

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **1999-07-27**  
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([HTML Version](#) on [secdatabase.com](#))

### FILER

#### LIONBRIDGE TECHNOLOGIES INC /DE/

CIK: **1058299** | IRS No.: **043398462** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **S-1/A** | Act: **33** | File No.: **333-81233** | Film No.: **99671209**  
SIC: **7389** Business services, nec

Mailing Address  
950 WINTER STREET  
WALTHAM MA 02451

Business Address  
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SUITE 4300  
WALTHAM MA 02154  
7818906612

REGISTRATION NO. 333-81233

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

LIONBRIDGE TECHNOLOGIES, INC.  
(Exact name of registrant as specified in its charter)

<TABLE>			
<S>	DELAWARE	<C>	7389
	(State or other jurisdiction of incorporation or organization)		(Primary Standard Industrial Classification Code Number)
		<C>	04-3398462
			(I.R.S. Employer Identification Number)
</TABLE>			

LIONBRIDGE TECHNOLOGIES, INC.  
950 WINTER STREET  
WALTHAM, MASSACHUSETTS 02451  
(781) 890-6612  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

RORY J. COWAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER  
LIONBRIDGE TECHNOLOGIES, INC.  
950 WINTER STREET  
WALTHAM, MASSACHUSETTS 02451  
(781) 890-6612  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

<TABLE>		
<S>	GEORGE W. LLOYD, ESQ. TESTA, HURWITZ & THIBEAULT, LLP 125 HIGH STREET BOSTON, MASSACHUSETTS 02110 (617) 248-7000	<C>
		STEPHEN A. RIDDICK, ESQ. BROBECK, PHLEGER & HARRISON LLP 701 PENNSYLVANIA AVENUE NW, SUITE 220 WASHINGTON, D.C. 20004 (202) 220-6000
</TABLE>		

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
As soon as practicable after this registration statement becomes effective.

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / / \_\_\_\_\_

CALCULATION OF REGISTRATION FEE

<TABLE> <CAPTION>	TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
<S> Common Stock, \$.01 par value..... </TABLE>		<C> \$64,400,000	<C> \$17,904

(1) Estimated solely for the purpose of calculating the registration fee, includes \$15,985 previously paid in connection with the registration statement filed on June 21, 1999. \$1,919 is being paid in connection with the filing of this Amendment No. 1.

-----  
THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

-----  
SUBJECT TO COMPLETION--JULY 27, 1999

PROSPECTUS

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. LIONBRIDGE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

-----  
4,000,000 Shares

[LOGO]  
Common Stock

-----  
Lionbridge Technologies, Inc. is offering 4,000,000 shares of its common stock in an initial public offering. Prior to this offering, there has been no public market for Lionbridge's common stock.

Lionbridge is a provider of globalization services to technology companies worldwide.

It is anticipated that the public offering price will be between \$12.00 and

\$14.00 per share. The shares of Lionbridge will be quoted in the Nasdaq National Market under the symbol "LIOX".

<TABLE>

<CAPTION>

	Per Share	Total
<S>	<C>	<C>
Public offering price.....	\$	\$
Underwriting discounts and commissions.....	\$	\$
Proceeds, before expenses, to Lionbridge.....	\$	\$

</TABLE>

SEE "RISK FACTORS" ON PAGES 7 TO 14 FOR FACTORS THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE SHARES OF LIONBRIDGE.

-----  
Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.  
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The underwriters may purchase up to 600,000 additional shares from selling stockholders and Lionbridge at the public offering price, less underwriting discounts and commissions. Delivery

and payment for the shares will be on \_\_\_\_\_, 1999.

PRUDENTIAL SECURITIES

U.S. BANCORP PIPER JAFFRAY

ADAMS, HARKNESS & HILL, INC.

, 1999

INSIDE FRONT COVER

[graphic showing the lion head from the company logo with the letter "E" wrapped around the head]

Multilingual Internet Services

Because the "e" doesn't stand for English

Multilingual eRelease

- Software Products
- Web Applications
- Firmware
- User Manuals
- Multimedia Tutorials

Multilingual eLearning

- Web-based Product Training
- Self-paced Certification Programs
- Internet Distance Learning

Multilingual eSupport

- Web-based Self-help
- Technical Support Databases
- Interactive Email
- Product Information

Multilingual eCommerce

- Marketing Materials
- Product Catalogs
- Customer Extranets
- Web Storefronts

Simultaneous Worldwide Release ...Continuous Multilingual Updates

[Two-page graphic illustrating Lionbridge processes and customer examples. The graphic contains three sections.

On the far left are three computer screen capture images of English software products from Lionbridge customers. Below each screen shot is text indicating the customer and describing the software.

CISCO delivers Web-based education to thousands of schools around the world through the Cisco Networking Academy Program.

To help launch NOVELL Groupwise in Asia, Lionbridge simultaneously translated Japanese, Simplified Chinese, Traditional Chinese, and Korean versions of Novell's messaging and collaboration software.

PORTAL is a rapidly growing Internet company that provides Internet Service Providers with customer account management software. Their customers are global telecommunications companies requiring global solutions.

On the far right are the corresponding foreign language versions of the screen samples in French, Chinese, and Japanese. Below each screen shot is text describing the work performed by Lionbridge.

CISCO selected Lionbridge to localize the Networking Academy curriculum and keep it continuously updated in several languages, including French.

Chinese versions of NOVELL Groupwise involved localization and testing of the software, creation of Windows and HTML help systems, and translation and publishing of the user documentation.

Lionbridge provided a complete globalization solution for PORTAL's flagship Infranet product, including source code internationalization, software localization in Japanese and seven other languages, and client server testing.

In the middle is a large circle representing the Lionbridge globalization process. Centered inside the circle is the lion head from the company logo. Surrounding the outside of the circle are eight ovals, each representing a step in the Lionbridge process. Below the circle is a rectangular box representing Lionbridge's global network of translation resources.]

Text inside the circle, above the lion head: "Rapid Globalization Methodology-TM-"

Text inside the circle, below the lion head: "LionTrack-TM- Workflow Systems"

Text inside the ovals:

- Oval #1 "Localization Engineering"
- Oval #2 "Internationalization Engineering"
- Oval #3 "Multilingual Technical Publishing"
- Oval #4 "Project Management"
- Oval #5 "Translation"
- Oval #6 "Localization Testing"
- Oval #7 "Compatibility Testing"
- Oval #8 "Logo Certification"

Text inside the rectangular box: "Internet connectivity to 2,000 independent technical translators"

Above and below each of the three sections of the graphic are rectangular boxes with the following text:

Upper left (above the English screen shots): "Internet drives demand for our services" Upper middle (above the Lionbridge circle): "Internet enables our infrastructure" Upper right (above the foreign language screen shots): "Internet provides global access for end users."

Lower left (below the English screen shots): "Lionbridge clients ..."  
Lower middle (below the Lionbridge circle): "...use our services ..."  
Lower right (below the foreign language screen shots): "...to reach global markets."

On the bottom in fine print is the following copyright notice:

"Cisco, Cisco Systems, and the Cisco Systems bridge logo are trademarks of Cisco Systems, Inc. Portal, Infranet, and the Portal logo are registered

trademarks of Portal Software, Inc. Novell and GroupWise are registered trademarks of Novell, Inc.

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"Lionbridge" is a registered trademark and "lionbridge.com" and the Lionbridge logo are trademarks of Lionbridge. "VeriTest" is a registered trademark of Lionbridge. All other trade names and trademarks referred to in this prospectus are the property of their respective owners.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Investors should read the entire prospectus carefully.

Lionbridge is a provider of globalization services to technology companies worldwide. Globalization is the process of adapting products or services to meet the demands of local cultures. Our software, test, Web, and linguistic engineering groups create and maintain multilingual versions of our clients' software and hardware, as well as Web-based technical support, training materials, and sales and marketing information for worldwide release via traditional means and the Internet.

Four business trends are driving the demand for our services:

- the increasingly global operations of companies around the world,
- the widespread adoption of information technology,
- the impact of the Internet on commerce, and
- the increased outsourcing by companies of technology services.

Lionbridge serves as a globalization partner throughout our clients' product development and support lifecycle by offering:

- localization, translation, and internationalization services,
- compliance, compatibility, and localization testing of software and hardware, and
- project management throughout the globalization process.

As product releases, technical support and training have evolved toward a Web-based business model, we have in turn begun to offer multilingual Internet services. While the Internet has been an integral part of our operations and our relationships with our customers for several years, in the last year we have developed new multilingual Internet service offerings that are focused on this rapidly changing business opportunity. These multilingual Internet service offerings include:

- ERELEASE--we modify, translate, and test our clients' software products and Web applications in multiple languages.
- ESUPPORT--we translate, test, and maintain technical support databases which are accessible to our clients' customers through the Internet.
- ELEARNING--we enable our clients to provide updated training materials on the Web in multiple languages.
- ECOMMERCE--we modify Web-based sales and marketing materials for our clients who sell their products through the Internet in multiple languages.

Our proprietary RAPID GLOBALIZATION METHODOLOGY and LIONTRACK workflow systems are the core process and technology we use to provide these multilingual Internet services.

We service our technology clients, including IBM, Microsoft, Motorola, Novell, Oracle, and Sun Microsystems from our facilities in the United States, Europe, and Asia.

OUR MARKET OPPORTUNITY

Companies around the world are increasingly operating on a global scale. To operate efficiently, they must standardize their hardware, software, and telecommunications infrastructures throughout their global organization. Historically, technology providers first developed products for their home markets and then created foreign language versions that were compatible with local operating systems and standards. The complexity of developing these localized versions often resulted in product releases being delayed from six months to a year after delivery of the home-country version. In the interim, end

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users often faced version and compatibility conflicts throughout their global organizations. As a result, global end users of technology now demand:

- simultaneous product release of the home country and localized versions,
- independent third party testing and certification to provide assurance of compatibility with local operating systems and international standards, and
- customer support, testing, and training in local languages wherever the end user operates.

To meet these end user demands, the market for globalization services has evolved beyond translation to encompass:

- LOCALIZATION. The modification and translation of user interfaces, online help, documentation, technical support databases, training materials, and sales and marketing information.
- INTERNATIONALIZATION. The modification of source code so that products and applications are compatible with country-specific operating systems and software.
- MULTILINGUAL PRODUCT TESTING. The assurance that foreign language versions appear and function properly and are compatible with local operating systems and standards.

With the increasing complexity of many technology products, globalization requires the application of sophisticated project management skills to integrate a broad range of disciplines and specialized technical resources.

Technology companies now use the Internet to release products, provide technical support, deliver product training, and sell and market products. Internet content is predominantly in English, but a growing percentage of Internet users do not speak English as their first language. Although the Internet offers significant opportunities, companies cannot take full advantage of these opportunities on a global basis unless they accommodate users' local languages, cultures, and technical environments.

Few companies have the combination of engineering, linguistic, testing, and project management skills needed to globalize their products successfully. We offer a complete globalization and multilingual Internet service that improves the quality, consistency, and timeliness of our clients' international product releases, technical support, training materials, and sales and marketing information.

We believe that expanded global competition and worldwide Internet access will increase the demand for our services. We also believe that by offering one-stop globalization and multilingual Internet services, Lionbridge is an attractive partner to companies operating in a global marketplace.

#### OUR STRATEGY

Lionbridge's goal is to become the leading provider of globalization and multilingual Internet services. The following are the key elements of our strategy:

- leverage existing clients,
- continue strategic acquisitions,
- evolve our methodology and workflow systems,
- pursue multi-year relationships with clients, and



- expand into additional vertical markets.

OUR HISTORY AND OFFICES

Our predecessor, Lionbridge America, Inc., was incorporated in Delaware in September 1996. We were incorporated in Delaware in October 1997 and completed a reorganization in February 1998 in which Lionbridge America became our wholly owned subsidiary. Our principal executive offices are located at 950 Winter Street, Waltham, Massachusetts 02451, our telephone number is (781) 890-6612, and our Web site is [www.lionbridge.com](http://www.lionbridge.com). Information contained on our Web site is not a part of this prospectus.

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THE OFFERING

<TABLE>	
<S>	<C>
Shares offered by Lionbridge.....	4,000,000 shares
Total shares outstanding after this offering.....	16,752,710 shares (1)
Use of proceeds.....	To (i) redeem our series B redeemable preferred stock, (ii) repay our subordinated debt and (iii) provide for other general corporate purposes.
Proposed Nasdaq National Market symbol.....	LIOX
</TABLE>	

(1) Based on 12,752,710 shares of common stock outstanding as of June 30, 1999. Excludes 83,334 shares issuable upon exercise of warrants and 2,621,945 shares issuable upon the exercise of stock options as of June 30, 1999 and 2,890,791 shares available for future grant or issuance under our 1998 Stock Plan and 1999 Employee Stock Purchase Plan.

Except as set forth in the consolidated financial statements or as otherwise indicated, all information in the prospectus:

- does not include 223,333 shares offered if the underwriters exercise their over-allotment option from Lionbridge,
- reflects the conversion of our Series C preferred stock into shares of our common stock and the redemption of our Series B preferred stock upon the closing of the offering,
- assumes a two-for-three reverse stock split effective prior to the closing of the offering, and
- reflects the exercise of warrants to acquire 1,533,260 shares of our common stock.

Upon the closing of the offering, Lionbridge will pay an aggregate of approximately \$27,381,000 of its net proceeds from the offering to affiliates of Lionbridge as follows:

- approximately \$843,000 will be paid to Rory J. Cowan, our Chairman of the Board and Chief Executive Officer, to redeem shares of our Series B redeemable preferred held by Mr. Cowan;

- approximately \$120,000 will be paid to our director Paul Kavanagh to redeem shares of our Series B redeemable preferred stock held by Mr. Kavanagh;
- an aggregate of approximately \$7,209,000 will be paid to entities affiliated with our director Marcia J. Hooper to redeem shares of our Series B redeemable preferred stock held by those entities;
- an aggregate of approximately \$9,209,000 will be paid to entities affiliated with our director Guy L. de Chazal to redeem shares of our Series B redeemable preferred stock and to repay \$2,000,000 principal amount of our senior subordinated notes held by those entities; and
- an aggregate of approximately \$10,000,000 will be paid to entities affiliated with our director Stephen M. Jenks to repay \$10,000,000 principal amount of our senior subordinated notes held by those entities.

