue for fiscal 1999 and $5,588 or 18% of total revenue for fiscal 1998. The increases in absolute dollars and as percentage of revenues for the years presented are primarily due to increases in both personnel and consulting expenses in support of the Company's new and existing product development initiatives and its quality

assurance programs. The Internet and transaction-based solutions segment accounted for 80%, 51% and 29% of total research and development expenses in fiscal 2000, 1999 and 1998, respectively. Research and development expenses will vary from period to period as a percentage of total revenue dependent upon the stage in product development and the requisite investment funding of ongoing projects. The Company considers continued investment in research and development to be integral to its future success. All of the Company's research and development costs have been expensed as incurred.

SALES AND MARKETING. Sales and marketing expenses include promotional costs and trade shows and costs associated with personnel involved in sales and marketing functions, including salaries, commissions and other personnel-related expenses, travel, outside consulting services and facilities costs. Sales and marketing expenses were $13,066 or 53% of total revenue for fiscal 2000 as compared to $11,446 or 45% of total revenue for fiscal 1999 and $10,613 or 35% of total revenue for fiscal 1998. The Internet and transaction-based solutions segment accounted for 72%, 41% and 11% of total sales and marketing expenses in fiscal 2000, 1999 and 1998, respectively. The increases in absolute dollars and as a percentage of revenues for the years presented are primarily due to the increase in sales costs associated with the ramping up of the Internet sales organization. There were 43 employees in the Internet sales organization as of September 30, 2000 as compared to 26 and 5 at September 30, 1999 and 1998, respectively. The Company expects that sales and marketing expenses may vary from year to year as a percentage of total revenue.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist primarily of costs for corporate operations personnel (executive, finance and accounting, human resources, legal and administrative), professional fees and other general corporate expenses. General and administrative expenses were $8,256 or 33% of total revenue for fiscal 2000 as compared to $6,297 or 25% of total revenue for fiscal 1999 and $4,322 or 14% of total revenue for fiscal 1998. The increase in absolute dollars and as a percentage of revenue for the fiscal 2000 period is primarily the result of increased accounts receivable reserves due to the impending discontinuation of support of one of the Company's existing products, increased professional fees due to increased activity in potential domestic and international investment opportunities and increased audit fees due to a change in external independent accountants. The absolute dollar increase for the fiscal 1999 period is primarily the result of personnel increases and investments in systems in support of the Internet operations.

NON-CASH WRITE-OFF OF OTHER ASSETS. The Company recorded a non-cash write-off of other assets of $1,000 during fiscal 2000, relating to the impairment of prepaid royalties for software not currently sold, from a company that has suspended operations during the third fiscal quarter.

AMORTIZATION OF INTANGIBLE ASSETS. In connection with the acquisition of HR Sites during fiscal 2000 the Company recorded intangible assets totaling $6,551 including non-compete agreements, a customer base and excess purchase price over identifiable assets which are being amortized over estimated lives of between three to five years.

OTHER INCOME, NET

Other income consists primarily of interest earned on investments, and for fiscal 2000, the offset of accrued interest on Convertible Notes Payable. Other income was $545, $455 and $593 in fiscal 2000, 1999 and 1998, respectively. The variances from period to period are primarily due to fluctuations in the average combined cash and cash equivalents and short- and long-term investment balances. The Company expects to continue to yield investment income on its average balance of combined cash and cash equivalents and short- and long-term investments at an average rate comparable to that experienced for fiscal 2000.

18

PROVISION FOR INCOME TAXES

For the fiscal year 2000 the Company recorded an additional $1.2 million valuation allowance to reserve for the full amount of its net deferred tax assets since, based on the weight of available evidence, management has concluded that it is more likely than not that these future benefits will not be realized.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This statement establishes accounting and reporting standards for derivative instruments, including some derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company will adopt SFAS 133 in Fiscal 2001, in accordance with SFAS 137, which deferred the effective date of SFAS 133. The adoption of this standard in Fiscal 2001 is not expected to have a material impact on the Company's consolidated financial statements.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. This bulletin summarizes some of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Staff is providing this guidance due, in part, to the large number of revenue recognition issues that registrants encounter. SAB 101 was delayed by the issuance of SAB 101A on March 27, 2000 and SAB 101B on June 26, 2000; it must be adopted by the fourth quarter of the fiscal year beginning after December 15, 1999. The Company will adopt SAB 101 in Fiscal 2001 and does not expect its adoption to have a material impact on the Company's consolidated financial statements.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), ACCOUNTING FOR CERTAIN TRANSACTIONS INVOLVING STOCK COMPENSATION--AN INTERPRETATION OF APB OPINION NO. 25. FIN 44 clarifies the application of APB No. 25 to certain issues including: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for the exchange of stock compensation awards in a business combination. FIN 44 became effective on July 1, 2000, but certain conclusions in FIN 44 are applicable retroactively to specific events occurring after either December 15, 1998 or January 12, 2000. The Company does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2000, the Company had cash and cash equivalents and short-term investments of $14,545, a decrease of $5,581 from $20,126 at September 30, 1999.

Cash used in operating activities was $17,198 during the year ended September 30, 2000. Cash used in operating activities consisted mainly of the net loss for the 2000 fiscal year of $37,199 partially offset by the effects of depreciation and amortization of $13,687, a provision for doubtful accounts of $1,453, a non-cash write-off of other assets of $1,284, a full valuation allowance on deferred tax assets of $1,068 and fluctuations in certain assets and liabilities.

Cash used in investing activities was $6,174 during the year ended September 30, 2000. Cash used in investing activities consisted primarily of purchases of short-term investments of $2,410, purchases of property and equipment of $2,328 (primarily computer equipment) and the acquisition of HR Sites of $1,570.

19

Net cash provided by financing activities for the year ended September 30, 2000 was $15,381, consisting primarily of the net proceeds from the private placement of the Company's common stock of $14,879, which was consummated in September 2000.

To date, the Company has not invested in derivative securities or any other financial instruments that involve a high level of complexity or risk. Cash has been, and the Company contemplates that it will continue to be, invested in interest-bearing, investment grade securities.

From time to time, the Company may evaluate potential acquisitions of products, businesses and technologies that may complement or expand the Company's business. Any such transactions consummated may use a portion of the Company's working capital and/or require the issuance of equity or debt.

The Company believes that its current cash and cash equivalent balance will be sufficient to meet its working capital expenditure requirements through fiscal 2001.

On December 14, 2000 the Company repaid $2,500 plus accrued interest of $143 on a promissory note to Human Resources Sites, International, Inc. (see Note 6 of Notes to Consolidated Financial Statements). The remaining note of $925 matures on March 14, 2001.

FACTORS AFFECTING FUTURE OPERATING RESULTS

An investment in our common stock involves various risks. Before investing in our common stock, you should carefully consider the following risk factors. These risk factors are not exhaustive and should be read together with the other reports and documents that we file with the Securities and Exchange Commission, which may include additional or more current information that should be considered in making an investment in us.

IF WE ARE UNABLE TO OBTAIN ADDITIONAL CAPITAL AS NEEDED IN THE FUTURE, OUR BUSINESS MAY BE ADVERSELY AFFECTED.

We currently anticipate that our available cash will be sufficient to meet our anticipated working capital and capital expenditure requirements through fiscal 2001. However, we may need to raise additional capital to meet our needs in the longer term to fund more rapid expansion to develop new services and to enhance existing services in response to competitive pressures, and to acquire complementary services, businesses or technologies. In the event our operations are not profitable or do not generate sufficient cash to fund the business, or if we fail to receive money to meet our obligations, we may have to substantially cut back our level of operations. These reductions could, in turn, affect our relationships with our strategic partners and customers and threaten our ability to continue as an ongoing concern. If we raise additional funds through further issuance of equity or convertible debt securities, the percentage of ownership of our current stockholders will be reduced and such securities may have rights, preferences and privileges senior to those of our current stockholders. In addition, we may not be able to obtain such financing on terms favorable to us, if at all. If adequate funds are not available or are not available on terms favorable to us, our business, results of operations and financial condition could be materially and adversely affected.

TO COMPETE EFFECTIVELY, WE MUST ADAPT QUICKLY TO ADVANCES IN TECHNOLOGY AND CHANGES IN CUSTOMER REQUIREMENTS.

The market for automated recruiting products and services is undergoing rapid changes including continuing advances in technology and changes in customer requirements and preferences. These market dynamics have been amplified by the emergence of the Internet as a tool for recruiting solutions. Our future success will depend in significant part on our ability to continually improve the performance, features and reliability of our software and services in response to the evolving demands

of the marketplace and competitive product offerings. Any failure on our part to quickly develop products and services that address changes in technology or customer demands will likely result in loss of market share to a competitor.

OUR BUSINESS IS DEPENDENT ON THE DEVELOPMENT AND MAINTENANCE OF THE INTERNET INFRASTRUCTURE.

Our success will depend, in large part, upon the development and maintenance of the Internet infrastructure as a reliable network backbone with the necessary speed, data capacity and security, and timely development of enabling products, such as high-speed modems, for providing reliable Internet access and services. We cannot assure you that the Internet infrastructure will continue to effectively support the demands placed on it as the Internet continues to experience increased numbers of users, greater frequency of use or increased bandwidth requirements of users. Even if the necessary infrastructure or technologies are developed, we may have to spend considerable resources to adapt our offerings accordingly. Furthermore, in the past, the Internet has experienced a variety of outages and other delays. Any future outages or delays could affect the Internet sites on which our customers' job advertisements are posted and the willingness of employers and job seekers to use our online recruitment offerings. If any of these events occur, our business, results of operations and financial condition could be materially and adversely affected.

WE HAVE RECENTLY EXPANDED OUR TECHNOLOGY INTO SEVERAL NEW BUSINESS AREAS AND CANNOT BE CERTAIN THAT OUR EXPANSION WILL BE SUCCESSFUL.

We have recently expanded our technology into products and services that can be offered over the Internet to foster long-term growth. These areas are relatively new to our product development, sales and marketing personnel. We cannot be assured that the markets for these products and services will develop or that it will be able to compete effectively or will generate significant revenues in these new areas making our success in this area difficult to predict.

The success of Internet computing and, in particular, our current Internet computing software products and services is difficult to predict because

Internet computing represents a method of computing that is new. The success of Internet computing will depend in large measure on (i) the lower cost of ownership of Internet computing relative to client/server architecture, (ii) the ease of use and administration relative to client/server architecture, and (iii) how hardware and software vendors choose to compete in this market. There can be no assurances that sufficient numbers of vendors will undertake this commitment, that the market will accept Internet computing or that Internet computing will generate significant revenues for us.

OUR BUSINESS MODEL IS UNPROVEN.

We began offering online subscriptions for WEBHIRE RECRUITER in fiscal 1998. Product revenue from software sales are expected over a relatively short period of time to become a much smaller component of our revenue. Maintenance revenue associated with product sales will also decrease over time. Our long-term business model and profit potential are unproven. To be successful, we must develop and market online recruitment offerings that achieve broad market acceptance by employers, job seekers and interactive media companies.

It is possible that we will be required to further adapt our business model in response to additional changes in the online recruitment market or if our current business model is not successful. If we are not able to anticipate changes in the online recruitment market or if our business model is not successful, our business, results of operations and financial condition will be materially and adversely affected.

21

WE MAY BE UNABLE TO CONTINUE TO BUILD CUSTOMER AWARENESS.

We believe that continuing to build brand recognition is critical to achieving widespread acceptance of our online recruitment offerings. Brand recognition is a key differentiating factor among providers of online recruitment offerings and we believe it could become more important as competition in the online recruitment market increases. We may find it necessary to accelerate expenditures on our sales and marketing efforts or otherwise increase our financial commitment to creating and maintaining brand awareness among potential customers. If we fail to successfully promote and maintain our brand or incur significant expenses in promoting our brand, our business, results of operations and financial condition could be materially and adversely affected.

THE GROWTH IN DEMAND FOR AUTOMATED RECRUITING SOFTWARE AND SERVICES AND THE USE OF THE INTERNET AS A RECRUITING MEDIUM ARE UNCERTAIN.

Our future success substantially depends on broader recognition of the potential benefits of automated recruiting software and services and the growth in demand for these products and services. It is difficult to assess the size of the market that will develop and the rate at which it will develop. If the market does not develop as we anticipate, or if it develops more slowly than we expect, our business, operating results and financial condition will be materially and adversely affected.

Our future is highly dependent on a significant increase in the use of the Internet as a recruiting medium. The online recruitment market is new and rapidly evolving, and we cannot yet gauge its effectiveness as compared to traditional recruiting methods. As a result, demand and market acceptance of online recruitment offerings are uncertain. The adoption of online recruiting, particularly by those entities that have historically relied upon traditional methods of recruiting, requires the acceptance of a new way of conducting business, exchanging information and advertising for jobs. We cannot assure you that the online recruitment market will continue to emerge or become sustainable. If the online recruitment market fails to develop or develops more slowly than we expect, our business, results of operations and financial condition will be materially and adversely affected.

OUR COMPUTER SYSTEMS COULD FAIL OR OVERLOAD.

The success of our online recruitment offerings depends highly on the efficient and uninterrupted operation of our computer and communications systems. Power loss, telecommunications failures, computer viruses, electronic break-ins or other similar disruptive problems could damage or cause interruptions in these systems. If our systems are affected by any of these occurrences, our business, results of operations and financial condition could be materially and adversely affected. Our insurance policies may not cover, or if covered, may not adequately compensate us for, any losses that may occur due to any failures or interruptions in our systems. We do not presently have any secondary "off-site" systems or a formal disaster recovery plan.

In addition, we must accommodate a high volume of traffic and deliver frequently updated information. Our websites have in the past and may in the future experience slower response times or decreased traffic for a variety of reasons. In addition, our users depend on Internet service providers and other internet site operators for access to our websites. Many of the Internet service providers have experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems.

If we experience any of these problems, our business, results of operations and financial condition could be materially and adversely affected.

OUR NEW PRODUCT INTRODUCTIONS MAY HAVE DEFECTS WHICH COULD RESULT IN ADVERSE PUBLICITY OR HAVE OTHER NEGATIVE EFFECTS.

As the marketplace for recruiting solutions continues to evolve, we plan to develop and introduce new products and services to enable us to effectively meet the changing needs of the market. Products as complex as those we offer may contain undetected errors when first introduced or when new versions are released. In the past, despite prior testing, we have discovered software errors in some of our products after their introduction. Product defects may result in adverse publicity, loss of or delay in market acceptance, injury to our reputation and brand awareness, or claims against us, any one of which could have a material adverse effect on our business, results of operations and financial condition.

WE HAVE SIGNIFICANT COMPETITION FROM A VARIETY OF SOURCES.

The market for recruitment solutions is intensely competitive and highly fragmented. Although few companies directly compete with us, there are a large number of job boards, search firms, and portal sites that are vying for their share of the overall corporate recruiting budget. Although we do not compete with companies that offer a single database "job board" solution, such as Monster.com and Career Mosaic, these companies compete with Yahoo!, our major partner. We expect to face additional competition as other established and emerging companies, including print media companies and employee recruiting agencies with established brands, enter the online recruitment market.

Many of our current and potential competitors have significantly greater financial, technical, marketing and other resources than we do. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships to expand their offerings and to offer more comprehensive solutions.

We believe that there will be rapid business consolidation in the online recruitment industry. Accordingly, new competitors may emerge and rapidly acquire significant market share. In addition, new technologies will likely increase the competitive pressures that we face. The development of competing technologies by market participants or the emergence of new industry standards may adversely affect our competitive position. An increase in competition could result in price reductions, limitations of access to key content on the web, render our existing software and services obsolete or unmarketable and/or result in loss of market share.

WE MUST MANAGE OUR GROWTH IN ORDER TO ACHIEVE DESIRED RESULTS.

The evolution of our business and the expansion of our customer base have resulted in substantial growth in the number of our employees and the scope of our operations of the last few years. Our future results of operations will depend in part on the ability of our officers and other key employees to continue to implement our operational, customer support and financial control systems and to expand, train, and manage our employee base.

THE SUCCESSFUL OPERATION OF OUR BUSINESS DEPENDS IN LARGE PART ON OUR RELATIONSHIPS WITH THIRD PARTIES.

A key element of our business strategy is to develop relationships with leading industry organizations in order to increase our market presence, expand distribution channels and broaden our product line. We believe that our continued success depends in large part on our ability to maintain such relationships and cultivate additional relationships. There can be no assurance that our existing strategic partners will not discontinue their relationships with us, or that we will be able to develop successfully additional strategic relationships.

In addition, certain technology incorporated in our software is licensed from third parties on a nonexclusive basis. The termination of any of these licenses, or the failure of the third-party licensors

to maintain adequately or update their products, could result in delay in our ability to ship certain of our products while we seek to implement technology offered by alternative sources. In addition, any required replacement licenses could prove more costly than our current license relationships and might not provide technology as powerful and functional as the third-party technology we currently license. Also, any such delay, to the extent it becomes extended or occurs at or near the end of a fiscal quarter, could have a material adverse effect on our results of operations for that quarter. While it may be necessary or desirable in the future to obtain other licenses relating to one or more of our products or relating to current or future technologies, we may not be able to do so on commercially reasonable terms or at all.

OUR OPERATING RESULTS MAY BE SUBJECT TO SIGNIFICANT QUARTERLY FLUCTUATIONS.

Our results of operations have been, and may in the future be, subject to significant quarterly fluctuations. Such fluctuations could be due to a variety of factors, including the following:

- the fact that our product revenue consists of a relatively small number of large dollar transactions and, as a result, may fluctuate significantly from one quarter to another if the number of transactions completed varies slightly;

- the introduction of new products by us or our competitors;

- the capital spending patterns of our customers;

- our sales incentive strategy which is based in part on annual sales targets;

- the fact that a substantial portion of our product revenue often occurs during the last few weeks of each quarter and, as a result, any delays in orders or shipments are more likely to result in revenue not being recognized until the following quarter; and

- our current expense levels are based in part on our expectations of future revenue and, as a result, net income for a given period could be disproportionately affected by any reduction in revenue.