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SUMMARY CONSOLIDATED FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table summarizes the financial data for our business. We commenced operations on December 23, 1996 through the acquisition of the localization businesses of Stream International. The information for the year ended December 31, 1996 reflects Stream International's results of operations for the acquired businesses. For the years ended December 31, 1997 and 1998 and the six months ended June 30, 1998, our loss from operations and net loss include restructuring charges of \$541,000, \$501,000 and \$451,000 related to workforce reductions in France.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
<CAPTION>				(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenue.....	\$ 28,134	\$ 26,462	\$ 38,412	\$ 18,132	\$ 23,783
Gross profit.....	3,157	7,548	12,866	5,906	7,176
Income (loss) from operations.....	13	(6,909)	(3,404)	(2,183)	(4,142)
Net loss.....	(213)	(7,654)	(4,262)	(2,523)	(9,765)
Basic and diluted net loss per common share attributable to common stockholders.....		\$ (8.85)	\$ (2.99)	\$ (1.89)	\$ (4.64)
Shares used in computing basic and diluted net loss per share attributable to common stockholders.....		985	1,782	1,613	2,218

The pro forma as adjusted column below gives effect upon the closing of this offering to:

- the exchange of all outstanding shares of our Series A convertible preferred stock and Series D nonvoting convertible preferred stock into shares of our Series B redeemable preferred stock and Series C convertible preferred stock,
- the redemption of all outstanding shares of our Series B redeemable preferred stock for \$100,000 per share plus an 8% annual premium,
- the conversion of all outstanding shares of our Series C convertible preferred stock into shares of our common stock,
- the repayment in full of the subordinated notes and the related charge for the unamortized original issue discount on these notes,

- the exercise of warrants to acquire 1,533,260 shares of our common stock, and
- the sale of 4,000,000 shares of common stock in this offering at an assumed initial public offering price of \$13.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses, and application of the estimated net proceeds.

<TABLE>  
<CAPTION>

	DECEMBER 31, 1998	JUNE 30, 1999	
	-----	ACTUAL	PRO FORMA AS ADJUSTED
<S>	<C>	<C>	<C>
	-----	(UNAUDITED)	(UNAUDITED)
CONSOLIDATED BALANCE SHEET DATA:			
Cash.....	\$ 732	\$ 1,455	\$ 20,866
Working capital (deficit).....	(7,718)	(2,919)	16,492
Total assets.....	22,402	28,107	47,518
Long-term debt, net of discount.....	--	10,964	831
Redeemable convertible preferred stock.....	15,418	15,949	--
Total stockholders' equity (deficit).....	(13,521)	(17,032)	28,462

</TABLE>

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#### RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information set forth in this prospectus, before purchasing shares of common stock of Lionbridge. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock. This investment involves a high degree of risk.

##### RISKS RELATED TO OUR BUSINESS

OUR REVENUE COULD BE NEGATIVELY AFFECTED BY THE DELAY OF ONE OF OUR CLIENTS' PRODUCT RELEASES OR THE LOSS OF A MAJOR CLIENT.

A significant portion of our revenue is linked to the product release cycle of our clients. As a result, we perform varying amounts of work for specific clients from year to year based on their product development schedule. A major client in one year may not have use for a similar level of our services in another year. In addition, we derive a significant portion of our revenues from large projects and programs for a limited number of clients. In 1998, IBM accounted for approximately 14% of our revenue and our five largest clients (including IBM) accounted for approximately 39% of our revenue. In the first six months of 1999, our five largest clients accounted for approximately 34% of our revenue. As a result, the loss of any major client or a significant reduction in a large project's scope could materially reduce our revenue and cash flow, and adversely affect our ability to achieve and maintain profitability.

WE GENERALLY DO NOT HAVE LONG-TERM CONTRACTS, WHICH MAKES REVENUE FORECASTING DIFFICULT.

A majority of our revenue is derived from individual projects rather than long-term contracts. We cannot assure you that a client will engage us for further services once a project is completed or that a client will not unilaterally reduce the scope of, or terminate, existing projects. You should not predict or anticipate our future revenues based on the number of clients we have or the size of our existing projects. The absence of long-term contracts creates an uncertain revenue stream, which could negatively affect our revenue, cash flow and ability to achieve and maintain profitability.

OUR BRIEF OPERATING HISTORY MAKES IT DIFFICULT TO PREDICT OUR SUCCESS.

Lionbridge was formed in September 1996 to acquire the localization businesses and assets of Stream International and commenced operations at the

end of December 1996 upon closing this acquisition. As a result, we have a brief operating history upon which you can evaluate our business and prospects. Our historical results of operations do not fully give effect to the operations of the companies we have acquired after the Stream acquisition. As a result, our historical results of operations may not give you an accurate indication of our future results of operations or prospects. We are in an early stage of development and the market for some of our services is new and rapidly evolving. We cannot be sure that we will be successful in meeting the challenges we face. If we are unable to do so, our business will not be successful and the value of your investment in Lionbridge will decline.

WE HAVE AN ACCUMULATED DEFICIT, ARE NOT CURRENTLY PROFITABLE, AND ANTICIPATE FUTURE LOSSES.

We have incurred substantial losses since Lionbridge was founded, and we anticipate we will continue to incur substantial losses for the foreseeable future. We had an accumulated deficit of approximately \$24.5 million as of June 30, 1999 and a net loss of \$4.3 million for the year ended December 31, 1998. Although our revenues have grown significantly since 1997, this growth may not be sustainable or indicative of future results of operations. We intend to continue to invest in internal

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expansion, infrastructure, integration of our acquired companies into our existing operations, select acquisitions, and our sales and marketing efforts. In addition, our acquisitions significantly increased our intangible assets, such as goodwill, and the charges we expect to incur in connection with the amortization of these intangible assets will have a material adverse impact on our ability to achieve and maintain profitability for the foreseeable future. We cannot predict when we will operate profitably, if ever.

POTENTIAL FLUCTUATIONS IN OUR QUARTERLY RESULTS MAKE FINANCIAL FORECASTING DIFFICULT AND COULD AFFECT OUR COMMON STOCK TRADING PRICE.

As a result of fluctuations in our revenues tied to our clients' product release cycles, the length of our sales cycle, rapid growth, acquisitions, the emerging nature of the markets in which we compete, and other factors outside our control, we believe that quarter-to-quarter comparisons of results of operations are not necessarily meaningful. You should not rely on the results of any one quarter as an indication of our future performance. We may not experience revenue increases in the remainder of 1999 comparable to the revenue increases in 1998. If in some future quarter our results of operations were to fall below the expectations of securities analysts and investors, the trading price of our common stock would likely decline.

IF WE ARE UNABLE TO OBTAIN ADDITIONAL FINANCING AS NEEDED, OUR BUSINESS MAY BE ADVERSELY AFFECTED OR THE ADDITIONAL FINANCING MAY BE OBTAINED ON UNFAVORABLE TERMS.

If our losses continue, we may not have sufficient funds to pay all of our operating or other expenses. If we fail to generate sufficient cash from our operations to pay these expenses, our management will need to identify other sources of funds. We may not be able to borrow money or issue more shares of common stock to meet our cash needs. Even if we can complete any financing transactions, they may not be on terms that are favorable or reasonable from our perspective.

IF WE FAIL TO ATTRACT AND RETAIN PROFESSIONAL STAFF, OUR ABILITY TO COMPLETE OUR PROJECTS AND OBTAIN NEW PROJECTS COULD SUFFER.

Our failure to attract and retain qualified employees could impair our ability to complete existing projects and bid for or obtain new projects and, as a result, could have a material adverse effect on our business, financial condition, and results of operations. Our ability to grow and increase our market share largely depends on our ability to hire, train, retain, and manage highly skilled employees, including project managers and technical, translation, and sales and marketing personnel. There is a significant shortage of, and intense competition for, personnel who are qualified to perform the services we provide. In addition, we must make sure our employees maintain their technical expertise and business skills. We cannot assure you that we will be able to attract a sufficient number of qualified employees or that we will successfully train and manage the employees we hire.

WE MAY BE UNABLE TO CONTINUE TO GROW AT OUR HISTORICAL GROWTH RATES OR TO MANAGE OUR GROWTH EFFECTIVELY.

Continued, planned growth is a key component of increasing the value of our common stock. In the past two years, our business has grown significantly and we anticipate future internal growth and growth through acquisitions. From December 31, 1996 to June 30, 1999, our staff increased from approximately 270 to approximately 450 employees. This rapid growth places a significant demand on management and operational resources. In order to manage growth effectively, we must implement and improve our operational systems and controls. In addition, the proceeds of this offering will be used in part to expand our operations and our sales and marketing capabilities. This additional growth may further strain our management and operational resources. Our growth could also be adversely affected by many other factors, including economic downturns. As a result of these concerns, we cannot be sure

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that we will continue to grow, or, if we do grow, that we will be able to maintain our historical growth rate.

BECAUSE OF THE CRITICAL NATURE OF THE SERVICES WE PROVIDE TO OUR CLIENTS, WE MAY BE LIABLE FOR DEFECTS OR ERRORS IN THE SOLUTIONS WE DEVELOP.

Many of the services we provide are critical to our clients' businesses. Any defects or errors in these solutions could result in:

- delayed or lost client revenues,
- adverse reaction to our clients from their end users and, ultimately, toward Lionbridge,
- claims against us,
- negative publicity, and
- additional expenditures to correct the problem.

Liability claims could require us to spend significant time and money in litigation or to pay significant damages. Although we maintain general liability insurance, including coverage for errors and omissions, we cannot assure you that this coverage will be available in amounts sufficient to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim.

WE COULD LOSE MONEY ON ACQUISITIONS OF COMPANIES' INTERNAL OPERATIONS.

As part of our strategy, we may acquire selected companies' internal localization operations and enter into multi-year contracts with these companies to meet their globalization requirement on an outsourcing basis. If we pay too much for these acquisitions or these contracts prove unprofitable, it will become more difficult for us to achieve and maintain profitability.

OUR INTANGIBLE ASSETS REPRESENT A SIGNIFICANT PORTION OF OUR ASSETS; AMORTIZATION OF OUR INTANGIBLE ASSETS WILL ADVERSELY IMPACT OUR NET INCOME, AND WE MAY NEVER REALIZE THE FULL VALUE OF OUR INTANGIBLE ASSETS.

Our original purchase of the business operations from Stream International together with subsequent acquisitions have resulted in the creation of significant goodwill and other intangible assets, which are being amortized over five-year periods. At June 30, 1999, we had goodwill of approximately \$10.3 million, net of accumulated amortization, which represented approximately 37% of our total assets. The amount of goodwill associated with our acquisitions of Japanese Language Services and VeriTest may increase in the future as a result of the contingent purchase price that may become payable if the agreed-upon operating targets for Japanese Language Services and VeriTest, as the case may be, are fully met. We will continue to incur non-cash charges in connection with the amortization of our intangible assets over their respective useful lives, and we expect these charges will have a significant adverse impact on our ability to achieve and maintain profitability for the foreseeable future.

We cannot assure you that we will ever realize the value of these intangible

assets. In the future, as events or changes in circumstances indicate that the carrying amount of our intangible assets may not be recoverable, we will evaluate the carrying value of our intangible assets and may take an accelerated charge to our earnings. Any future determination requiring the write-off of a significant portion of unamortized intangible assets could have a material adverse effect on our ability to achieve and maintain profitability.

WE MAY HAVE DIFFICULTY IN IDENTIFYING AND COMPETING FOR ACQUISITION OPPORTUNITIES.

Our business strategy includes the pursuit of strategic acquisitions. From time to time, we have engaged in discussions with third parties concerning potential acquisitions of niche expertise, businesses,

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and operations. We currently do not have commitments or agreements with respect to any acquisition. In executing our acquisition strategy, we may be unable to identify suitable acquisition candidates. In addition, we expect to face competition from other companies for acquisition candidates, making it more difficult to acquire suitable companies on favorable terms.

PURSUING AND COMPLETING POTENTIAL ACQUISITIONS COULD DIVERT MANAGEMENT ATTENTION AND FINANCIAL RESOURCES AND MAY NOT PRODUCE THE DESIRED BUSINESS RESULTS.

As part of our growth strategy, we intend to pursue and make acquisitions of other complementary businesses. We do not have specific personnel dedicated solely to pursuing and making acquisitions. As a result, if we pursue any acquisition, our management, in addition to their operational responsibilities, could spend a significant amount of time and management and financial resources to pursue and integrate the acquired business with our existing business. To pay for an acquisition, we might use capital stock, or cash, including the proceeds from this offering, or a combination of both. Alternatively, we may borrow money from a bank or other lender. If we use capital stock, our stockholders will experience dilution. If we use cash or debt financing, our financial liquidity will be reduced. In addition, from an accounting perspective, an acquisition may involve nonrecurring charges or involve amortization of significant amounts of goodwill that could adversely affect our ability to achieve and maintain profitability.

Despite the investment of these management and financial resources and completion of due diligence with respect to these efforts, an acquisition may not produce the revenue, earnings or business synergies that we anticipated, and an acquired service or technology may not perform as expected for a variety of reasons, including:

- difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company,
- risks of entering markets in which we have no or limited prior experience,
- expenses of any undisclosed or potential legal liabilities of the acquired company,
- the applicability of rules and regulations that might restrict our ability to operate, and
- the potential loss of key employees of the acquired company.

IF WE FAIL TO KEEP PACE WITH CHANGING TECHNOLOGIES, WE MAY LOSE CLIENTS.

Our market is characterized by rapidly changing client requirements, and evolving technologies and industry standards. If we cannot keep pace with these changes, our business could suffer. The Internet's recent growth and strong influence in our industry magnifies these characteristics. To achieve our goals, we need to develop strategic business solutions and methodologies that keep pace with continuing changes in industry standards, information technology, and client preferences.

IF WE LOSE THE SERVICES OF OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER, RORY J. COWAN, OR OTHER KEY PERSONNEL, OUR BUSINESS AND STOCK PRICE COULD SUFFER.

In order to continue to provide quality services in our rapidly changing business, we believe it is particularly important to retain personnel with experience and expertise relevant to our business. Our future success, therefore, depends in large part on the continued services of a number of our key personnel, including our President and Chief Executive Officer, Rory J. Cowan. The loss of the services of Mr. Cowan or any of our other key personnel

could seriously impede our success. We might not be able to prevent key personnel, who may leave our employ in the future, from disclosing or using our technical knowledge, practices or procedures. One or more of our key personnel might resign and join a competitor or form a competing company. As a result, we might lose existing or potential clients.

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DIFFICULTIES PRESENTED BY INTERNATIONAL ECONOMIC, POLITICAL, LEGAL, ACCOUNTING, AND BUSINESS FACTORS COULD NEGATIVELY AFFECT OUR BUSINESS IN INTERNATIONAL MARKETS.

A large component of our operations is our ability to conduct business in international markets, as evidenced by the fact that a majority of our current operations are outside of the United States. As a result, our business is subject to the political and economic fluctuations in various countries, including Japan and other Asian countries. For example, in the past, we have experienced periods of slowdowns in revenue growth as our clients reassessed their strategies in China and Japan based on political and economic conditions.

We must employ and retain personnel throughout the world. Furthermore, employment laws vary widely from country to country where we operate. To date, we have been able to successfully staff our international operations, but if we continue to grow our operations, it may become more difficult to manage our business. If we fail to manage these operations successfully, our ability to service our clients and grow our business will be seriously impeded.

We have experienced long payment cycles and occasional problems in collecting accounts receivable originating outside of the United States. We have experienced foreign currency fluctuations and they may have a more significant impact on our revenues, cash flow and ability to achieve and maintain profitability as we attempt to grow our business. For more information, see "Management's Discussion and Analysis of Financial Condition--Foreign Currency Exchange Rate Losses" and our consolidated financial statements.

WE COMPETE IN A HIGHLY COMPETITIVE MARKET THAT HAS LOW BARRIERS TO ENTRY.

Lionbridge provides a broad range of globalization and multilingual Internet service offerings to its clients. The market for our services is highly fragmented and we have many competitors. Our current competitors include the following:

- localization or translation services providers such as Berlitz International, Bowne & Co., Lernout and Hauspie, Sykes Enterprises, and regional vendors of translation services specializing in specific languages in particular geographic areas,
- companies providing outsourcing of technical support call centers including Stream International and Sykes Enterprises,
- independent testing labs providing testing and logo certification services such as National Software Testing Laboratories (a division of CMP Media) and Keylabs, and
- internal localization departments in multi-national companies.

We cannot assure you that we will compete successfully against these companies in the future. Many of these companies have longer operating histories; significantly greater resources; and greater name recognition than Lionbridge. If we fail to be competitive with these companies in the future, our business will be materially and adversely affected.

There are relatively few barriers preventing companies from competing with

us. We do not own any patented technology that precludes or inhibits others from entering our market. As a result, new market entrants pose a threat to our business. In addition to our existing competitors, we may face further competition in the future from companies that do not presently offer globalization services. Companies currently providing information technology services may choose to broaden their range of services to include globalization. While we presently use translation memory software in our localization process, and to a lesser extent machine translation software, these technologies may improve and become sophisticated enough to compete with our localization service offering. We cannot assure you that we will be able to compete effectively with these potential future competitors. For more information, see "Business--Competition."

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#### WE MAY NOT BE ABLE TO MAINTAIN OUR REPUTATION OR EXPAND OUR NAME RECOGNITION.

We believe that establishing and maintaining a good reputation and name recognition is critical for attracting and expanding our targeted client base. We also believe that the importance of reputation and name recognition will increase due to the growing number of service providers in our segment. If our reputation is damaged or if potential clients do not know what services we provide, we may become less competitive or lose our market share. Promotion and enhancement of our name will depend largely on our success in providing high quality globalization and multilingual Internet services, which we cannot assure. If clients do not perceive our services to be of high value or high quality, our brand name and reputation could be materially and adversely affected.

#### PROBLEMS RELATED TO THE YEAR 2000 ISSUE COULD REQUIRE US TO INCUR UNANTICIPATED DELAYS AND EXPENSES IN THE OPERATION OF OUR BUSINESS.

Year 2000 problems could require us to incur unanticipated delays and expenses in the operation of our business. These delays and expenses could have a material adverse effect on our business, financial condition and results of operations. Clients' and potential clients' purchasing patterns may be affected by Year 2000 issues as companies expend significant resources to correct or replace their current systems for Year 2000 compliance. These clients and potential clients may have fewer funds available to purchase our services. We may experience operations difficulties because of undetected errors or defects in the technology we use in our internal systems. We have made representations to clients concerning Year 2000 compliance and may become involved in disputes regarding Year 2000 problems involving our solutions.

#### RISKS RELATED TO THIS OFFERING

THERE HAS BEEN NO PRIOR PUBLIC MARKET FOR OUR COMMON STOCK OR FOR THE COMMON STOCK OF OTHER COMPANIES OFFERING THE RANGE OF SERVICES WE PROVIDE, AND THE PRICE OF OUR COMMON STOCK AFTER THIS OFFERING MAY BE LOWER THAN THE PRICE YOU PAY.

Prior to this offering, there has not been a public market for our common stock or for companies providing the same range of services we offer. We intend to include the common stock for quotation in the Nasdaq National Market. We do not know the extent to which investor interest in Lionbridge will lead to the development of a trading market for our common stock or how our common stock will trade in the future. The public offering price will be determined by negotiations between us and the representatives of the underwriters. You may not be able to resell your shares at or above the initial public offering price.

THE INDUSTRY IN WHICH WE OPERATE MAY CAUSE OUR STOCK PRICE TO BE VOLATILE.

The market price of our common stock could fluctuate significantly as a result of:

- variations in our operating results which may cause us to fail to meet analysts' or investors' expectations,
- market conditions relative to our industry,
- changes in business or regulatory conditions affecting the high technology industry,



- announcements by us or our competitors of new service offerings, and
- announcements or implementation of technological innovations.

In addition to these factors, the securities of many technology companies have experienced extreme price and volume fluctuations in recent years, often unrelated to the companies' operating performance. For example, market prices for securities of technology companies have frequently

reached elevated levels, often following these companies' initial public offerings. These levels may not be sustainable and may not bear any relationship to these companies' operating performances. Declines in the trading or price of our common stock could also materially and adversely affect employee morale and retention, our access to capital, and other aspects of our business.

WE ARE CONTROLLED BY A SMALL NUMBER OF STOCKHOLDERS WHICH COULD RESULT IN THEIR TAKING ACTIONS WHICH OTHER STOCKHOLDERS DO NOT APPROVE.

Immediately following this offering, Rory Cowan, Morgan Stanley Dean Witter Venture Partners, Advent International, and Capital Resource Partners collectively will beneficially own approximately 70.4% of the outstanding shares (or 67.9% if the underwriters' over-allotment options are exercised in full). If these stockholders choose to act or vote in concert, they will have the power to influence the election of our directors, the appointment of new management and the approval of any other action requiring the approval of our stockholders, including any amendments to our Certificate of Incorporation and mergers or sales of all of our assets. If these stockholders withhold their consent, we could be prevented from entering into transactions that could be beneficial to us.

SHARES ARE RESTRICTED FROM IMMEDIATE RESALE BUT MAY BE SOLD INTO THE MARKET IN THE NEAR FUTURE. THIS COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DROP SIGNIFICANTLY.

After this offering, we will have outstanding 16,976,043 shares of common stock. This includes the 4,000,000 shares we are selling in this offering and the 223,333 shares we will sell if the underwriters exercise their over-allotment option in full from us, which may be resold in the public market immediately. The remaining 12,752,710 shares of our total outstanding shares will become available for resale in the public market as shown in the chart below.

As restrictions on resale end, the market price could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them.

<TABLE>

<CAPTION>

NUMBER OF SHARES	DATE OF AVAILABILITY FOR RESALE INTO PUBLIC MARKET
<S> 11,887,476	<C> 180 days after the date of this prospectus due to a lock-up agreement these shareholders have with Prudential Securities. However, Prudential Securities can waive this restriction at any time and without notice.
865,234	Between 180 and 365 days after the date of this prospectus due to the requirements of the federal securities laws.

</TABLE>

OUR MANAGEMENT HAS BROAD DISCRETION OVER THE USE OF A PORTION OF THE NET PROCEEDS FROM THIS OFFERING AND MAY ALLOCATE THESE NET PROCEEDS IN WAYS IN WHICH YOU DO NOT AGREE.

Our management has significant flexibility in applying the proceeds we receive in this offering. Although we are required to repay our subordinated indebtedness and to redeem our Series B redeemable preferred stock, the remaining net proceeds will not be allocated to any specific investment or transaction.

YOU WILL SUFFER IMMEDIATE AND SUBSTANTIAL DILUTION BECAUSE THE NET TANGIBLE BOOK VALUE OF OUR COMMON STOCK ISSUED IN THIS OFFERING WILL BE LESS THAN THE OFFERING PRICE.

The initial public offering price for this offering is substantially higher than the net tangible book value per share of the outstanding common stock immediately after the offering. If you purchase common stock in the offering, you will incur immediate and substantial dilution of \$11.92 per share, based on an assumed initial public offering price of \$13.00 per share. Dilution is a reduction in the net tangible book value per share from the price you pay per share for our common stock. We also have outstanding a large number of stock options and warrants to purchase common stock with exercise

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prices significantly below the estimated initial public offering price of the common stock. To the extent these options or warrants are exercised, there will be further dilution. We intend to continue to grant a significant number of stock options to our employees.

YOU SHOULD NOT EXPECT TO RECEIVE DIVIDENDS FROM US.

We are not permitted to pay dividends under our commercial credit facility and do not expect to declare or pay any cash dividends in the near future.

#### FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements based largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. The words "believe", "may", "will", "estimate", "continue", "anticipate", "intend", "expect" and similar expressions, as they relate to Lionbridge, our business or our management, are intended to identify forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things:

- general economic and business conditions, both nationally and in our markets,
- our expectations and estimates concerning future financial performance, financing plans and the impact of competition,
- anticipated trends in our business,
- existing and future regulations affecting our business,
- our acquisition opportunities, and
- other risk factors set forth under "Risk Factors" in this prospectus.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

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#### USE OF PROCEEDS

The net proceeds to Lionbridge from the sale of the 4,000,000 shares of common stock in this offering, assuming a public offering price of \$13.00 per share, are estimated to be \$47,360,000 (\$50,060,000 if the underwriters' over-allotment option is exercised in full from us), after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds as follows:

- To pay off an aggregate of \$12,000,000 principal amount of our senior subordinated notes held by affiliates of our directors, Stephen M. Jenks and Guy L. de Chazal. The notes accrue interest of 12.0% per year,

interest is required to be paid quarterly and the notes mature upon the earlier of February (in the case of \$10,000,000 of the notes) or March (in the case of \$2,000,000 of the notes) 2006, and the completion of an underwritten public offering. Lionbridge issued the notes in February and March 1999 and used the proceeds to finance the acquisition of its VeriTest business and for general corporate purposes.

- To redeem all outstanding shares of our Series B redeemable preferred stock at \$100,000 per share plus and 8% annual premium. Although we have the option to defer the redemption in full of our Series B redeemable preferred stock under the terms of our certificate of incorporation, we have decided to redeem all of our Series B redeemable preferred stock upon the closing of this offering. As of June 30, 1999, the redemption amount is approximately \$15,949,000; of which approximately \$843,000 is payable to Rory J. Cowan, \$7,209,000 is payable to affiliates of our director Marcia J. Hooper, \$7,209,000 is payable to affiliates of our director Guy L. de Chazal, and \$120,000 is payable to our director Paul Kavanagh.
  
- To expand our sales and marketing capabilities by hiring additional sales and marketing personnel.
  
- For general corporate purposes, including capital expenditures and potential acquisitions.

Pending these uses, we may invest the net proceeds from this offering temporarily in short-term, investment-grade, interest-bearing securities or guaranteed obligations of the United States government.

Lionbridge will not receive any proceeds from the sale of common stock by the selling stockholders if the underwriters exercise their over-allotment options.

#### DIVIDEND POLICY

Lionbridge has not declared or paid and does not anticipate declaring or paying any dividends on its common stock in the near future. In addition, the terms of our credit facility with Silicon Valley Bank prohibit the payment of cash dividends to us by our European subsidiaries. We currently intend to retain future earnings, if any, to fund the expansion and growth of our business. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board of Directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, and other factors as our Board of Directors considers relevant.

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#### CAPITALIZATION

The following table sets forth as of June 30, 1999:

- (i) the actual capitalization of Lionbridge,
  
- (ii) the pro forma as adjusted capitalization of Lionbridge after giving effect upon the closing of this offering to:
  - the exchange of all outstanding shares of our Series A convertible preferred stock and Series D nonvoting convertible preferred stock into shares of our Series B redeemable preferred stock and Series C convertible preferred stock,
  
  - the redemption of all outstanding shares of our Series B redeemable preferred stock for \$100,000 per share plus an 8% annual premium,
  
  - the conversion of all outstanding shares of our Series C convertible preferred stock into shares of our common stock,
  
  - the repayment in full of the subordinated notes and the related charge for the unamortized original issue discount on these notes,

- the exercise of warrants to acquire 1,533,260 shares of our common stock, and
- the sale of 4,000,000 shares of our common stock in this offering at an assumed initial public offering price of \$13.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses, and application of the estimated net proceeds.