To the extent our level of revenue in the future decreases from past levels or in some future quarter our revenue or operating results are below the expectations of stock market securities analysts and investors, our profitability and the price of our common stock is likely to be materially and adversely affected.

ONE LARGE STOCKHOLDER BENEFICIALLY OWNS APPROXIMATELY 33% OF OUR OUTSTANDING STOCK, IS REPRESENTED ON OUR BOARD OF DIRECTORS AND HAS RIGHTS TO PARTICIPATE IN CERTAIN OF OUR TRANSACTIONS. SUCH STOCKHOLDER'S INTERESTS COULD CONFLICT WITH YOURS AND SIGNIFICANT SALES OF STOCK HELD BY IT COULD HAVE A NEGATIVE EFFECT ON OUR STOCK PRICE.

As of September 30, 2000, SOFTBANK beneficially owned approximately 33% of our outstanding common stock. In addition, SOFTBANK's affiliate Yahoo! Inc., of which SOFTBANK owns approximately 22%, owned approximately 1% of our outstanding common stock. As a result of their stock ownership, SOFTBANK and its affiliate have significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and their interests could conflict with those of other stockholders. Such concentration of ownership may also have the effect of delaying or preventing a change in control of Webhire. In addition, sales of significant amounts of shares held by these entities, or the prospect of these sales, could adversely affect the market price of our common stock.

SOFTBANK has the right to nominate two members of our Board of Directors, which currently consists of 6 members (one of whom is a SOFTBANK representative), and so long as it continues to hold at least 10% of our outstanding common stock, it is entitled to nominate one director each time a

24

class of directors in which one of its representatives serves is subject to election. Furthermore, one of SOFTBANK's directors is entitled to serve as a member of the Board's audit and compensation committees. As a result of SOFTBANK's board representation, it has significant influence on all matters requiring Board approval.

In addition, in the event we propose to enter into a joint venture for operations in the United Kingdom, continental Europe or Japan, or a business transaction with any competitor of SOFTBANK's affiliate ZDNet, we are required by the terms of the stock purchase agreement pursuant to which SOFTBANK acquired our common stock to offer SOFTBANK or one of its affiliates the opportunity to participate in the transaction on mutually acceptable terms and conditions. As a result of these requirements, potential third parties may be reluctant to negotiate joint ventures or business transactions with us because they know SOFTBANK and its affiliates will be given the opportunity to participate in such transactions.

WE DEPEND ON KEY PERSONNEL WHO MAY NOT CONTINUE TO WORK FOR US.

Our future success depends to a significant extent on our senior management and other key employees, many of whom have acquired specialized knowledge and skills with respect to our operations. As a result, if any of these individuals were to leave Webhire, we could face substantial difficulty in hiring qualified successors and could experience a loss of productivity while any such successor obtains the necessary training and experience. We also believe that our future success will depend in large part on our ability to attract and retain additional key employees. Competition for qualified personnel in the high tech industry is intense. If we do not succeed in attracting new personnel, or retaining and motivating existing personnel, our business will be adversely affected.

OUR STOCK PRICE MAY EXPERIENCE EXTREME PRICE AND VOLUME FLUCTUATIONS AND OUR STOCKHOLDERS MAY NOT BE ABLE TO RESELL THEIR SHARES AT OR ABOVE THEIR PURCHASE PRICE.

We cannot predict the extent to which investors' interest in us will lead to a stable trading market or how liquid the market might become. The stock market in general and the market prices of shares in technology companies, particularly those such as ours that offer Internet-based products and services, have been extremely volatile and have experienced fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The market price of our common stock could be highly volatile and subject to wide fluctuations in response to many factors, including the following:

- quarterly variations in our results of operations;

- adverse business developments impacting Webhire;

- changes in financial estimates by securities analysts;

- investor perception of Webhire and online recruitment services in general;

- announcements by our competitors of new products and services; and

- fluctuations in our common stock price, which may affect our visibility and credibility in the online recruitment market.

In the event of broad fluctuations in the market price of our common stock, purchasers of our common stock may be unable to resell their shares at or above their purchase price.

IT IS DIFFICULT TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

We regard our intellectual property rights as critical to our success and rely on a combination of copyright and trade secret laws, employee and third-party non-disclosure agreements and other methods to protect these rights. We cannot be assured that the measures we have taken to protect our proprietary rights will be adequate to prevent misappropriation of our technology or independent development by others of similar technology. Our inability to protect our proprietary rights would have a material adverse effect on our business, results of operations and financial condition.

WE MAY BE SUBJECT TO COSTLY INTELLECTUAL INFRINGEMENT CLAIMS.

As the number of products and services in our industry increases and these solutions further overlap, the likelihood that our current or future products may become subject to infringement claims increases. Although we are not currently the subject of any intellectual property litigation, there has been substantial litigation regarding copyright, patent and other intellectual property rights involving computer software companies. Any claims or litigation, with or without merit, could be costly and could result in a diversion of management's attention, which could have a material adverse effect on our business, results of operations and financial condition. Adverse determinations in such claims or litigation may require us to obtain a license and/or pay damages, which could also have a material adverse effect on our business, results of operations and financial condition.

WE MAY BE SUBJECT TO PRODUCT LIABILITY CLAIMS.

Although we have not experienced any product liability claims to date, the sale and support of our products and the incorporation of products from other companies may entail the risk of product liability claims. Our license agreements with our customers typically contain provisions intended to limit our exposure to such claims. For example, we limit our contractual warranties on "Year 2000" compliance to objective performance standards that we have tested, and we do not make any warranties for nonconformance if our software products are combined with other software or data that is not conducive to accurately calculating, comparing or sequencing date and time data between the twentieth and twenty-first centuries. There can be no guarantee, however, that such provisions will be effective in limiting our exposure. A successful product liability action brought against us could adversely affect our business, results of operations and financial condition.

ANTI-TAKEOVER PROVISIONS COULD MAKE IT MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE US.

Our Board of Directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. We have no present plans to issue shares of preferred stock. Further, certain provisions of our charter documents, including provisions eliminating the ability of stockholders to take action by written consent, providing for a staggered board of directors and limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management, which could have an adverse effect on the market price of our stock.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company owns financial instruments that are sensitive to market risks as part of its investment portfolio. The investment portfolio is used to preserve the Company's capital until it is required to fund operations. All of these market-risk sensitive instruments are classified as available-for-sale. The Company does not own derivative financial instruments in its investment portfolio. The investment portfolio contains instruments that are subject to the risk of a decline in interest rates.

Interest Rate Risk--The Company's investment portfolio includes investment grade debt instruments. These bonds are subject to interest rate risk, and could decline in value if interest rates fluctuate. Due to the short duration and conservative nature of these instruments, the Company does not believe that it has a material exposure to interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference from the Consolidated Financial Statements and Supplementary Data of the Company set forth on pages F-1 through F-23 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Reference is made to the Company's report on Form 8-K filed with the Securities and Exchange Commission on July 18, 2000, which is incorporated by reference into this Item 9.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 is hereby incorporated by reference to the text appearing under Part I, Item 1--Business under the caption "Executive Officers and Directors" in this Form 10-K, and by reference to the information included under the headings "Information Regarding Directors", "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to the information under the heading "Executive Compensation" in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is hereby incorporated by reference to the information under the heading "Principal And Management Stockholders" in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 is hereby incorporated by reference to the information under the heading "Certain Relationships and Related Transactions", if any, in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders to be filed by the Company within 120 days after the close of its fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A)(1) FINANCIAL STATEMENTS

1. Report of PricewaterhouseCoopers LLP dated October 30, 2000 (See Page F-2 hereof).

2. Report of Arthur Andersen LLP dated October 21, 1999 (See Page F-3 hereof).

3. Consolidated Balance Sheets as of September 30, 2000 and 1999. (See Page F-4 hereof).

4. Consolidated Statements of Operations for the years ended September 30, 2000, 1999 and 1998 (See Page F-5 hereof).

5. Consolidated Statements of Stockholders' Equity for the years ended September 30, 2000, 1999 and 1998. (See Page F-6 hereof).

6. Consolidated Statements of Cash Flows for the years ended September 30, 2000, 1999 and 1998. (See Page F-7 hereof).

7. Notes to Consolidated Financial Statements. (See pages F-8 through F-23 hereof).

(A)(2) FINANCIAL STATEMENT SCHEDULES

1. Report of PricewaterhouseCoopers LLP dated October 30, 2000

2. Schedule II: Valuation and Qualifying Accounts

Other schedules are not provided because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(A)(3) EXHIBITS

(a) Exhibits. The following is a complete list of Exhibits filed as part of this Form 10-K.

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of July 9, 1999, by and among Webhire, Inc., HWK Acquisition Corp., Hireworks, Inc. and the stockholders of Hireworks, Inc. (Incorporated by reference to the relevant exhibit to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 16, 1999)
3.1	Third Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
3.2	Amended and Restated By-laws of the Company (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
4.1	Specimen certificate for shares of Common Stock, $.01 par value, of the Company (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No.

	333-03521), originally filed with the Commission on May 10, 1996)
10.1	Stock Purchase Agreement dated January 5, 1994, as amended, by and between the Company and the Purchasers identified therein (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)

EXHIBIT NO.	DESCRIPTION
10.1	Stock Purchase Agreement dated July 19, 1999, between Webhire, Inc. and SOFTBANK Capital Partners, LP (Incorporated by reference to the relevant exhibit to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 16, 1999)
10.2	Stock Redemption Agreement dated January 5, 1994 between the Company and J. Paul Costello, Lars D. Perkins and John P. Jopling (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
+10.2	Yahoo! Inc. and Webhire, Inc. Services Agreement dated as of June 3, 1999, by and between Yahoo! Inc. and Webhire, Inc. (Incorporated by reference to the relevant exhibit to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 16, 1999)
10.3	Registration Rights Agreement dated January 5, 1994 between the Company and Lars D. Perkins, J. Paul Costello and John P. Jopling (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
+10.3	Amendment No. 1 to Yahoo! Inc. and Webhire, Inc. Services Agreement dated July 27, 1999, by and between Yahoo! Inc. and Webhire, Inc. (Incorporated by reference to the relevant exhibit to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 16, 1999)
10.4	Restrac, Inc. 1994 Stock Option Plan (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.5	Restrac, Inc. 1996 Stock Option and Grant Plan (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)

10.6	Restrac, Inc. 1996 Employee Stock Purchase Plan (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-K, filed with the Commission on December 27, 1997)
10.7	Paid-up Software License dated as of January 1, 1993 by and between the Company and Costello and Company, Inc. (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
+10.8	VAR Agreement dated November 27, 1991 between the Company and Verity, Inc. and amendments #1 and #2 thereto (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
+10.9	Value Added Reseller License Agreement dated August 31, 1992 by and between The Analytic Sciences Corporation and the Company and all amendments thereto (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.10	Stock Purchase Agreement dated July 10, 2000 by and among the Company, Korn/Ferry International, SOFTBANK Capital Partners LP, GMN Investors II, L.P., Aventine International Fund and Bricoleur Partners II, L.P. (Incorporated by reference to the relevant exhibit to the Company's registration statement on Form S-3, as amended (File No. 333-88995), originally filed with the Commission on October 14, 1999)

EXHIBIT NO.	DESCRIPTION
10.12	Form of Director's Indemnification Agreements (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.13	Form of Employment Agreement with Senior Management (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.14	Form of Addendum to Employment Agreement with Senior Management (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521),

	originally filed with the Commission on May 10, 1996)
10.15	Agreement Pertaining to the Election of Directors dated January 5, 1994 by Lars D. Perkins, J. Paul Costello and the Purchasers identified therein (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.16	Shareholder Agreement dated January 5, 1994 by and among the Company and the Shareholders identified therein (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.17	Agreement Pertaining to Certain Activities dated January 5, 1994 by and between Lars D. Perkins and the Company (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.18	Termination Agreement dated September 30, 1995 by and among the Company and Borwick International, Inc. and Irving P. Borwick (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.19	Finder's Fee and Non-Competition Agreement dated September 30, 1995 between the Company and Irving P. Borwick (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) registration statement on Form S-1, as amended (File No. 333-03521), originally filed with the Commission on May 10, 1996)
10.22	Lease agreement dated November 12, 1996 between Boston Properties, Inc. and the Company (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-K, filed with the Commission on December 27, 1997)
+10.24	Amendment #3 to VAR Agreement dated November 27, 1991, between the Company and Verity, Inc. (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-K, filed with the Commission on December 27, 1996)
+10.25	Amendment #4 to VAR Agreement dated November 27, 1991, between the Company and Verity, Inc. (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-K, filed with the Commission on December 29, 1998)

EXHIBIT NO.	DESCRIPTION
+10.26	VAR Agreement dated June 25, 1998, between the Company and Prime Recognition Corporation (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-K, filed with the Commission on December 29, 1998)
+10.27	Software and Trademark License Agreement dated November 18, 1998 between the Company, Amazon.com, Inc. and Junglee Corporation (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-Q, filed with the Commission on February 16, 1999)
10.28	Amended and Restated Restrac, Inc. 1996 Stock Option and Grant Plan (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Proxy Statement, filed with the Commission on January 7, 1998)
10.29	Amended and Restated Restrac, Inc. 1996 Employee Stock Purchase Plan (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Proxy Statement, filed with the Commission on January 7, 1998)
10.30	Asset purchase agreement dated December 13, 1999 by and among the Company, Human Resources Sites International, Inc. and the Stockholders (Incorporated by reference to the relevant exhibit to the Company's Quarterly Report on Form 10-Q as amended, originally filed with the Commission on February 11, 2000)
10.31	Amended and Restated Restrac, Inc. 1996 Stock Option and Grant Plan (Incorporated by reference to the relevant exhibit to the Company's Proxy Statement, filed with the Commission on January 24, 2000)
21.1	Subsidiaries of registrant (Incorporated by reference to the relevant exhibit to the Company's (f/k/a Restrac, Inc.) Quarterly Report on Form 10-Q, filed with the Commission on December 27, 1997)
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Arthur Andersen LLP
27.1	Financial Data Schedule.

+ Confidential treatment requested as to portions of this document.

(b) Report on Form 8-K.

On July 18, 2000 the Company filed a Form 8-K to report under item 4 changes in the registrant's certifying accountant.

31

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities

Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 12th day of January 2001.

WEBHIRE, INC.

By: /s/ MARTIN J. FAHEY
Martin J. Fahey
PRESIDENT AND CHIEF EXECUTIVE OFFIC

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ MARTIN J. FAHEY Martin J. Fahey	Director, President and Chief Executive Officer (Principal Executive Officer)	January 12,
/s/ STEPHEN D. ALLISON Stephen D. Allison	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	January 12,
/s/ LARS D. PERKINS Lars D. Perkins	Chairman of the Board	January 12,
/s/ RUSSELL J. CAMPANELLO Russell J. Campanello	Director	January 12,
/s/ J. PAUL COSTELLO J. Paul Costello	Director	January 12,
/s/ CHARLES R. LAX Charles R. Lax	Director	January 12,
/s/ PETER L. DUNN Peter L. Dunn	Director	January 12,

32

WEBHIRE, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Webhire, Inc.:

In our opinion, the accompanying consolidated balance sheet as of September 30, 2000 and the related consolidated statements of operations, stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Webhire, Inc. and its subsidiaries at September 30, 2000, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP
Boston, Massachusetts
October 30, 2000, except for the information presented in paragraph one and two of Note 15 for which the dates are December 29, 2000 and January 11, 2001, respectively

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Webhire, Inc.:

We have audited the accompanying consolidated balance sheets of Webhire, Inc., as of September 30, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended September 30, 1999. These consolidated financial statements and schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide 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 Webhire, Inc. as of September 30, 1999, and the consolidated results of its operations and its cash flows for each of the two years in the period ended September 30, 1999, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole for each of the two years in the period ended December 31, 1999 and 1998.

/s/ ARTHUR ANDERSEN LLP
Boston, Massachusetts
October 21, 1999

F-3

WEBHIRE, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	SEPTEMBER 30,	
	2000	1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$12,135	$20,126
Short-term investments	2,410	--
Accounts and installments receivable, less allowance for doubtful accounts of $1,587 and $700 at September 30, 2000 and 1999, respectively	4,772	4,693
Other current assets	1,684	2,321
Refundable income taxes	--	700
Total current assets	21,001	27,840
Long-term installments receivable	153	444
Property and equipment, net	4,248	4,593
Acquired technologies, net of accumulated amortization of $15,909 and $6,642 at September 30, 2000 and 1999, respectively	3,589	10,770
Intangible assets and goodwill, net of accumulated amortization of $1,748 and $0 at September 30, 2000 and 1999, respectively	4,803	--

Deferred income taxes	--	1,068
Other assets, net	509	643
TOTAL ASSETS	$34,303	$45,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of capital lease obligations	$ 254	$ 578
Convertible notes payable	3,425	--
Accounts payable	1,504	1,922
Accrued expenses	4,502	3,150
Deferred revenue	8,145	5,342
Total current liabilities	17,830	10,992
Deferred rent	176	228
Capital lease obligations	--	122
Commitments		
Stockholders' Equity:		
Preferred stock, $.01 par value--Authorized--5,000,000 shares, Issued and outstanding--none at September 30, 2000 and 1999	--	--
Common stock, $.01 par value--Authorized--30,000,000 shares, Issued--22,109,971 and 15,089,067 shares at September 30, 2000 and 1999, respectively, outstanding--21,423,071 and 14,402,167 shares at September, 30, 2000 and 1999, respectively	221	151
Additional paid-in capital	68,763	49,353
Treasury stock, at cost--686,900 shares at September 30, 2000 and 1999	(831)	(831)
Accumulated deficit	(51,856)	(14,657)
Total stockholders' equity	16,297	34,016
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$34,303	$45,358