You should read the following table in conjunction with Lionbridge's consolidated financial statements and related notes appearing elsewhere in this prospectus. This information excludes 2,621,945 shares of common stock issuable upon exercise of outstanding options as of June 30, 1999, of which options to purchase 472,490 shares were then exercisable, and 1,890,791 shares of common stock reserved for future issuance under our 1998 Stock Plan. This information also excludes 83,334 shares of common stock issuable upon exercise of warrants as of June 30, 1999 and 1,000,000 shares reserved for issuance under our 1999 Employee Stock Purchase Plan.

<TABLE>  
<CAPTION>

	JUNE 30, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED
	(UNAUDITED)	(UNAUDITED)
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	
<S>	<C>	<C>
Amounts owed to banks.....	\$ 143	\$ 143
Short-term debt.....	5,893	5,893
Long-term debt, net of discount.....	10,964	831
Redeemable convertible preferred stock, \$0.01 par value:		
Series A convertible preferred stock, 17,271,314 shares authorized; 13,271,314 shares issued and outstanding actual; no shares issued and outstanding pro forma as adjusted .....	15,949	--
Series B redeemable preferred stock, 200 shares authorized; no shares issued and outstanding actual and pro forma as adjusted.....	--	--
Series C convertible preferred stock, 17,271,514 shares authorized; no shares issued and outstanding actual and pro forma as adjusted.....	--	--
Series D nonvoting convertible preferred stock, 200 shares authorized; 140 shares issued and outstanding actual; no shares issued and outstanding pro forma as adjusted.....	--	--
Stockholders' equity (deficit):		
Common stock, \$0.01 par value; 25,950,867 shares authorized; 2,371,799 shares issued and outstanding actual; 16,752,710 shares issued and outstanding pro forma as adjusted.....	24	168
Additional paid-in capital.....	10,516	57,733
Accumulated deficit.....	(24,518)	(26,385)
Deferred compensation.....	(3,529)	(3,529)
Accumulated other comprehensive income (1).....	475	475
Total stockholders' equity (deficit).....	(17,032)	28,462
Total capitalization.....	\$ 15,917	\$ 35,329

</TABLE>

(1) Represents the cumulative effect of foreign currency translation adjustments. For more information, see Note 2 of notes to consolidated financial statements.

Purchasers of the common stock in this offering will experience immediate and substantial dilution in the net tangible book value of the common stock from

the initial public offering price. Net tangible book value per share represents the amount of the total tangible assets less total liabilities of Lionbridge, divided by the number of shares of common stock outstanding. At June 30, 1999, Lionbridge had a pro forma net tangible book value of \$(29,224,000) or \$(2.29) per share of common stock, assuming

- the exchange of all outstanding shares of our Series A convertible preferred stock and Series D nonvoting convertible preferred stock into shares of our Series B redeemable preferred stock and Series C convertible preferred stock upon the closing of this offering,
- the redemption of all outstanding shares of our Series B redeemable preferred stock for \$100,000 per share plus an 8% annual premium upon the closing of this offering,
- the conversion of all outstanding shares of our Series C convertible preferred stock into shares of our common stock upon the closing of this offering, and
- the exercise of warrants to acquire 1,533,260 shares of our common stock.

After giving effect to the sale of 4,000,000 shares of common stock offered by Lionbridge at an assumed initial public offering price of \$13.00 per share and the deduction of underwriting discounts and commissions and estimated offering expenses, the pro forma net tangible book value of Lionbridge as of June 30, 1999 would have been approximately \$18,136,000, or \$1.08 per share. This represents an immediate increase in pro forma net tangible book value of \$3.37 per share to existing stockholders and an immediate and substantial dilution of \$11.92 per share to new investors purchasing shares of common stock in this offering. The following table illustrates this per share dilution:

<TABLE>			
<S>		<C>	<C>
Assumed initial public offering price.....		\$	13.00
Pro forma net tangible book value per share at June 30, 1999.....		\$	(2.29)
Increase attributable to new investors.....		\$	3.37
		-----	
Pro forma net tangible book value after this offering.....		\$	1.08
		-----	
Dilution in pro forma net tangible book value to new investors.....		\$	11.92
		-----	
		-----	

</TABLE>

The following table summarizes, on the pro forma basis set forth above as of June 30, 1999, the differences between existing stockholders and new investors in this offering with respect to the number of shares of common stock purchased from Lionbridge, the consideration paid to Lionbridge and the average consideration paid per share (before the deduction of underwriting discounts and commissions and offering expenses):

<TABLE>					
<CAPTION>					
	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	12,752,710	76%	\$13,883,000	21%	\$ 1.09
New investors.....	4,000,000	24%	\$52,000,000	79%	\$ 13.00
	-----	-----	-----	-----	-----
Totals.....	16,752,710	100%	\$65,883,000	100%	
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

The foregoing discussion and tables assume no sale of shares of common stock held by existing stockholders pursuant to the underwriters' over-allotment options. The foregoing discussion and tables also do not assume exercise of any stock options or warrants after June 30, 1999. As of June 30, 1999, there were

83,334 shares of common stock issuable upon exercise of outstanding warrants at an exercise price of \$2.40 per share. As of June 30, 1999, there were 2,621,945 shares of common stock issuable upon exercise of outstanding stock options, at a weighted average exercise price of \$1.69 per share; and 1,890,791 shares of common stock reserved for issuance under Lionbridge's 1998 Stock Plan. In addition, in June 1999, effective upon closing of this offering, Lionbridge adopted the 1999 Employee Stock Purchase Plan, pursuant to which 1,000,000 shares of common stock were initially reserved for issuance. To the extent that these options are exercised, there will be further dilution to new investors.

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SELECTED CONSOLIDATED FINANCIAL DATA

Lionbridge was incorporated on September 11, 1996 and commenced operations on December 23, 1996 through the acquisition of the localization businesses of Stream International in France, Ireland, and The Netherlands. Until 1996, Stream did not maintain complete accounting records for these localization businesses. As a result, the accounting information required to prepare financial statements for any period prior to 1996 is not available; and, therefore, we cannot present selected financial data for 1994 and 1995.

The selected financial data for the year ended December 31, 1996 relating to Stream's European localization businesses have been derived from the combined financial statements of The Localization Businesses of Stream International Holdings, Inc. in Ireland, The Netherlands and France which appear elsewhere in this prospectus and which have been audited by PricewaterhouseCoopers LLP, independent public accountants. The selected consolidated financial data as of December 31, 1997 and 1998 and for the years then ended have been derived from the consolidated financial statements of Lionbridge which appear elsewhere in this prospectus and which have been audited by PricewaterhouseCoopers LLP, independent public accountants. The selected financial data as of June 30, 1999 and for the six months ended June 30, 1998 and 1999 have been derived from unaudited consolidated financial statements which appear elsewhere in this prospectus. In the opinion of management, the unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements that appear elsewhere in this prospectus and include all adjustments, which are only normal recurring adjustments, necessary for a fair presentation.

The results of operations of Lionbridge for the period from inception (September 11, 1996) to December 31, 1996, are immaterial, consisting of no revenues, general and administrative expenses of \$158,000, interest expense of \$1,000, and a net loss of \$159,000. As a result, we do not present selected consolidated financial data for this period.

The historical results presented are not necessarily indicative of future results. You should read the data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this prospectus.

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<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996 (1)	1997	1998	1998	1999
				(UNAUDITED)	(UNAUDITED)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenue.....	\$28,134	\$26,462	\$38,412	\$18,132	\$23,783
Cost of revenue.....	24,977	18,914	25,546	12,226	16,607
Gross profit.....	3,157	7,548	12,866	5,906	7,176
Operating expenses:					
Sales and marketing (1).....	--	1,306	2,735	1,206	2,613
General and administrative.....	3,144	8,210	10,889	5,238	6,894

Amortization of acquisition-related intangible assets.....	--	4,400	2,145	1,194	1,579
Restructuring charges.....	--	541	501	451	--
Stock-based compensation.....	--	--	--	--	232
Total operating expenses.....	3,144	14,457	16,270	8,089	11,318
Income (loss) from operations.....	13	(6,909)	(3,404)	(2,183)	(4,142)
Interest expense:					
Interest on outstanding debt.....	(154)	(127)	(648)	(265)	(889)
Amortization of original issue discount.....	--	--	--	--	(4,099)
Other income (expense), net.....	(72)	(506)	49	(22)	(320)
Loss before income taxes.....	(213)	(7,542)	(4,003)	(2,470)	(9,450)
Provision for income taxes.....	--	112	259	53	315
Net loss.....	(213)	(7,654)	(4,262)	(2,523)	(9,765)
Accrued dividends on preferred stock.....	23	(1,062)	(1,062)	(531)	(531)
Net loss attributable to common stockholders.....	\$ (236)	\$ (8,716)	\$ (5,324)	\$ (3,054)	\$ (10,296)
Basic and diluted net loss per share attributable to common stockholders (2).....	\$ (8.85)	\$ (2.99)	\$ (1.89)	\$ (1.89)	\$ (4.64)
Shares used in computing basic and diluted net loss per share attributable to common stockholders.....		985	1,782	1,613	2,218

</TABLE>

(1) Results for the year ended December 31, 1996 reflect Stream International's results of operations for the businesses we acquired from Stream International on December 23, 1996. These businesses did not have any dedicated sales and marketing personnel; therefore, Stream International allocated a portion of its total sales and marketing expenses to these businesses and these expenses are reflected within general and administrative expenses for that period.

(2) See Note 2 to Lionbridge's consolidated financial statements for an explanation of the basis used to calculate net loss per share attributable to common stockholders.

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<TABLE>  
<CAPTION>

	DECEMBER 31,		JUNE 30, 1999	
	1997	1998	ACTUAL (UNAUDITED)	PRO FORMA AS ADJUSTED (UNAUDITED)
			(IN THOUSANDS)	
<S>	<C>	<C>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:				
Cash.....	\$ 1,098	\$ 732	\$ 1,455	\$ 20,866
Working capital (deficit).....	(1,476)	(7,718)	(2,919)	16,492
Total assets.....	18,756	22,402	28,107	47,518
Long-term debt, net of discount.....	--	--	10,964	831
Redeemable convertible preferred stock.....	14,356	15,418	15,949	--
Stockholders' equity (deficit).....	(8,086)	(13,521)	(17,032)	28,462

</TABLE>

The pro forma as adjusted column above gives effect upon the closing of this offering to:

- the exchange of all outstanding shares of our Series A convertible preferred stock and Series D nonvoting convertible preferred stock into shares of our Series B redeemable preferred stock and Series C convertible preferred stock,
- the redemption of all outstanding shares of our Series B redeemable preferred stock for \$100,000 per share plus an 8% annual premium,
- the conversion of all outstanding shares of our Series C convertible preferred stock into shares of our common stock,

- the repayment in full of the subordinated notes and the related charge for the unamortized original issue discount on these notes,
- the exercise of warrants to acquire 1,533,260 shares of our common stock, and
- the sale of 4,000,000 shares of our common stock in this offering at an assumed initial public offering price of \$13.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses, and application of the estimated net proceeds.

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

The following discussion and analysis should be read in conjunction with "Selected Consolidated Financial Data" and the accompanying financial statements and related notes included elsewhere in this prospectus.

OVERVIEW

ORGANIZATION OF LIONBRIDGE

Our predecessor and current wholly owned subsidiary, Lionbridge America, was incorporated in September 1996. Lionbridge America was formed to acquire the localization businesses and assets of Stream International, as described in further detail below under "--ACQUISITIONS." Lionbridge was incorporated in October 1997 to effect a reorganization which occurred in February 1998 where Lionbridge America became a wholly owned subsidiary of Lionbridge.

GENERAL

Lionbridge is a provider of globalization and multilingual Internet services to industry-leading software publishers, computer hardware manufacturers, and telecommunications companies. Since 1996, we have focused primarily on globalization services, including localization, internationalization, and testing, that enable simultaneous worldwide release and ongoing maintenance of products and product-related technical support, training materials, and sales and marketing information in multiple languages. More recently, as product release, technical support, and training have evolved toward a Web-based business model, we have begun to offer multilingual Internet services.

Lionbridge's revenues are derived from fees for services generated on a project-by-project basis. Projects are generally billed on a time and materials basis. Revenue is recognized using the percentage of completion method of accounting, based on management's estimate of progress against the project plan. The agreements entered into in connection with projects are generally terminable by clients upon 30 days' prior written notice. If a client terminates an agreement, it is required to pay Lionbridge for time and materials incurred through the termination date. If clients terminate existing projects or if Lionbridge is unable to enter into new engagements, our financial condition and results of operations could be materially and adversely affected.

We have in the past as a private company made public estimates of our future financial performance. These past estimates do not accurately reflect our current estimates of our financial performance and should not be relied upon. In the future, our policy as a public company will be to avoid making public estimates of our future financial performance unless required to by law, stock exchange regulation or other compelling reasons.

Lionbridge has experienced operating losses, as well as net losses, for each year of its operations and, as of June 30, 1999, had an accumulated deficit of \$24.5 million.

ACQUISITIONS

We have grown our business through a combination of acquisitions and organic



growth. Since our inception, we have acquired the following businesses and assets.