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

F-4

WEBHIRE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	YEARS ENDED SEPTEMBER 30,		
	2000	1999	1998
Revenue:			
Product revenue	$ 4,110	$ 7,755	$ 16,826
Services revenue--Enterprise	10,764	12,484	11,912
Services revenue--Internet	9,930	5,056	2,117

Total revenue	24,804	25,295	30,855
Cost of Revenue:			
Product revenue	1,033	706	631
Services revenue--Enterprise	4,235	5,580	6,347
Services revenue--Internet	10,303	4,068	2,023
Non-cash write-off of other assets	284	--	--
Amortization of acquired technologies	9,267	6,642	--
Total cost of revenue	25,122	16,996	9,001
Gross profit	(318)	8,299	21,854
Operating Expenses:			
Research and development	12,191	7,798	5,588
Sales and marketing	13,066	11,446	10,613
General and administrative	8,256	6,297	4,322
Non-cash write-off of other assets	1,000	--	--
Amortization of intangible assets	1,748	--	--
Total operating expenses	36,261	25,541	20,523
(Loss) income from operations	(36,579)	(17,242)	1,331
Other income, net	545	455	593
(Loss) income before provision (benefit) for income taxes	(36,034)	(16,787)	1,924
Provision (benefit) for income taxes	1,165	(568)	577
Net (loss) income	$ (37,199)	$ (16,219)	$ 1,347
Basic and diluted net (loss) income per common share	$ (2.39)	$ (1.62)	$ .16
Basic weighted average number of common shares outstanding	15,540,721	10,004,662	8,273,177
Diluted weighted average number of common shares outstanding	15,540,721	10,004,662	8,517,770

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

WEBHIRE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK			TREASURY STOCK	
	NUMBER OF SHARES	$.01 PAR VALUE	ADDITIONAL PAID-IN CAPITAL	NUMBER OF SHARES	COST
Balance, September 30, 1997	8,852	$ 89	$19,067	687	$(831)
Exercise of common stock options	122	1	254	--	--
Employee stock purchase plan stock					

issuance............................	49	--	181	--	--
Net income............................	--	--	--	--	--
	------	----	-------	---	-----
Balance, September 30, 1998............	9,023	90	19,502	687	(831)
Exercise of common stock options........	90	1	356	--	--
Employee stock purchase plan stock issuance............................	34	--	104	--	--
Compensation expense on stock options...	--	--	49	--	--
Issuance of common stock in connection with acquired technologies...........	1,982	20	10,226	--	--
Issuance of common stock in connection with private placement, net of issuance costs of $1,017.............	3,960	40	18,943	--	--
Stock-based consideration..............	--	--	173	--	--
Net loss..............................	--	--	--	--	--
	------	----	-------	---	-----
Balance, September 30, 1999............	15,089	151	49,353	687	(831)
Exercise of common stock options........	183	2	773	--	--
Employee stock purchase plan stock issuance............................	30	--	174	--	--
Acquisition of technologies and intangible assets....................	--	--	3,641	--	--
Issuance of common stock in connection with private placement, net of issuance costs of $1,121.............	6,808	68	14,811	--	--
Stock-based consideration..............	--	--	11	--	--
Net loss..............................	--	--	--	--	--
	------	----	-------	---	-----
Balance, September 30, 2000............	22,110	$221	$68,763	687	$(831)
	======	====	=======	===	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

F-6

WEBHIRE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED SEPTEMBER 30,		
	2000	1999	1998
Cash Flows from Operating Activities:			
Net (loss) income.......................................	$(37,199)	$(16,219)	$ 1,347
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities--			
Depreciation and amortization...........................	13,687	8,754	1,694
Amortization of stock-based consideration................	11	173	--
Provision for doubtful accounts.........................	1,453	802	495
Non-cash write-off of other assets......................	1,284	--	--
Deferred income taxes, net..............................	1,068	(187)	--
Deferred rent...	(52)	33	23
Compensation expense on stock options and warrant grants...	--	49	--
Changes in assets and liabilities--			
Accounts and installments receivable...................	(1,531)	1,787	(2,647)

Other current assets	(647)	(602)	(665)
Refundable income taxes	700	(565)	813
Long-term installments receivable	291	137	(581)
Accounts payable	(418)	123	340
Accrued expenses	1,352	(122)	749
Deferred revenue	2,803	(139)	1,397
Accrued income taxes	--	(211)	211
Net cash (used in) provided by operating activities	(17,198)	(6,187)	3,176
Cash Flows from Investing Activities:			
Purchases of acquired technologies	(1,570)	(7,167)	--
Purchases of property and equipment	(2,328)	(3,191)	(1,278)
Maturities and purchases of short-term investments, net	(2,410)	6,664	2,746
Maturities and purchases of long-term investments, net	--	893	(893)
Change in other assets	134	149	(16)
Net cash (used in) provided by investing activities	(6,174)	(2,652)	559
Cash Flows from Financing Activities:			
Payments of capital lease obligations	(446)	(251)	(144)
Proceeds from exercise of common stock options	774	357	255
Proceeds from employee stock purchase plan stock issuance	174	104	181
Proceeds from issuance of common stock in connection with private placement, net of issuance costs	14,879	18,983	--
Net cash provided by financing activities	15,381	19,193	292
Net (decrease) increase in Cash and Cash Equivalents	(7,991)	10,354	4,027
Cash and Cash Equivalents, beginning of period	20,126	9,772	5,745
Cash and Cash Equivalents, end of period	$ 12,135	$ 20,126	$ 9,772
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period for			
Interest	$ 15	$ 13	$ 19
Income taxes	$ 9	$ 395	$ 379
Supplemental Disclosure of Noncash Investing Activities:			
Acquisition of equipment under capital lease obligations	$ --	$ 546	$ --
Supplemental Disclosure of Noncash Financing Activities:			
Issuance of common stock in connection with Junglee Investment	$ --	$ 8,529	$ --
Issuance of common stock in connection with HireWorks acquisition	$ --	$ 1,717	$ --
Issuance of convertible notes and beneficial conversion feature in connection with HR Sites acquisition	$ 7,066	$ --	$ --
Issuance of common stock warrants	$ 11	$ 173	$ --

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL

STATEMENTS.

WEBHIRE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(1) DESCRIPTION OF BUSINESS

The Company designs, develops, markets, implements and supports human resource staffing software and services to automate the recruitment, selection and placement of an organization's workforce. The Company's staffing software enables organizations to strategically manage their human capital by reducing hiring and placement costs, decreasing time to fill positions and providing more effective skills management and worker deployment. The Company's products provide human resource departments with solutions to quickly and efficiently build and search comprehensive "pools" of resumes to find the workers they need, while also managing the workflow of the staffing process.

Effective June 1, 1999, the Company effected a name change from Restrac, Inc. to Webhire, Inc.

The Company currently anticipates that its available cash will be sufficient to meet its anticipated working capital and capital expenditure requirements through fiscal 2001. However, the Company may need to raise additional capital to meet its needs in the longer term to fund more rapid expansion to develop new services and to enhance existing services in response to competitive pressures, and to acquire complementary services, businesses or technologies. In the event its operations are not profitable or do not generate sufficient cash to fund the business, or if the Company fails to receive money to meet its obligations, the Company may have to substantially cut back its level of operations. These reductions could, in turn, affect its relationships with its strategic partners and customers and threaten its ability to continue as an ongoing concern. If the Company raises additional funds through further issuance of equity or convertible debt securities, the percentage of ownership of its current stockholders will be reduced and such securities may have rights, preferences and privileges senior to those of its current stockholders. In addition, the Company may not be able to obtain such financing on terms favorable to it, if at all. If adequate funds are not available or are not available on terms favorable to the Company, its business, results of operations and financial condition could be materially and adversely affected.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Webhire, Inc. and its wholly-owned subsidiaries (collectively, "the Company"). All significant intercompany transactions and balances have been eliminated. Certain amounts in the prior period's financial statements have been reclassified to conform to the current period presentation.

(B) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) REVENUE RECOGNITION

Product revenue includes software license fees. Services revenue--Enterprise includes customer maintenance fees and fees for training, installation and consulting. Services revenue--Internet includes fees for scanning, job posting services, recruiter training, WEBHIRE JUMPSTART, WEBHIRE RECRUITER, WEBHIRE JOB POST, WEBHIRE JOB CANOPY, WEBHIRE AGENT (introduced in November 1999), YAHOO! RESUMES (introduced in December 1999), OUTSOURCED WEBHIRE ENTERPRISE (introduced in January 2000) and WEBHIRE JOB SITE HOSTING (introduced in April 2000).

Product revenue from software license fees is recognized upon delivery, provided there are no significant Company obligations remaining and collectibility of the revenue is probable. If an acceptance period is allowed, revenue is recognized upon the earlier of the acceptance or the expiration of the acceptance period, as defined in the applicable software license agreement.

Installments receivable represent the present value of future payments related to the financing of noncancelable term license agreements that provide for payment in installments over a five-year period. A portion of each installment is recognized as interest income in the accompanying consolidated statements of operations.

Services revenue from customer maintenance fees for post contract support is recognized ratably over the maintenance term, which is typically twelve months. Services revenue from training, installation, consulting, resume scanning, recruiter training and WEBHIRE JUMPSTART is recognized as the related services are performed. Services revenue from WEBHIRE RECRUITER, WEBHIRE JOBPOST, WEBHIRE JOB CANOPY, WEBHIRE AGENT, YAHOO! RESUMES, OUTSOURCED WEBHIRE ENTERPRISE and WEBHIRE JOB SITE HOSTING is recognized ratably over the service term.

Deferred revenue represents payments received by the Company in advance of product delivery or service performance.

(D) RESEARCH AND SOFTWARE DEVELOPMENT COSTS

Research and software development costs are generally charged to operations as incurred. Statement of Financial Accounting Standards (SFAS) No. 86, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE TO BE SOLD, LEASED OR OTHERWISE MARKETED, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release have not been material.

WEBHIRE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2000

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) CASH AND CASH EQUIVALENTS

Cash equivalents are recorded at amortized cost and consist of highly liquid investments with remaining maturities at date of purchase of three months or less. At September 30, 2000 and 1999, cash and cash equivalents consisted of the following:

	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
Cash and money market funds	$ 577	$20,126
Commercial paper	11,558	--
	$12,135	$20,126

(F) SHORT-TERM INVESTMENTS

The Company classifies its short-term investments as available-for-sale. At September 30, 2000 and 1999, the Company had short-term investments of $2,410 and $0, respectively. Realized and unrealized gains and losses for the periods presented were not material.

(G) OTHER CURRENT ASSETS

Other current assets primarily consist of prepaid operating expenses. The Company capitalizes prepaid expenses and amortizes them over the applicable period of their use. Prepaid expenses amounted to $1,638 and $2,286 at September 30, 2000 and 1999, respectively.

(H) PROPERTY AND EQUIPMENT

The Company records property and equipment at cost and provides for depreciation on a straight-line basis over the estimated useful lives of the assets, as follows:

ASSET CLASSIFICATION	ESTIMATED USEFUL LIFE	SEPTEMBER 30, 2000	SEPTEMBER 30, 1999
Computer and office equipment	3 -- 5 Years	$10,195	$8,308
Software	3 Years	1,803	1,499
Furniture and fixtures	3 -- 7 Years	641	636

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Leasehold improvements.....................	Life of Lease	458	348
Equipment under capital lease..............	3 Years	568	546
		13,665	11,337
Accumulated depreciation...................		(9,417)	(6,744)
		$ 4,248	$4,593

Depreciation expense for the years ended September 30, 2000, 1999 and 1998 amounted to approximately $2,673, $2,112 and $1,694, respectively.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) INTANGIBLE ASSETS

Intangible assets are stated at cost and amortized using the straight-line method over the assets' estimated useful lives, which range from two to five years. The carrying amount of long-lived and intangible assets are periodically reviewed by management to determine if facts and circumstances suggest that such amount may be impaired.

(J) INCOME TAXES

The Company accounts for income taxes in accordance with SFAS No. 109, ACCOUNTING FOR INCOME TAXES. Under SFAS No. 109, a deferred tax asset or liability is measured by the currently enacted tax rates applied to the differences between the financial statement and tax bases of assets and liabilities.

(K) CONCENTRATION OF CREDIT RISK

The Company has no significant off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements. The Company places its cash, cash equivalents and short- and long-term investments in highly rated institutions or securities. The Company's accounts receivable credit risk is not concentrated within any geographical area and no single customer accounts for greater than 10% of total revenue.

(L) NET (LOSS) INCOME PER SHARE

SFAS No. 128, EARNINGS PER SHARE, establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. In accordance with SFAS No. 128, basic net (loss) income per share for 2000, 1999 and 1998 is calculated by dividing net (loss) income by the weighted average number of common shares outstanding for those periods. Diluted net (loss) income per share is calculated by dividing net (loss) income by the diluted weighted average number of common shares outstanding for all periods presented. The following table reconciles the weighted average common shares outstanding to the shares used in computation of diluted weighted average common shares outstanding:

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	YEARS ENDED SEPTEMBER 30,		
	2000	1999	1998
Weighted average common shares outstanding........	15,540,721	10,004,662	8,273,177
Dilutive effect of options, using the treasury stock method..................................	--	--	244,593
Diluted weighted average common shares outstanding..................................	15,540,721	10,004,662	8,517,770

As of September 30, 2000, 1999 and 1998, 2,534,141, 1,621,130 and 356,250 potential common shares were outstanding, respectively, but not included in the above calculation, as their effect would have been antidilutive.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) STOCK-BASED COMPENSATION

SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, requires the measurement of the fair value of stock options granted to employees to be included in the statement of operations or disclosed in the notes to the consolidated financial statements. The Company determined that it will continue to account for employee stock-based compensation under Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES and related interpretations, and elect the disclosure only alternative under SFAS No. 123. The Company accounts for options granted to non-employees at fair value as prescribed in SFAS No. 123.

(N) RECENT ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.133 ("SFAS 133"), ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This statement establishes accounting and reporting standards for derivative instruments, including some derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company will adopt SFAS 133 in Fiscal 2001, in accordance with SFAS 137, which deferred the effective date of SFAS 133. The adoption of this standard in Fiscal 2001 is not expected to have a material impact on the Company's consolidated financial statements.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101 ("SAB 101"), REVENUE RECOGNITION IN FINANCIAL STATEMENTS. This bulletin summarizes some of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Staff is providing this guidance due, in part, to the large number of revenue recognition issues that registrants encounter. SAB 101 was delayed by the issuance of SAB 101A on March 27, 2000 and SAB 101B on June 26, 2000; it must be adopted by the fourth quarter of the fiscal year beginning after December 15, 1999. The Company will adopt SAB 101 in Fiscal 2001 and does not expect its adoption to have a material impact on the Company's consolidated financial statements.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 ("FIN 44"), ACCOUNTING FOR CERTAIN TRANSACTIONS INVOLVING STOCK COMPENSATION--AN INTERPRETATION OF APB OPINION NO. 25. FIN 44 clarifies the application of APB No. 25 to certain issues including: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequences of various modifications to the terms of previously fixed stock options or awards; and the accounting for the exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 are applicable retroactively to specific events occurring after either December 15, 1998 or January 12, 2000. The Company does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

F-12

WEBHIRE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2000

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments, which include cash equivalents, short- and long-term investments, accounts and installments receivable, accounts payable and debt, approximates their carrying value.

(3) PRIVATE PLACEMENT OF COMMON STOCK

On July 19, 1999, the Company entered into a stock purchase agreement with SOFTBANK Capital Partners LP and its affiliates (collectively, "SOFTBANK"), pursuant to which SOFTBANK agreed to purchase in a private placement (the "Private Placement") 3,960,396 shares of common stock at a price per share of $5.05, for an aggregate purchase price of $20 million. The purchase price of $5.05 per share represented the average closing price of the common stock for the twenty trading days immediately preceding the date the parties entered into the stock purchase agreement. The Private Placement was consummated on September 24, 1999 upon the approval of the stockholders of the Company.

Also on July 19, 1999, SOFTBANK entered into a separate stock purchase agreement with Amazon.com, Inc. ("Amazon") to purchase 1,670,273 shares of the common stock of Webhire held by Amazon.

On July 10, 2000, the Company entered into a stock purchase agreement with Korn/Ferry International, SOFTBANK, GMN Investors II, L.P., Aventine International Fund and Bricoleur Partners II, L.P. whereby the Company agreed to issue in a private placement an aggregate of 6,808,512 shares of Common Stock at a price per share of $2.35, for an aggregate purchase price of approximately $14.9 million net of issuance costs of approximately $1.1 million. The private placement was consummated between August 2, 2000 and August 24, 2000 upon receipt of the funds.

(4) YAHOO! INVESTMENT AND SERVICE AGREEMENT

Yahoo! Inc., a SOFTBANK affiliate ("Yahoo!"), agreed to participate in the Private Placement with the purchase of 274,726 of the Private Placement shares of common stock of Webhire.

Additionally, Webhire and Yahoo! have entered into a service agreement whereby, among other things, Webhire provided resume management technology and services to Yahoo! to create an online resume database.

In connection with this service agreement, the Company granted to Yahoo! warrants to purchase 199,218 shares of common stock at $4.95 per share. The warrants were accounted for under the variable method of accounting. The warrants fully vested on June 3, 2000. At June 3, 2000 and September 30, 1999, the fair value of the warrants was estimated at approximately $184 and $1,381, respectively, using the Black-Scholes option pricing model. The Company recognized the expense related to the warrants over the vesting period. For Fiscal 2000 and 1999 the Company recorded a charge of $11 and $173, respectively, in sales and marketing costs in the accompanying consolidated statement of operations.

(5) EQUITY INVESTMENTS

The Company holds a 43% ownership interest in refer.com, inc. ("Refer") accounted for under the equity method. During fiscal 2000 the Company recorded a loss of $5 in other income, net which represents its investment to date in Refer. Refer is an online job and networking service that pays cash rewards to people who help their friends and business contacts find new jobs. The Company and idealab!, a creator and operator of Internet businesses, are the principal stockholders in Refer.