In 1996, we acquired the localization businesses of Stream International in Ireland, The Netherlands, and France by acquiring all of the capital stock of five subsidiaries of Stream--two subsidiaries incorporated in the Netherlands and one each in Belgium, France and Ireland. The Belgian subsidiary was inactive and was subsequently dissolved by Lionbridge. Stream's business was formed as the result of a combination of R.R. Donnelly's localization business with the business of another

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company, Corporate Software. R.R. Donnelly owned a majority interest in Stream. We acquired these businesses on December 23, 1996 for \$11.3 million in cash and the assumption of \$100,000 of liabilities. Our acquisition of the businesses was recorded as though the purchase had occurred on December 31, 1996, as the results of operations and changes in financial position between the actual date of the purchase (December 23, 1996) and this date were immaterial. In connection with this acquisition, we recorded \$9.2 million of goodwill, which is being amortized over five years. Additionally, during 1997, we renegotiated an earlier agreement with Stream and purchased assets, including cash, property and equipment, rights under contracts, and accounts receivable, from three subsidiaries of Stream International which represented the localization businesses of Stream in Japan, China, South Korea and Taiwan. We paid approximately \$100,000 in cash and assumed liabilities of \$317,000 in exchange for these assets. Following this transaction, we expanded our business in Asia.

In June 1998, we entered into an agreement with Stream settling indemnity claims against Stream in connection with the acquisition of the European business. Under the terms of the settlement agreement, our purchase price for the European business was reduced by \$531,000.

As of January 2, 1998, Lionbridge acquired Japanese Language Services, a company specializing in Japanese localization services with operations in the United States and Japan, for total initial consideration of \$2,323,000 consisting of cash of \$2,237,000 and 286,959 shares of common stock valued at \$86,000. The shares of common stock may be redeemed, at the option of the holder, at a price of \$1.35 per share at any time from July 2001 to September 2001. Subsequent to the acquisition date, Lionbridge paid a further \$449,000 and issued 24,268 shares of common stock, valued at \$36,400, in connection with the purchase. Lionbridge may be required to pay up to an additional \$125,000 in cash based on future operating results of Japanese Language Services through December 31, 1999. In connection with this acquisition, we have recorded \$2.7 million of goodwill, not including any additional contingent amounts that may be paid. The goodwill is being amortized over five years.

In April 1998, Lionbridge acquired the business and assets of the Monterey, California-based localization services division of Lucent Technologies for \$1.0 million in cash. In connection with this acquisition, Lionbridge recorded \$470,000 of goodwill, which is being amortized over five years. The purchase of assets from the former Lucent business provided us with a west coast, U.S.-based operation to enable us to further penetrate U.S.-based customers.

In January 1999, Lionbridge acquired all of the stock of VeriTest, a California-based provider of contract and logo certification testing services. Lionbridge paid \$3.3 million in cash and issued notes totaling \$750,000 and 66,668 shares of our common stock valued at \$344,000. Lionbridge may also be required to pay up to an additional \$1.0 million in cash dependent upon future operating performance of VeriTest through December 2000. In connection with this acquisition, Lionbridge recorded \$4.3 million of goodwill, not including any additional contingent amounts that may be paid. The goodwill is being amortized over five years.

We believe our acquisitions contributed to our growth by rapidly expanding our employee base, geographic coverage, client base, industry expertise, and technical skills. Lionbridge anticipates that a material portion of its future growth will be accomplished by acquiring existing businesses. Most of Lionbridge's growth in personnel to date has been through acquisitions. The success of this plan depends upon, among other things, Lionbridge's ability to integrate acquired personnel, operations, products, and technologies into its

organization effectively; to retain and motivate key personnel of acquired businesses; and to retain customers of acquired firms. Lionbridge cannot guarantee that it will be able to identify suitable acquisition opportunities, obtain any necessary financing on acceptable terms to finance any acquisitions, consummate any acquisitions, or successfully integrate acquired personnel and operations.

#### RESTRUCTURING CHARGES

During the fourth quarter of 1997, the first quarter of 1998, and the fourth quarter of 1998, Lionbridge recorded restructuring charges of \$541,000, \$451,000 and \$50,000, respectively, in operating expenses. These charges related to reductions to our workforce in France, where we reduced our technical staff by 9 and 5 employees in 1997 and 1998, respectively, as a result of a decrease in resources required on a specific customer contract. These reductions in workforce were completed to correspond with the anticipated lower volume of work orders under the contract. All employees had been informed of their termination and related benefits in the period that the corresponding charge was recorded and have now left Lionbridge. The liabilities recorded in relation to the cost of these reductions were matched by corresponding expenditures in 1998, and we do not anticipate any future costs related to these actions nor do we anticipate any further resource reductions associated with the client contract. The Company does not anticipate any significant net effect on operating results from these actions.

#### NON-CASH CHARGES

##### DEFERRED COMPENSATION

Lionbridge recorded deferred compensation of \$3.8 million in the first six months of 1999, representing the difference between the exercise price of stock options granted and the fair market value for accounting purposes of the underlying common stock at the date of the grant. The deferred compensation is being amortized over the four-year vesting period of the applicable options. Of the total deferred compensation amount, \$232,000 had been amortized as of June 30, 1999. The amortization of deferred compensation is recorded as an operating expense. We currently expect to amortize the following remaining amounts of deferred compensation as of June 30, 1999 in the fiscal periods ending:

<TABLE>	
<S>	
	<C>
December 31, 1999.....	\$ 470,000
December 31, 2000.....	\$ 940,000
December 31, 2001.....	\$ 940,000
December 31, 2002.....	\$ 940,000
December 31, 2003.....	\$ 239,000

</TABLE>

#### ORIGINAL ISSUE DISCOUNT ON SUBORDINATED NOTES

Interest expense for the six months ended June 30, 1999 includes \$4.1 million for the accretion of the original issue discount on \$12.0 million of subordinated notes issued in that period. This discount represents the \$6.0 million value attributable to detachable warrants to purchase 1,533,260 shares of common stock, at an exercise price of \$0.015 per share, granted in connection with this debt financing. As we are required to repay the subordinated notes upon the closing of this offering, we are recording the expense of this discount on a straight-line basis over a six-month period from date of debt issuance to the date by which we expect this offering to occur. We currently expect to record an expense for the discount remaining as of June 30, 1999 as follows:

<TABLE>	
<S>	
	<C>
Quarter ending September 30, 1999.....	\$1.9 million

</TABLE>

If this offering occurs prior to the end of this three month period, we will record an extraordinary loss equal to the discount remaining at that time.

## RESULTS OF OPERATIONS

The following table presents results of operations data for Lionbridge as a percentage of total revenue for the periods presented:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996 (1)	1997	1998	1998	1999
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue.....	88.8	71.5	66.5	67.4	69.8
Gross profit.....	11.2	28.5	33.5	32.6	30.2
Operating expenses:					
Sales and marketing(1).....	--	4.9	7.1	6.6	11.0
General and administrative...	11.2	31.1	28.4	28.9	29.0
Amortization of acquisition- related intangible assets.....	--	16.6	5.6	6.6	6.6
Restructuring charges.....	--	2.0	1.3	2.5	--
Stock-based compensation.....	--	--	--	--	1.0
Total operating expenses...	11.2	54.6	42.4	44.6	47.6
Loss from operations.....	--	(26.1)	(8.9)	(12.0)	(17.4)
Interest expense.....	(0.5)	(0.5)	(1.6)	(1.5)	(21.0)
Other income (expense), net....	(0.3)	(1.9)	0.1	(0.1)	(1.3)
Loss before income taxes.....	(0.8)	(28.5)	(10.4)	(13.6)	(39.7)
Provision for income taxes.....	--	0.4	0.7	0.3	1.4
Net loss.....	(0.8)%	(28.9)%	(11.1)%	(13.9)%	(41.1)%

&lt;/TABLE&gt;

(1) Results for the year ended December 31, 1996 reflect Stream International's results of operations for the businesses we acquired from Stream International on December 23, 1996. These businesses did not have any dedicated sales and marketing personnel; therefore, Stream International allocated a portion of its total sales and marketing expenses to these businesses and these expenses are reflected within general and administrative expenses for that period.

## SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO SIX MONTHS ENDED JUNE 30, 1998

**REVENUE.** Revenue for the six months ended June 30, 1999 increased 31.2% to \$23.8 million as compared to \$18.1 million for the same period of the prior year. This increase results from additional project volume during the first half of 1999 as compared to the first half of 1998, reflecting the continued impact of a strengthened sales organization. In addition, the first half of 1999 also reflects revenue derived from the operations of VeriTest, which was not included in the first half of 1998 and accounted for \$1.7 million in revenue in 1999.

**COST OF REVENUE.** Cost of revenue consists primarily of outsourcing expense incurred for translation services provided by third parties as well as salaries and associated employee benefits for personnel related to client projects. As a percentage of revenue, cost of revenue remained relatively consistent for the six months ended June 30, 1999 from the corresponding period of the prior year.

**SALES AND MARKETING.** Sales and marketing expenses consist primarily of salaries, commissions and associated employee benefits, travel expenses of sales

and marketing personnel, and promotional expenses. Sales and marketing expenses increased 116.7% to \$2.6 million for the six months ended June 30, 1999 from \$1.2 million for the six months ended June 30, 1998. This increase is attributable to

increases in the number of employees and additional marketing initiatives to support the continued growth of the business. As a percentage of revenue, sales and marketing expenses increased to 11.0% for the six months ended June 30, 1999 from 6.6% for the six months ended June 30, 1998. Sales and marketing expenses are expected to continue to increase in absolute dollars as we continue to expand our marketing programs and sales force.

**GENERAL AND ADMINISTRATIVE.** General and administrative expenses consist of salaries of the management, purchasing, process and technology, finance and administrative groups, and associated employee benefits; facilities costs, including depreciation and amortization; information systems costs; professional fees; travel; and all other site and corporate costs. General and administrative expenses increased 31.6% to \$6.9 million for the six months ended June 30, 1999 from \$5.2 million for the six months ended June 30, 1998. This increase was principally due to increased staffing and additional depreciation expense from a larger fixed asset base necessary to support Lionbridge's continued growth. As a percentage of revenue, general and administrative expenses remained constant for the six months ended June 30, 1999 from the corresponding six months of 1998.

**AMORTIZATION OF ACQUISITION-RELATED INTANGIBLE ASSETS.** Amortization of acquisition-related intangible assets consists of amortization of goodwill and other intangible assets resulting from acquired businesses. Amortization increased 32.2% to \$1.6 million for the six months ended June 30, 1999 from \$1.2 million for the six months ended June 30, 1998. This increase was due to the amortization of goodwill recognized on the acquisition of VeriTest in the first half of 1999.

**INTEREST EXPENSE.** Interest expense represents interest payable on debt and the accretion of original issue discount on subordinated notes with detachable warrants. Interest expense increased to \$5.0 million for the six months ended June 30, 1999 as compared to \$265,000 for the six months ended June 30, 1998. This increase was principally due to accretion of \$4.1 million on the original issue discount on our subordinated notes issued in 1999 and to increased interest as a result of greater borrowings through notes issued, and our commercial credit facility.

**OTHER INCOME (EXPENSE) NET.** Other income (expense), net consists primarily of foreign currency transaction gains or losses arising from exchange rate fluctuations on transactions denominated in currencies other than the local currencies of the countries in which the transactions are recorded. As a percentage of revenue, other income (expense), net increased to (1.3)% for the six months ended June 30, 1999 from (0.1)% for the corresponding six months of 1998.

**PROVISION FOR INCOME TAXES.** The provision for income taxes in the six-month periods ended June 30, 1999 and 1998 represents taxes generated in foreign jurisdictions for which U.S. tax credit utilization is currently uncertain. We recorded no tax benefit for losses generated during these periods due to the uncertainty of realizing any benefit.

**YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997**

**REVENUE.** In 1998, revenue increased 45.2% to \$38.4 million from \$26.5 million in 1997. This increase results from additional project volume during 1998 as compared to 1997, reflecting the impact of a more established sales and marketing organization in 1998. Additionally, 1998 results reflect the impact of the Japanese Language Services acquisition which accounted for \$3.6 million of revenue in 1998.

**COST OF REVENUE.** As a percentage of revenue, cost of revenue decreased to 66.5% during 1998 as compared to 71.5% during 1997 due to improved utilization

of employees as Lionbridge realized increased operating leverage from its services personnel.

**SALES AND MARKETING.** Sales and marketing costs increased 109.4% to \$2.7 million in 1998 from \$1.3 million in 1997. This increase was primarily due to expenses associated with the hiring of

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additional direct sales personnel in fiscal 1998 as we continued to establish our sales and marketing organization. As a percentage of revenue, sales and marketing expenses increased to 7.1% from 4.9% during 1997.

**GENERAL AND ADMINISTRATIVE.** General and administrative costs increased 32.6% to \$10.9 million in 1998 from \$8.2 million in 1997 as a result of the hiring of additional employees and other personnel-related costs as well as the additional infrastructure costs of adding the Japanese Language Services, Monterey and Ballina facilities. As a percentage of revenue, general and administrative expenses decreased to 28.4% in 1998 from 31.1% in 1997 as we began to realize the operating leverage from our infrastructure.

**AMORTIZATION OF ACQUISITION-RELATED INTANGIBLE ASSETS.** Amortization decreased 51.3% to \$2.1 million in 1998 from \$4.4 million in 1997. This decrease is due to the amortization of a six-month non-compete agreement between Lionbridge and Stream International, valued at \$2.6 million, which was fully amortized in 1997. Partially offsetting this decrease is amortization expense attributable to goodwill on the acquisition of the Japanese Language Services and Lucent businesses in 1998.

**INTEREST EXPENSE.** Interest expense increased 410.2% to \$648,000 in 1998 from \$127,000 in 1997. The increase is due to additional interest incurred on our commercial credit facility during 1998 as outstanding borrowings rose from \$2.2 million at December 31, 1997 to \$7.7 million at December 31, 1998 to support our growth.

**OTHER INCOME (EXPENSE), NET.** Other income (expense), net, was \$49,000 for the twelve months ended December 31, 1998 as compared to \$(506,000) for the twelve months ended December 31, 1997, or 0.1% and (1.9)% of revenue, respectively.

**PROVISION FOR INCOME TAXES.** The provision for income taxes for the years ended December 31, 1998 and 1997 represents taxes generated in foreign jurisdictions for which U.S. tax credit utilization is currently uncertain. The benefit from our utilization of net operating loss carryforwards in Europe during those periods was recorded as a reduction of goodwill, rather than a tax provision benefit, since the deferred tax assets associated with these carryforwards had been fully reserved at the time we acquired Stream International's localization businesses. We recorded no tax benefit for losses generated during these periods due to the uncertainty of realizing any benefit.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

**REVENUE.** In 1997, revenue decreased 5.9% to \$26.5 million as compared to Stream International's revenues from the European localization business of \$28.1 million in 1996. The decrease is primarily due to the expiration of two large contracts at the end of 1996 and beginning of 1997. In addition, because Stream International did not transfer any sales and marketing personnel to us, we needed to build a sales and marketing team. As a result, sales in 1997 were adversely impacted as we built this team.

**OPERATING COSTS AND EXPENSES.** Operating costs and expenses consist of cost of revenue, sales and marketing, general and administrative expenses, and restructuring charges. Our operating costs and expenses increased 3.0% to \$29.0 million in 1997 from \$28.1 million in 1996. As a percentage of revenue, operating costs and expenses increased to 109.5% of revenue in 1997, up from 100.0% in 1996, reflecting the costs of establishing our direct sales force, increased marketing activities, and the addition of centralized management and finance functions after the purchase of Stream International's businesses in 1996.

**PROVISION FOR INCOME TAXES.** The provision for income taxes for the year ended December 31, 1997 represents taxes generated in foreign jurisdictions for which U.S. tax credit utilization is currently uncertain. The benefit from our utilization of net operating loss carryforwards in Europe during that

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period was recorded as a reduction of goodwill, rather than a tax provision benefit, since the deferred tax assets associated with these carryforwards had

been fully reserved at the time we acquired Stream International's localization businesses. We recorded no tax benefit for losses generated during this period due to the uncertainty of realizing any benefit. There was no tax provision recorded for the year ended December 31, 1996 because Stream International benefited the tax provision with the utilization of previously unrecognized net operating loss carryforwards.

#### QUARTERLY RESULTS OF OPERATIONS

The following tables set forth unaudited consolidated quarterly financial data for the periods indicated. We derived this data from our unaudited consolidated financial statements, and, in the opinion of management, they have been prepared on the same basis as the audited financial statements contained elsewhere in this prospectus and include all adjustments, which consist only of normal recurring adjustments, necessary to present fairly the financial results for the periods. The operating results for any quarter are not necessarily indicative of results for any future period.

<TABLE>  
<CAPTION>

<S>	QUARTER ENDED						
	<C> SEPT. 30, 1997	<C> DEC. 31, 1997	<C> MARCH 31, 1998	<C> JUNE 30, 1998	<C> SEPT. 30, 1998	<C> DEC. 31, 1998	<C> MARCH 31, 1999
<CAPTION>	(IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue.....	\$ 6,866	\$ 7,382	\$ 7,438	\$10,694	\$10,021	\$10,259	\$11,690
Cost of revenue.....	5,161	5,138	5,344	6,882	6,550	6,770	8,195
Gross profit.....	1,705	2,244	2,094	3,812	3,471	3,489	3,495
Operating expenses:							
Sales and marketing.....	341	369	527	679	749	780	1,172
General and administrative.....	2,139	2,327	2,387	2,851	2,690	2,961	3,233
Amortization of acquisition-related intangible assets.....	1,100	1,100	561	633	441	510	766
Restructuring charges.....	--	541	451	--	--	50	--
Stock-based compensation.....	--	--	--	--	--	--	45
Total operating expenses.....	3,580	4,337	3,926	4,163	3,880	4,301	5,216
Loss from operations.....	(1,875 )	(2,093)	(1,832)	(351)	(409)	(812)	(1,721)
Interest expense.....	(36 )	(27)	(86)	(179)	(196)	(187)	(1,468)
Other income (expense), net.....	60	(535)	42	(64)	(22)	93	(181)
Loss before income taxes.....	(1,851 )	(2,655)	(1,876)	(594)	(627)	(906)	(3,370)
Provision for income taxes.....	--	112	36	17	36	170	45
Net loss.....	\$ (1,851 )	\$ (2,767)	\$ (1,912)	\$ (611)	\$ (663)	\$ (1,076)	\$ (3,415)
AS A PERCENTAGE OF REVENUE:							
Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue.....	75.2	69.6	71.8	64.4	65.4	66.0	70.1
Gross profit.....	24.8	30.4	28.2	35.6	34.6	34.0	29.9
Operating expenses:							
Sales and marketing.....	5.0	5.0	7.1	6.3	7.5	7.6	10.0
General and administrative.....	31.1	31.5	32.1	26.7	26.8	28.9	27.6
Amortization of acquisition-related intangible assets.....	16.0	14.9	7.5	5.9	4.4	5.0	6.6
Restructuring charges.....	--	7.3	6.1	--	--	0.4	--
Stock-based compensation.....	--	--	--	--	--	--	0.4
Total operating expenses.....	52.1	58.7	52.8	38.9	38.7	41.9	44.6
Loss from operations.....	(27.3 )	(28.3)	(24.6)	(3.3)	(4.1)	(7.9)	(14.7)
Interest expense.....	(0.5 )	(0.4)	(1.2)	(1.7)	(2.0)	(1.8)	(12.6)
Other income (expense), net.....	0.8	(7.3)	0.6	(0.6)	(0.2)	0.9	(1.5)
Loss before income taxes.....	(27.0 )	(36)	(25.2)	(5.6)	(6.3)	(8.8)	(28.8)
Provision for income taxes.....	--	1.5	0.5	0.1	0.3	1.7	0.4
Net loss.....	(27.0 )%	(37.5)%	(25.7)%	(5.7)%	(6.6)%	(10.5)%	(29.2)%

<CAPTION>

<S>	<C>
	JUNE 30, 1999
	-----
<S>	<C>
Revenue.....	\$12,093
Cost of revenue.....	8,412
	-----
Gross profit.....	3,681
	-----
Operating expenses:	
Sales and marketing.....	1,441
General and administrative.....	3,661
Amortization of acquisition-related intangible assets.....	813
Restructuring charges.....	--
Stock-based compensation.....	187
	-----
Total operating expenses.....	6,102
	-----
Loss from operations.....	(2,421)
Interest expense.....	(3,520)
Other income (expense), net.....	(139)
	-----
Loss before income taxes.....	(6,080)
Provision for income taxes.....	270
	-----
Net loss.....	\$ (6,350)
	-----
	-----
AS A PERCENTAGE OF REVENUE:	
Revenue.....	100.0%
Cost of revenue.....	69.6
	-----
Gross profit.....	30.4
	-----
Operating expenses:	
Sales and marketing.....	11.9
General and administrative.....	30.3
Amortization of acquisition-related intangible assets.....	6.7
Restructuring charges.....	--
Stock-based compensation.....	1.5
	-----
Total operating expenses.....	50.4
	-----
Loss from operations.....	(20.0)
Interest expense.....	(29.1)
Other income (expense), net.....	(1.2)
	-----
Loss before income taxes.....	(50.3)
Provision for income taxes.....	2.2
	-----
Net loss.....	(52.5) %
	-----
	-----

</TABLE>

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Lionbridge has experienced quarter-to-quarter variability in its revenues and gross profit. This variability is due to fluctuations in our clients' product release cycles, the length of our sales cycle, rapid growth, acquisitions, the emerging nature of the markets in which we compete and other factors outside our control. We believe that quarter-to-quarter comparisons of results of operations are not necessarily meaningful. You should not rely on these comparisons as a measure of future performance.

#### LIQUIDITY AND CAPITAL RESOURCES

Since its formation, Lionbridge has relied primarily on private sales of equity securities (totaling approximately \$13.3 million through December 31, 1998) and borrowings to fund operations. We have incurred significant losses since our inception and, at June 30, 1999, had an accumulated deficit of \$24.5 million and a working capital deficit of \$2.9 million. We conduct our business through our wholly owned subsidiaries in the United States and overseas.

We have a commercial credit facility with Silicon Valley Bank that allows Lionbridge to borrow up to \$8.0 million, and that expires on September 20, 1999. The facility requires Lionbridge to maintain financial ratios and restricts the payment of dividends. The facility bears interest at the bank's prime rate plus 1% (8.75% at June 30, 1999) and is collateralized by worldwide accounts receivable and work in process. As of June 30, 1999, \$5.9 million was outstanding under the facility.

In the first quarter of 1999, we entered into subordinated loan agreements with Morgan Stanley Venture Capital Fund II Annex, L.P. and Morgan Stanley Venture Investors Annex, L.P., each stockholders of Lionbridge, and Capital Resource Lenders III, L.P. Under the terms of the agreements, we issued \$12.0 million of subordinated notes with detachable warrants to purchase 1,533,260 shares of our common stock at an exercise price of \$0.015 per share. These notes bear interest at 12% per year and are due upon the earlier of the closing of this offering or between 2003 and 2006. As of March 31, 1999, we were not in compliance with one of the covenants common to each of the above loan agreements. We subsequently obtained waivers from the Morgan Stanley entities and Capital Resource Lenders which release us from the requirement to comply with that covenant for the quarter ended March 31, 1999 and for the quarters ending June 30 and September 30, 1999.

Net cash used in operations was \$1.4 million in 1997, \$1.7 million in 1998, and \$4.4 million in the six months ended June 30, 1999. Cash used in these periods was primarily to fund the net losses of \$7.7 million, \$4.3 million and \$9.8 million incurred during these periods, respectively, offset in part by depreciation, amortization and other non-cash expenses and increases in operating assets and liabilities. Increases in operating assets and liabilities were largely the result of the growth of our business operations during these periods.

Net cash used in investing activities was \$426,000 in 1997, \$4.5 million in 1998, and \$4.8 million in the six months ended June 30, 1999. Investing activities for these periods were primarily purchases of equipment, the acquisitions of Japanese Language Services and the localization services division of Lucent Technologies in 1998 and VeriTest in 1999.

Net cash provided by financing activities was \$1.3 million in 1997, \$5.9 million in 1998, and \$10.0 million in the six months ended June 30, 1999, primarily due to the borrowings against our bank line of credit in each period as well as the issuance of the subordinated debt in 1999.

As of June 30, 1999, Lionbridge's other significant financial commitments consisted of \$750,000 of notes payable as well as obligations under operating leases. Additionally, we will redeem our Series B redeemable preferred stock upon the closing of this offering. The redemption amount at June 30, 1999 was approximately \$15.9 million.

Lionbridge has an agreement with the Irish Industrial Development Agency regarding financial grants to our Irish subsidiary from this agency. Under the agreement, the Irish subsidiary may not pay dividends or otherwise distribute its cash, including any distributions to Lionbridge. In addition, our

European subsidiaries, including our Irish subsidiary, are restricted from paying dividends to us under the terms of our commercial credit facility with Silicon Valley Bank. These restrictions have not had a material impact on Lionbridge or any of our subsidiaries and we do not expect that these restrictions will have a material impact in the future.

As of June 30, 1999, we had cash of \$1.5 million and an additional \$2.1 million available for borrowing under the bank line of credit. Our future financing requirements will depend upon a number of factors, including the Company's operating performance and increases in operating expenses associated



with growth in our business. We anticipate that the net proceeds of this offering, together with existing cash and available financing, should provide adequate cash to fund our currently anticipated cash needs through at least the next 18 months. We cannot assure you that additional financing, if needed, will be available to Lionbridge at terms acceptable to us, if at all.

#### YEAR 2000 READINESS DISCLOSURE

The Year 2000 problem is the potential for system and processing failures of date-related data arising from the use of two digits by computer-controlled systems, rather than four digits, to define the applicable year. Because we and our clients are dependent, to a very substantial degree, upon the proper functioning of our and their computer systems, a failure of our or their systems to correctly recognize dates beyond December 31, 1999 could materially disrupt our operations, which could materially and adversely affect our business, results of operations, and financial condition. Additionally, our failure to provide Year 2000-compliant services to our clients could result in financial loss, harm to our reputation and legal liability. Likewise, the failure of computer systems and products of the third parties with which we transact business to be Year 2000-compliant could materially disrupt their and our operations.

STATE OF READINESS. We have made an assessment of the Year 2000 readiness of our information technology ("IT") systems, including the hardware and software that enable us to provide services. Our Year 2000 readiness plan consists of:

- quality assurance testing of our internally developed proprietary software,
- contacting third-party vendors and licensors of material software and services that are both directly and indirectly related to the delivery of our services,
- assessing our repair and replacement requirements, and
- creating contingency plans in the event of Year 2000 failures.

We have begun to contact our third party vendors and service providers to assess their Year 2000 compliance. We have been informed by all of our material software component vendors that the products we use are currently Year 2000-compliant. We are currently completing the assessment of our non-IT systems and will seek assurance of Year 2000 compliance from providers of material non-IT systems. We expect to complete this review by September 30, 1999 and any resulting contingency plans by October 31, 1999. Until testing is complete and we contact these vendors and providers, we will not be able to completely evaluate whether our IT systems or non-IT systems will need to be revised or replaced.

COSTS. We have made the majority of our equipment and other purchases over the course of the last two years, and we believe this equipment is Year 2000-compliant. As a result, we have not incurred any material costs in identifying or evaluating Year 2000 compliance issues. Based on our assessment to date, we do not anticipate that costs associated with remediating our non-compliant IT systems or non-IT systems will be material. We expect that our existing employees or consultants will perform any significant work pertaining to Year 2000 compliance.