On June 12, 2000, the Company entered into a joint venture agreement with @viso to form Webhire Europe B.V. which will operate an Internet based workforce recruiting services business in Europe. The Company holds a 51% ownership interest and has committed to a net $500 cash investment in Webhire Europe B.V. The balance sheet and statement of operation accounts which are consolidated in the Company's financial statements along with the related minority interest in Webhire Europe B.V. are immaterial.

(6) ACQUIRED TECHNOLOGIES

On November 18, 1998, the Company acquired certain assets and assumed certain obligations of the Junglee Employment Services business of Amazon.com. In exchange for cash of $6 million and 1,670,273 shares of Webhire common stock valued at $8.5 million, Webhire received exclusive rights to Junglee's online recruitment technologies. Webhire also acquired Junglee's Internet production sites and assumed management and development of the employer and career site business relationships established by Junglee Corp. ("Junglee"). Webhire did not retain any Junglee personnel in connection with the transaction. The investment is being amortized over two years.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

On July 9, 1999, the Company acquired 100% of the outstanding capital stock of HireWorks, Inc. in exchange for cash of $385 and 312,072 shares of common stock of Webhire valued at approximately $1.8 million. HireWorks, Inc. is the developer of an Internet-based candidate search agent now called WEBHIRE AGENT. The acquisition was accounted for as a purchase and accordingly the results of operations from the date of acquisition are included in the Company's consolidated statement of operations. The purchase price was allocated to the technology acquired and will be amortized over two years. HireWorks Inc.'s assets, liabilities and operations were not significant to the Company.

On December 13, 1999, the Company acquired certain assets of Human Resources Sites International, Inc. ("HR Sites") in exchange for $1,500 in cash plus junior subordinated convertible promissory notes ("Notes") with a face amount totaling $3,425. HR Sites was the developer of an Internet job-posting platform that provided online job posting connections to more than 2,000 career sites and Internet news groups. The Notes contain a beneficial conversion feature enabling the holder to convert the principal and any accrued interest into the Company's common stock one day prior to the scheduled maturities, or one day prior to redemption by the Company, at a price of $9.68 per share. The Company may redeem the Notes at any time on or after January 1, 2000 at their sole discretion. The Notes are also convertible upon a change in control, as defined. The Company's common stock price on the dates the Notes were executed at December 13, 1999 was $17.75. The conversion price is subject to adjustment upon certain anti-dilution events. The Notes contain the same terms other than differing maturities. The interest rate on both Notes is 5.6% per annum. The Notes consist of principal amounts of $2,500 and $925 maturing on December 14, 2000 and March 14, 2001, respectively. The Company recorded the value ascribed to the beneficial conversion feature as the

(6) ACQUIRED TECHNOLOGIES (CONTINUED)

difference between the fair value of the Notes of $7,066 and the face amount of the Notes of $3,425 in additional-paid-in-capital during Fiscal 2000. The total acquisition consideration amounted to $8,640 including the cash paid of $1,500. The purchase price was allocated to the following identifiable assets with the following estimated lives:

	AMOUNT	ESTIMATED LIFE
Acquired technology	$2,069	3 years
Non-compete agreements	157	3 years
Customer base	24	5 years
Fixed Assets	20	1 year
Excess purchase price over identifiable assets	6,370	3 years
	$8,640	

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(7) COMMITMENTS AND CONTINGENCIES

The Company's corporate headquarters are located in Lexington, Massachusetts, where it currently occupies approximately 43,000 square feet of office space under a lease expiring in December 2003. The Company also has a regional sales and service office in Foster City, California, where it occupies approximately 6,000 square feet, under a lease expiring in January 2002.

Capital lease obligations consist of amounts due under a software lease agreement expiring in March 2001. At September 30, 2000, the cost and accumulated depreciation of the related software was $568 and $237, respectively.

Future minimum rental payments as of September 30, 2000 under both the operating and capital leases, are shown in the following table:

	CAPITAL LEASES	OPERATING LEASES
2001	$260	$1,325
2002	--	1,122
2003	--	1,077
2004	--	449
	260	$3,973
Less--amounts representing interest	(6)	
Present value of minimum lease payments	$254	

Aggregate net rental expense included in the accompanying statements of operations for the fiscal years ended September 30, 2000, 1999 and 1998 is approximately $1,908, $1,633 and $1,713, respectively.

(7) COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases with escalating rents or free rent periods are expensed on a straight-line basis over the fixed term of the lease. Deferred rent of approximately $176 and $228 is included in the accompanying consolidated balance sheets at September 30, 2000 and 1999, respectively.

The Company is not involved in any pending legal proceedings other than those arising in the ordinary course of the Company's business. Management believes that the resolution of these matters will not materially affect the Company's business or the financial condition of the Company.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(8) STOCKHOLDERS' EQUITY

(A) EMPLOYEE STOCK PURCHASE PLAN

On May 8, 1996, the Board of Directors authorized the 1996 Employee Stock Purchase Plan (the Employee Plan). Under the Employee Plan, the Company may issue up to an aggregate of 400,000 shares of common stock to employees at 85% of the lower of the fair market value of the common stock on the first or last day of each six-month purchase period. During fiscal 2000, 1999 and 1998, 29,638, 33,918 and 48,956 shares, respectively, were issued pursuant to the Employee Plan. On October 2, 2000, 16,463 shares of common stock were issued pursuant to the Employee Plan.

(B) STOCK OPTION PLANS

The Company has two stock option plans, the 1994 Stock Option Plan (the 1994 Plan) and the 1996 Stock Option and Grant Plan (the 1996 Plan). The 1994 and 1996 Plans enable the Company's Board of Directors to grant nonqualified and incentive stock options (ISOs) and shares of Common Stock. ISOs are granted at the then fair market value. Under the terms of the 1994 and 1996 Plans, options generally vest over four years and expire ten years after the date of grant.

(8) STOCKHOLDERS' EQUITY (CONTINUED)

The 1994 and 1996 Plans are administered by the Compensation Committee as appointed by the Board of Directors from time to time. On December 3, 1999, the Company amended the 1996 Plan to increase the number of shares available for grant to 3,500,000 shares of common stock. A total of 641,844 shares of common stock are reserved for issuance under the 1994 Plan as amended.

Stock option activity for the 1994 and 1996 Plans is as follows:

	NUMBER OF SHARES	OPTION PRICE PER SHARE	WEIGHTED AVERAGE PRICE PER SHARE
Outstanding, September 30, 1997.............	1,003,123	0.44 - 17.00	3.87
Granted..................................	363,700	5.63 - 8.25	6.15
Exercised................................	(121,415)	0.44 - 4.67	2.10
Canceled.................................	(152,157)	0.44 - 8.25	4.05
Outstanding, September 30, 1998.............	1,093,251	0.44 - 17.00	4.80
Granted..................................	732,150	3.63 - 11.13	4.88
Exercised................................	(89,734)	0.44 - 6.38	3.98
Canceled.................................	(313,755)	2.00 - 8.25	4.83
Outstanding, September 30, 1999.............	1,421,912	0.44 - 17.00	4.89

Granted..................................	1,569,716	2.34 - 12.50	6.70
Exercised................................	(182,754)	0.44 - 9.00	4.24
Canceled.................................	(473,951)	2.00 - 17.00	6.23
Outstanding, September 30, 2000............	2,334,923	$0.44 - $17.00	5.88
Available for grant, September 30, 2000.....	1,139,124		

At September 30, 2000, 1999 and 1998 options exercisable were 641,963, 501,544 and 295,473, respectively.

The weighted-average fair value per share of the options granted was $5.35, $4.52 and $4.60 for the years ended September 30, 2000, 1999 and 1998, respectively.

WEBHIRE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2000

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(8) STOCKHOLDERS' EQUITY (CONTINUED)

The following table summarizes significant ranges of outstanding and exercisable options at September 30, 2000.

OPTIONS OUTSTANDING				OPTIONS EXE
RANGES OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBE EXERCIS
$0.44 - $ 1.97	11,250	4.1	$ 0.44	11,2
1.98 - 3.95	1,078,145	7.8	3.01	274,9
3.96 - 5.92	354,291	6.5	4.96	220,0
5.93 - 7.90	132,956	5.6	6.33	80,0
7.91 - 9.87	290,681	8.3	9.15	40,2
9.88 - 11.85	312,600	8.7	10.44	10,7
11.86 - 13.83	150,000	9.4	12.50	
15.80 - 17.78	5,000	6.0	17.00	4,6
	2,334,923		$ 5.88	641,9

The fair value of the stock awards, including the options granted under the 1994 Plan and the 1996 Plan, was estimated using the Black-Scholes model with the following weighted average assumptions:

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	2000	1999	1998
Expected life	4 years	7 years	7 years
Risk free interest rate	5.82%	5.63%	5.59%
Volatility	113.4%	129.6%	80.0%
Dividend yield	0.0%	0.0%	0.0%

The pro forma effect of applying SFAS No. 123 would be as follows:

	2000	1999	1998
Net (loss) income as reported	$(37,199)	$(16,219)	$ 1,347
Pro forma net (loss) income as adjusted	$(38,861)	$(17,557)	$ 320
Basic and diluted net (loss) income per share as reported	$ (2.39)	$ (1.62)	$ .16
Basic and diluted pro forma net (loss) income per share as adjusted	$ (2.50)	$ (1.75)	$ .04

(9) INCOME TAXES

The provision (benefit) for income taxes in the accompanying consolidated statements of operations consists of the following for the fiscal years ended September 30, 2000, 1999 and 1998:

	2000	1999	1998
Current--			
Federal	$1,165	$ (400)	$557
State	--	--	20
	1,165	(400)	577
Deferred--			
Federal	--	(168)	--
State	--	--	--
	--	(168)	--

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Total provision (benefit)	$1,165	$ (568)	$577

The deferred tax amounts as of September 30, 2000 and 1999 are as follows:

	2000	1999
Deferred tax asset--		
Net operating loss carry forward	$14,973	$3,605
Acquired technology and intangible assets	5,595	2,302
Nondeductible reserves	949	750
Deferred revenue	--	86
Buyout of distribution rights	133	146
Fixed assets	251	--
Credit carryforwards	773	--
Total gross deferred tax asset	22,674	6,889
Less--Valuation allowance	(22,674)	(5,821)
Net deferred tax asset	$ --	$1,068
Deferred tax liability	$ --	$ --

As of September 30, 2000, the Company had federal net operating loss ("NOL") and tax credit carryforwards of approximately $37,239 and $391, respectively, which can be used to offset future federal and state income tax liabilities and expire at various dates through 2020. As required by Statement of Accounting Standards No. 109, management of the Company evaluated positive and negative evidence bearing upon the realizability of its deferred tax assets, which comprised principally of net operating loss and deferred revenue carryforwards. Management has determined that it is more likely than not that the Company will not recognize the benefits of federal and state deferred tax assets

(9) INCOME TAXES (CONTINUED)

and, as a result, a valuation allowance of approximately $22,674 has been established at September 30, 2000.

Of the $37,239 NOL carryforward approximately $1,419 relating to deductions for exercises of non-qualified stock options and disqualifying dispositions of incentive stock options will be credited to paid-in capital, if realized.

Ownership changes, as defined in the Internal Revenue Code, may have limited the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income. Subsequent ownership changes could further affect the limitation in future years.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The provision (benefit) for income taxes differs from the amount computed by applying the statutory federal income tax rate as follows:

	2000	1999	19
Provision (benefit) at federal statutory rate	(34.0)%	(34.0)%	34
Effect of change in valuation allowance	41.6	36.9	
Amortization of intangible assets and other permanent items	1.1	--	
State income taxes, net of federal benefit	(5.5)	(6.3)	6
Tax exempt interest income	--	--	(8
Other, net	--	--	(2
Effective tax rate	3.2%	(3.4)%	30

(10) EMPLOYEE BENEFIT PLAN

The Company maintains an employee benefit plan (the Benefit Plan) under Section 401(k) of the Internal Revenue Code. The Benefit Plan is available to all full-time U.S. employees. The Benefit Plan allows for employees to make contributions up to a specified percentage of their compensation. Under the Benefit Plan, the Company makes discretionary contributions to match 50% of the employees' contributions up to a maximum annual match of 3% of each employee's salary. The Company contributed approximately $85, $144 and $154 during the fiscal years ended September 30, 2000, 1999 and 1998, respectively.

(11) ACCRUED EXPENSES

Accrued expenses at September 30, 2000 and 1999 consist of the following:

	2000	1999
Payroll and payroll-related costs	$2,399	$1,979
Other accrued expenses	2,103	1,171
	$4,502	$3,150

(12) OTHER INCOME

Other income consists of the following:

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	2000	1999	1998
Interest income	$ 730	$493	$651
Interest expense	(172)	(13)	(19)
Other	(13)	(25)	(39)
	$ 545	$455	$593

(13) BUSINESS SEGMENT INFORMATION

Effective for the year ended September 30, 1998, the Company adopted SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, which requires disclosure of financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments for which separate financial information is available and for which operating profit and loss amounts are evaluated regularly by senior management in deciding how to allocate resources and in assessing performance.

The Company has two reportable segments: Enterprise software solutions and Internet and transaction-based solutions, the latter of which started to emerge in fiscal 1997 with the offering of outsourced services (e.g., resume scanning, acknowledgement letters) and the research and development activities undertaken for this segment. The Internet and transaction-based solutions segment provides outsourced management of private candidate pools via WEBHIRE RECRUITER, subscription services to public resume pools and job-posting sites, the job--posting services initiated with the Junglee transaction, resume scanning, reference checking and other fee-based staffing functions. The enterprise software solutions segment provides perpetual licenses to the Company's software products and the related maintenance, training, implementation and consulting services in support of such licenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Expenses related to general corporate functions such as Finance and Human Resources and general and administrative costs such as depreciation, rent and utilities are allocated to the reportable segments based on relative headcount as a basis of relative usage. The Company has no intersegment sales and transfers, and does not allocate assets to the operating segments.

(13) BUSINESS SEGMENT INFORMATION (CONTINUED)

The Company's reportable segments are strategic business units that offer different solutions tailored to a customer's needs. They are managed separately because each business requires different technology and sales and marketing strategies.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	YEAR ENDED SEPTEMBER 30, 2000:		
	INTERNET AND TRANSACTIONS	ENTERPRISE SOFTWARE	TOTAL COMPANY
Revenue	$ 9,930	$14,874	$ 24,804
Gross (losses) profits	(9,640)	9,322	(318)
Loss from operations	(36,046)	(533)	(36,579)
Other income, net			545
Loss before income taxes			$(36,034)

	YEAR ENDED SEPTEMBER 30, 1999:		
	INTERNET AND TRANSACTIONS	ENTERPRISE SOFTWARE	TOTAL COMPANY
Revenue	$ 5,056	$20,239	$ 25,295
Gross (losses) profits	(5,654)	13,953	8,299
Loss from operations	(16,928)	(314)	(17,242)
Other income, net			455
Loss before income taxes			$(16,787)

	YEAR ENDED SEPTEMBER 30, 1998:		
	INTERNET AND TRANSACTIONS	ENTERPRISE SOFTWARE	TOTAL COMPANY
Revenue	$ 2,117	$28,738	$ 30,855
Gross profits	94	21,760	21,854
(Loss) income from operations	(3,196)	4,527	1,331
Other income, net			593
Income before income taxes			$ 1,924

(14) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Q1 2000 AS RESTATED	Q2 2000 AS RESTATED	Q3 2000 AS RESTATED	Q4 2000
Revenue.............................	$ 6,494	$ 6,283	$ 5,788	$ 6,239
Gross profit (loss).................	848	95	(1,018)	(243)
Net loss............................	(8,381)	(9,431)	(9,916)	(9,471)
Net loss per share..................	$ (.58)	$ (.65)	$ (.68)	$ (.51)

	Q1 1999	Q2 1999	Q3 1999	Q4 1999
Revenue.................................	$ 6,402	$ 6,423	$ 6,146	$ 6,324
Gross profit............................	3,391	1,970	1,271	1,667
Net loss................................	(1,850)	(3,890)	(4,950)	(5,529)
Net loss per share......................	$ (.20)	$ (.39)	$ (.49)	$ (.51)

(15) SUBSEQUENT EVENT

On December 29, 2000, the Company entered into a stock purchase agreement with @viso Limited ("@viso"), pursuant to which @viso agreed to purchase 1,087,500 shares of common stock for issuance to @viso or its designated investors at a price per share of $0.92, for an aggregate purchase price of approximately $1 million. The purchase price of $0.92 per share represents the average closing price of the common stock for the twenty days ending with the closing date of this agreement.

On January 11, 2001, a major investor in the Company, which is a related party, provided the Company with a written commitment to support the Company's cash liquidity requirements through September of 2001, up to a maximum of $5 million, if necessary. In consideration of such commitment, the Company intends to issue warrants to the investor to purchase 500,000 shares of the Company's common stock at a price of $1.25 per share.

F-23

REPORT OF INDEPENDENT ACCOUNTANTS ON THE FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Webhire, Inc.:

Our audit of the consolidated financial statements referred to in our report dated October 30, 2000 except for the information presented in paragraph one and two of Note 15, for which the dates are December 29, 2000 and January 11, 2001, respectively, also included an audit of the financial statement schedule listed in Item 14 (a)(2) of this Form 10-K. In our opinion, this financial statement schedule as of and for the year ended September 30, 2000, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

October 30, 2000

SCHEDULE II

WEBHIRE, INC.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2000, 1999 AND 1998

ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE, BEGINNING OF YEAR	CHARGED TO EXPENSE	WRITE-OFFS	BAL END
Year ended September 30, 2000....................	$700	$1,453	$566	$
Year ended September 30, 1999....................	$400	$ 802	$502	$
Year ended September 30, 1998....................	$320	$ 495	$415	$