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RISKS. We believe that our internal software and hardware systems will function properly with respect to dates in the Year 2000 and thereafter. Year 2000 problems of our clients, suppliers and service providers could affect our systems or operations. Our primary vendors consist of individual translators and other service professionals who are not expected to be materially impacted by the Year 2000 issue. We do have relationships with various financial institutions and telecommunications providers throughout the world which could be materially impacted by this problem. We have contacted our financial institutions and critical telecommunications providers and based on their responses, we believe our operations will not be materially impacted by Year 2000 problems. In addition, we cannot assure you that governmental agencies, utility companies, Internet access companies, third party service providers, and others outside our control will be Year 2000-compliant. Because we depend heavily on the availability of the Internet to conduct our business and provide services to our clients, disruptions in the use of the Internet arising from Year 2000 problems could materially affect our business, financial condition, and results of operations.

Widespread Year 2000 difficulties could also decrease demand for our services as companies expend resources upgrading their computer systems. Although, as a general matter, we do not specifically contract with or warrant to our clients that our work will be Year 2000-compliant, several clients have requested and received this warranty. In these cases, we do not warrant the compliance of the client's source material; rather, we warrant only that the localized version created by us will not include new routines which fail to be Year 2000-compliant. In addition, through our VeriTest labs we provide Year 2000 testing services on customer products, but we expressly exclude any warranty, guaranty, or certification of Year 2000 compliance, compatibility or the functionality of the customer's products. Although we believe we have effectively limited our risk of warranty claims for Year 2000 problems, there is still a risk that clients for whom we have localized or tested software will attempt to hold us liable for any damages that result in connection with Year 2000 problems.

CONTINGENCY PLAN. As discussed above, we are engaged in an ongoing Year 2000 assessment and are developing contingency plans in case of Year 2000 disruptions. We will take into account the results of our Year 2000 simulation testing and the responses received from third party vendors and service providers in determining the nature and extent of any contingency plans.

#### FOREIGN CURRENCY EXCHANGE RATE LOSSES

The majority of our contracts with clients are denominated in U.S. dollars. However, 73% of our costs and expenses in 1998 and 62% of our costs and expenses for the six months ended June 30, 1999 were denominated in foreign currencies. 59% and 64% of our assets were recorded in foreign currencies as of December 31, 1998 and June 30, 1999. 48% and 43% of our liabilities were recorded in foreign currencies as of December 31, 1998 and June 30, 1999. Therefore, we are exposed to foreign currency exchange risks. We have not historically tried to reduce our exposure to exchange rate fluctuations by using hedging transactions. However, we may choose to do so in the future. We may not be able to do this successfully. Accordingly, we may experience economic loss and a negative impact on earnings and equity as a result of foreign currency exchange rate fluctuations.

#### CONVERSION TO THE EURO

On January 1, 1999, 11 European countries began using the euro as their single currency, while still continuing to use their own notes and coins for cash transactions. Banknotes and coins denominated in euros are expected to be in circulation by 2002, at which time local notes and coins will cease to be legal tender. Lionbridge conducts a significant amount of business in these countries. The introduction of the euro has not resulted in any material adverse impact upon our operations, although we continue to monitor the effects of the conversion.

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#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair values. Changes in the fair values of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether or not a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. SFAS No. 133 is expected to be effective for Lionbridge's fiscal quarter beginning January 1, 2001, and we do not expect its adoption will have a material impact on our financial position or results of operations.

In April 1998, AcSEC issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." Start-up activities are defined broadly as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, commencing some new operation or organizing a new entity. Under SOP 98-5, the cost of start-up activities should be expensed as incurred. SOP 98-5 is effective for our fiscal 1999 financial statements, and we do not expect its adoption will have a material effect on our financial position or results of operations.

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## OVERVIEW

Lionbridge is a provider of globalization services to industry-leading software publishers, computer hardware manufacturers, and telecommunications companies. Globalization is the process of adapting products or services to meet the demands of local cultures. Since 1996, we have focused primarily on globalization services, including localization, internationalization, and testing, that enable simultaneous worldwide release and ongoing maintenance of products and related technical support, training materials, and sales and marketing information in multiple languages. As our clients' product releases, technical support, and training activities have evolved toward a Web-based business model, we have begun over the course of the last year to offer multilingual Internet services. While these services have not accounted for a material portion of our revenue to date, we anticipate that the proportion of our revenue derived from multilingual Internet services will grow as our clients continue to transition to Web-based business models.

Four business trends that are transforming the world market for technology products and related services, and are in turn transforming the market for our globalization and multilingual Internet services:

- increasingly global operations of companies around the world,
- growth in the use of information technology products and services,
- the Internet's revolutionary impact on how businesses communicate internally and interact with their customers and business partners on a worldwide basis, and
- businesses' focus on core competencies, leading to the increasing use of outsourcing for technology services.

As product releases, technical support and training have evolved toward a Web-based business model, we have in turn begun to offer multilingual Internet services. While the Internet has been an integral part of our operations and our relationships with our customers for several years, in the last year we have developed new multilingual Internet service offerings that are focused on this rapidly changing business opportunity. These multilingual Internet service offerings include:

- ERELEASE--we modify, translate, and test our clients' software products and Web applications in multiple languages.
- ESUPPORT--we translate, test, and maintain technical support databases which are accessible to our clients' customers through the Internet.
- ELEARNING--we enable our clients to provide updated training materials on the Web in multiple languages.
- ECOMMERCE--we modify Web-based sales and marketing materials for our clients who sell their products through the Internet in multiple languages.

Our proprietary RAPID GLOBALIZATION METHODOLOGY and LIONTRACK workflow systems are the core process and technology we use to provide these multilingual Internet services.

We service our industry-leading technology clients, including IBM, Microsoft, Motorola, Novell, Oracle, and Sun Microsystems from our facilities in the United States, Europe, and Asia.

## INDUSTRY BACKGROUND

Companies around the world are increasingly operating on a global scale. To operate efficiently, companies must standardize their hardware, software, and telecommunications infrastructures

throughout their global organization. As a result, technology companies that provide hardware, software, and telecommunications products must also operate on a global scale to address their customers' needs. This is one of the reasons that in 1997 approximately 54% of worldwide software sales were generated outside of the United States, according to International Data Corporation.

Historically, technology companies first developed products for their home markets and then created foreign language versions that were compatible with local operating systems and standards. The complexity of developing these localized versions often resulted in product releases being delayed from six months to a year after delivery of the home-country version. In the interim, end users of technology products often faced version and compatibility conflicts throughout their global organizations. As a result, global end users of technology now demand:

- simultaneous product release of the home-country and localized versions,
- independent third party testing and certification to provide assurance of compatibility with local operating systems and international standards, and
- customer support, testing, and training in local languages wherever the end user operates around the world.

To meet these demands, the market for globalization services has evolved beyond translation to encompass:

- LOCALIZATION. The re-engineering and translation of user interfaces, online help, documentation, technical support databases, training materials, and sales and marketing information.
- INTERNATIONALIZATION. The re-engineering of source code so that products and applications are compatible with country-specific operating systems and software.
- MULTILINGUAL PRODUCT TESTING. The assurance that foreign language versions appear and function properly and are compatible with local operating systems and standards.

With the increasing complexity of many technology products today, product globalization requires the integration of a broad range of disciplines and specialized technical resources with a global communications and project management infrastructure.

The Internet is transforming business worldwide by removing the barriers of time and geography. As the world becomes more technology-enabled, companies are using the Internet to conduct operations, manage constituents, distribute products, and communicate both internally and externally on a worldwide basis. Internet content is predominantly in English, but a growing percentage of Internet users do not speak English as their first language. Computer Economics, an independent research firm, predicts that by 2002 a majority of Internet users will be non-English speaking. Although the Internet offers significant opportunities, companies cannot take full advantage of these opportunities unless they accommodate users' local languages, cultures, and technical environments.

Technology companies now use the Internet to:

- RELEASE PRODUCTS. Software products are increasingly distributed over the Internet or redesigned as Web-based applications. Today, many software publishers regularly post product updates and enhancements on their Web sites.
- PROVIDE TECHNICAL SUPPORT. Demonstrated cost benefits and improved customer satisfaction are driving businesses to provide Web-based technical support for their end users. As a result, companies are supplementing technical support call centers with Web-based self-help offerings such as frequently asked questions and technical support databases. Gartner Group has estimated that the cost of providing Internet-based support ranges between \$0.25 and \$3.50 per request compared to \$5.01 per call using traditional telephone-based customer support.

International Data Corporation estimates that this market was approximately \$1.8 billion in 1998 and expects it to grow to approximately \$13.9 billion in 2003.

- DELIVER PRODUCT TRAINING. Self-directed Web-based courseware, product training, and accreditation is beginning to replace classroom-based, instructor-led training. International Data Corporation estimates that the market for Internet-based information technology learning will grow from \$440 million in 1998 to \$4.1 billion in 2002.
- MARKET AND SELL PRODUCTS. Lionbridge believes that e-commerce, while predominately U.S.-based today, will become a global phenomenon. Today, companies routinely localize their sales and marketing information for posting to their Web site. Lionbridge believes this trend will expand to include Internet storefronts and e-commerce applications.

The following diagram depicts the effect the Internet is having on the way companies conduct business.

[GRAPHIC]

Few companies have the combination of engineering, linguistic, testing, and project management skills needed to successfully globalize their products and services for simultaneous worldwide release. In addition, because the demand for globalization services at most companies is variable, it is usually not cost-effective for them to maintain a full suite of in-house globalization resources. Lionbridge believes that technology companies recognize that localization is not a core competency. As a result, they are increasingly outsourcing their globalization and multilingual Internet activities in order to accelerate time-to-market, minimize their fixed costs, and reallocate their resources to core product development activities.

Although many companies provide translation and other discrete localization-related services, Lionbridge believes few companies offer a complete globalization and multilingual Internet solution. Lionbridge believes that technology companies are demanding a one-stop globalization and multilingual Internet service provider to meet their global product development, technical support, training, and sales and marketing requirements.

#### LIONBRIDGE'S SOLUTION

We provide a complete globalization and multilingual Internet offering to businesses, particularly industry-leading software publishers, computer hardware manufacturers, and telecommunications companies. Our full suite of services improve the quality, consistency, and timeliness of our clients'

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international product releases, technical support, training materials, and sales and marketing information. Lionbridge serves as a globalization partner throughout a client's product development and support lifecycle by offering:

- localization, translation, and internationalization services,
- compliance, compatibility, and localization testing of software and hardware, and
- project management throughout the globalization process.

We have invested in the development of our proprietary RAPID GLOBALIZATION METHODOLOGY, a process which is at the heart of each client engagement. Our RAPID GLOBALIZATION METHODOLOGY standardizes processes, defines key activities, and specifies goals for each project. This approach to a project benefits our clients by enabling Lionbridge to provide consistent quality and timely delivery of localized versions of products and related materials across multiple geographies and languages. Our RAPID GLOBALIZATION METHODOLOGY emphasizes the integration of process and technology into the globalization process to achieve operational efficiencies and predictable, measurable results. This methodology also facilitates the identification, capture, and sharing of valuable knowledge and best practices throughout our organization, enabling us to continuously improve the quality and efficiency of our services. The RAPID GLOBALIZATION METHODOLOGY is generally supported by our proprietary internal LIONTRACK workflow systems, LIONTRACK WORKGROUP and LIONTRACK ENTERPRISE.

- LIONTRACK WORKGROUP enables our clients to submit files and translation instructions to us via the Internet for automated routing throughout the localization process. Our clients can use LIONTRACK WORKGROUP to monitor the real-time progress of individual components of an assignment, which allows them to plan their product release schedule more effectively.
- LIONTRACK ENTERPRISE has been designed for the demanding localization requirements of large, complex Web sites that are subject to continuous updating, and LIONTRACK ENTERPRISE, which became operational in July 1999, connects directly to our client's Web site, automatically detecting and extracting required changes through our Web-crawling technology. LIONTRACK ENTERPRISE routes those changes for translation and localization, and automatically inserts the localized material into the client's multilingual Web sites. We expect LIONTRACK ENTERPRISE to enable clients to maintain continuously updated multilingual Web sites without disruption, freeing them to focus on content development.

We believe that expanded global competition and worldwide Internet access will increase the demand for our services. We also believe that by offering a one-stop solution to globalization and multilingual Internet service needs, Lionbridge is an attractive strategic partner to companies operating in a global marketplace.

#### LIONBRIDGE'S GROWTH STRATEGY

Lionbridge's goal is to become the leading provider of globalization and multilingual Internet services. The following are the key elements of our strategy:

**LEVERAGE EXISTING CLIENTS.** We seek to increase the services we provide to our existing clients by selling to other product groups within the same client organization. In addition, we seek to leverage product knowledge acquired on one project (for example, globalization of a product release) to sell services to different enterprise functions within the same client (for example, compliance testing, logo certification, localization of customer support knowledgebases, and training materials).

**CONTINUE STRATEGIC ACQUISITIONS.** We intend to continue pursuing strategic acquisitions that provide greater niche expertise, complementary service offerings, additional geographic reach, and new clients. In 1998, we acquired businesses that gave us valuable expertise in Japanese localization and

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a facility on the west coast of the United States. In 1999, we acquired compliance testing and certification capabilities.

**EVOLVE OUR METHODOLOGY AND WORKFLOW SYSTEMS.** Lionbridge intends to continue investing in the development of our RAPID GLOBALIZATION METHODOLOGY and LIONTRACK workflow systems. We have a dedicated process and technology group that works closely with our operations groups to refine and enhance our core methodology and systems based on best practices and client feedback. This focus enables Lionbridge to continuously improve the quality, predictability, and efficiency of our services across geographies and languages.

**PURSUE MULTI-YEAR RELATIONSHIPS WITH CLIENTS.** We intend to pursue multi-year relationships with clients who seek an outsourcing partner. This could involve the acquisition of selected companies' internal localization operations and entering into multi-year agreements with the sellers of these operations.

**EXPAND INTO ADDITIONAL VERTICAL MARKETS.** We initially focused on providing globalization and multilingual Internet services to software publishers and computer hardware manufacturers. Our client base has since expanded to include telecommunications companies. We intend to continue expanding into additional industries that are global and information-intensive, such as the automotive and medical device industries.

#### LIONBRIDGE SERVICES

We provide a full suite of globalization and multilingual Internet services to businesses--primarily technology businesses--to improve the quality, consistency, and timeliness of their international product releases, technical support, training materials, and sales and marketing information. Our

globalization services consist of the following:

- SOFTWARE LOCALIZATION. Lionbridge creates foreign language versions of software products and applications, including the user interface, online help systems, and documentation. We provide our clients with re-engineered, fully tested, and culturally adapted multilingual versions of their products and applications.
- INTERNATIONALIZATION. Lionbridge provides source code analysis and engineering services that enable software to be compatible with country-specific operating systems and localized software. Through a complex and highly specialized process, we re-engineer code to support the "double-byte" character set requirements of the Japanese, Chinese, and Korean languages.
- TRANSLATION. Lionbridge uses a combination of internal and external translators, as well as translation software, for its projects. We have approximately 35 translators who are employees and we also have established relationships with a global network of over 2,000 in-country translators, including independent agencies and freelance professionals. A majority of our translation costs are attributable to outsourcing these services to in-country translators. We develop and apply glossaries to ensure consistent terminology across projects for a specific company or industry. We also use translation memory software to identify previously translated material for re-use. Our project editors review translated material to ensure that it meets our standards for quality and accuracy. Historically, a majority of our revenue from translation services has involved translating information from English to various foreign languages.
- LOCALIZATION AND COMPATIBILITY TESTING. We provide both localization testing, and software, hardware, and telecommunications compatibility testing through our global network of VeriTest labs. Testing provides an opportunity to uncover errors before the product is placed into production and into the hands of end users. The goal of localization testing is to ensure that local language versions of the product perform consistently with the source language version.

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Compatibility testing is necessary to ensure that localized products function properly in the local hardware and software environment, including local operating systems, peripheral devices, and networking and communications standards.

- LOGO CERTIFICATION. Lionbridge, under its VeriTest brand, provides logo certification programs for many of the leading software companies, including Autodesk, BMC Software, Microsoft, and Oracle. These sponsoring companies retain Lionbridge to develop and administer test criteria that independent software vendors must satisfy before they may display the sponsor's logo (such as Microsoft's CERTIFIED FOR WINDOWS 2000-TM-) on their products. The logo is an indication of software quality and compatibility for end users. Other Lionbridge logo programs include BUILT WITH OBJECT ARX-TM- (Autodesk), BMC CERTIFIED FOR PATROL-TM-, DESIGNED FOR MICROSOFT WINDOWS NT AND WINDOWS 98-TM-, and ORACLE E-CERTIFIED WAREHOUSE-TM-.
- MULTILINGUAL TECHNICAL PUBLISHING. We localize user manuals, marketing and training materials, and other product support information using a variety of desktop publishing and graphics software. Using workflow technology, multiple language versions are simultaneously delivered to our clients in formats ready for printing or Internet delivery.

As our clients increasingly use the Internet to deliver products, technical support, training materials, and sales and marketing information, we are adapting our service offerings to support our clients' Web-based initiatives. We are organizing our multilingual Internet services in four key areas:

#### ERELEASE

Lionbridge localizes software products and Web applications into multiple languages. With the emergence of the Internet, our clients are redesigning their software products as Web components and applications, then releasing them and providing continuous updates over the Internet. Lionbridge provides the methodology and workflow systems to support continuous release of multilingual products and updates via the Web.

ESUPPORT

We offer localization and maintenance of technical support Web sites, including frequently asked questions, product specifications, white papers, and technical support databases. As our clients continuously update this Web-based information, we automatically update the multilingual versions as well. We have also begun to assist our clients in providing local language responses to technical support questions through e-mail.

ELEARNING

Our multilingual eLearning services enable our clients to provide updated training materials on the Web in multiple languages and culturally appropriate formats as they move from instructor-led classroom training to Internet distance learning.

ECOMMERCE

We localize Web-based sales and marketing materials for our clients who sell their products via the Internet. Our services support continuous updates and revisions to these materials.

As corporate Web sites become an integrated global resource, Lionbridge believes that our multilingual Internet services will assist multinational corporations in maintaining the quality and consistency of their Web-based products and content in multiple languages.

SALES AND MARKETING

Substantially all of Lionbridge's revenue has been generated through its dedicated direct sales force. We currently have 20 direct sales professionals based in the United States, Europe, and Asia who sell the full range of Lionbridge globalization and multilingual Internet services. Our sales approach is highly consultative and often involves planning for an organization's ongoing requirements, including future versions of products, and ongoing support, maintenance, and training, related to both traditional and Web deployment. There are often several different functional areas within the same organization that require one or more of our services. Many of our clients do not coordinate these purchases but buy these services at the department head level. As a result, our sales professionals may call on several functional departments and at various management levels within the same client organization. Our sales cycle varies significantly, but typically takes six to twelve months.

Lionbridge's marketing efforts are designed to create brand recognition and demand for Lionbridge services throughout the world. Lionbridge's seven-person corporate marketing team is supplemented by marketing representatives in each country in order to provide a consistent global message. Marketing programs include targeted industry and solution-specific advertising campaigns, trade show participation, speaking engagements, and promotion of customer success stories. We plan to continue expanding our sales and marketing activities.

CLIENTS

Lionbridge customers are generally large multi-national organizations in the software, hardware and telecommunications industries. The following companies are representative Lionbridge clients in 1998:

<TABLE>		
<S>	<C>	<C>
3Com	Corel	Novell
Adobe	Data General	Oce
Aurum	Gateway	Oracle
Autodesk	IBM	Page Factory
Avid	J.D. Edwards	Parametric Technology
Baan	Kodak	Portal
Bentley Systems	Macromedia	PowerQuest
Bull	Microsoft	Silicon Graphics
Candle	Motorola	SPSS
Cognos	Network Associates	Sun Microsystems
</TABLE>		

In 1998, Lionbridge's largest client, IBM, accounted for approximately 14% of total revenue. In 1997 and 1998, our five largest clients accounted for approximately 52% and 39%, respectively, of revenue. Revenues from existing clients increased 59% in 1998 as compared to revenues from these clients in 1997.



## COMPETITION

Lionbridge provides a broad range of globalization and multilingual Internet service offerings to its clients. The market for our services is highly fragmented, and we have many competitors. Our current competitors include the following:

- localization or translation services providers such as Berlitz International, Bowne & Co., Lernout and Hauspie, Sykes Enterprises and regional vendors of translation services specializing in specific languages in particular geographic areas,
- companies providing outsourcing of technical support call centers including Stream International and Sykes Enterprises, and

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- independent testing labs providing testing and logo certification services such as National Software Testing Laboratories (a division of CMP Media), and Keylabs.

Although we have competed favorably with these companies to date, we cannot assure you that we will be able to do so in the future. Many of these companies have longer operating histories; significantly greater financial, marketing and other resources; and greater name recognition than Lionbridge. If we fail to be competitive with these companies in the future, our business will be materially and adversely affected.

Lionbridge also faces competition from internal localization departments in large multi-national companies. Although many companies are finding that simultaneous global release and ongoing maintenance of Web-based applications require new skill sets that are not available in-house, many companies may still perform these services in-house rather than outsourcing them. If these companies continue to localize their own products, Lionbridge's business, financial condition and results of operations may be adversely affected.

We may also face competition from companies that provide outsourcing of technical support call centers. As businesses shift from telephonic support centers to Web-based support, companies such as Stream International, Sykes Enterprises and others that currently provide traditional outsourcing services may decide to provide comparable services over the Internet. If these or other companies choose to expand their service offerings, we cannot assure you that Lionbridge will be able to compete with them successfully.

Lionbridge believes the principal competitive factors in providing its services include project management expertise, quality, speed of service delivery, vertical industry knowledge, the ability to provide clients end-to-end localization solutions, expertise in certain geographic areas, corporate reputation, and expertise in Internet-related services.

We believe we compete favorably with respect to these factors. We have developed significant expertise in project management which has allowed us to provide high-quality and quick service in our clients' particular industries and geographic regions. We have been able to successfully provide our customers with a one-stop globalization service and have recently begun to offer our Internet-related services. As a result, we have been able to develop a strong reputation in our industry.

There are relatively few barriers preventing companies from competing with us. We do not own any patented technology that precludes or inhibits others from entering our market. As a result, new market entrants pose a threat to our business. In addition to our existing competitors, we may face further competition in the future from companies that do not presently offer globalization services. Companies currently providing information technology services may choose to broaden their range of services to include globalization. While we presently use translation memory software licensed from third parties in our localization process, and to a lesser extent machine translation software also licensed from third parties, these technologies may improve and become sophisticated enough to compete with our localization service offering. We cannot assure you that we will be able to compete effectively with these potential future competitors.

## INTELLECTUAL PROPERTY RIGHTS

Our success is dependent, in part, upon our proprietary RAPID GLOBALIZATION METHODOLOGY, our LIONTRACK workflow systems, and other intellectual property rights. We do not have any patents or patent applications pending. Lionbridge relies on a combination of trade secret, nondisclosure and other contractual agreements, and copyright and trademark laws to protect its proprietary rights. Existing trade secret and copyright laws afford us only limited protection. We enter into confidentiality agreements with our employees, require that our consultants and generally our clients enter into these agreements, and limit access to and distribution of Lionbridge's proprietary information. We cannot

assure you that these arrangements will be adequate to deter misappropriation of our proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

EMPLOYEES

As of June 30, 1999, we had 447 employees. Of these, 348 were consulting and service delivery professionals and 99 were management and administrative personnel performing marketing, sales, operations, process and technology, finance, accounting, and administrative functions.

We have been successful in hiring individuals with leading-edge technical skills and project management experience. In addition, Lionbridge is committed to employee training and retention. Lionbridge has a dedicated process and technology team that initiates and oversees the training and development of Lionbridge professionals. Key organizational development initiatives include ongoing technical and project management classes as well as career path management and guidance. We plan to continue to invest in attracting the best employees.

Lionbridge's employees in Paris, France are represented by a labor union, and we have a works council in The Netherlands. We have never experienced a work stoppage. We believe our employee relations are good.

FACILITIES

We maintain offices in the United States, Ireland, France, The Netherlands, China, Japan, and South Korea. We maintain sales offices in Charlotte, North Carolina and the metropolitan areas of Seattle, Houston, Los Angeles, and San Francisco in the United States; Dublin, Ireland; Paris, France; Beijing, China; Tokyo, Japan; and Osaka, Japan.

Lionbridge's headquarters and principal administrative, finance, legal, and marketing operations are located in leased office space in Waltham, Massachusetts. Lionbridge's lease is for a term of 3 years and expires on August 1, 2002. Lionbridge maintains a facility in metropolitan Dublin, Ireland and leases three floors under three separate leases expiring between September 14, 2025 and March 1, 2026. We also lease office space in Santa Monica, California; Monterey, California; Ballina, Ireland; Velizy, France; Sophia Antipolis, France; Amsterdam, The Netherlands; Seoul, South Korea; Beijing, China; Tokyo, Japan; and Osaka, Japan. Lionbridge expects that it will need additional space as it expands its business and believes that it will be able to obtain additional space as needed on commercially reasonable terms.

LEGAL PROCEEDINGS

Lionbridge is not a party to any material legal proceedings.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table presents information about each of Lionbridge's executive officers and directors.

<TABLE>  
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Rory J. Cowan.....	46	Chairman of the Board, Chief Executive Officer and President
Stephen J. Lifshatz.....	40	Chief Financial Officer, Treasurer and Secretary
Myriam Martin-Kail.....	45	Vice President, Operations
Peter H. Wright.....	37	Vice President, Sales

Guy L. de Chazal.....	51	Director
Marcia J. Hooper.....	45	Director
Stephen M. Jenks.....	40	Director
Paul Kavanagh.....	57	Director
Claude P. Sheer.....	49	Director

</TABLE>

RORY J. COWAN founded Lionbridge in September 1996. Mr. Cowan served as Chairman and Chief Executive Officer of Stream International, Inc., a software and services provider, from May 1995 to June 1996. Mr. Cowan was also the Chief Executive Officer of Interleaf, Inc. from October 1996 to January 1997. He was an Executive Vice President of R.R. Donnelley & Sons, a provider of commercial print and print-related services, from January 1991 to June 1996. Mr. Cowan also serves as a director of NewsEDGE Corporation and Interleaf, Inc., where he is Chairman of the Board.

STEPHEN J. LIFSHATZ joined Lionbridge in January 1997. Mr. Lifshatz served as the Chief Financial Officer of The Dodge Group from May 1996 to January 1997. He served in a number of senior financial roles, including Chief Financial Officer of Marcam Corporation, a publicly traded software company, from May 1984 to May 1996.

MYRIAM MARTIN-KAIL joined Lionbridge in December 1996. Ms. Martin-Kail served as European Director for Localization of Stream International, Inc. from April 1995 to December 1996 and Operations Manager, Dublin from September 1994 to September 1995. She was Internationalization Manager for Digital Equipment Corporation in Europe from January 1992 to November 1994.

PETER H. WRIGHT joined Lionbridge in January 1997. Mr. Wright was previously the Sales Director at Berlitz International, Inc. for their localization business from August 1991 to November 1996.

GUY L. DE CHAZAL has been a director of Lionbridge since February 1998. Mr. de Chazal has been with Morgan Stanley since 1984, most recently as a managing director of Morgan Stanley and the President and a general partner of Morgan Stanley Dean Witter Venture Partners. Mr. de Chazal is a director of PageMart Wireless, Inc. and several private companies.

MARCIA J. HOOPER has been a director of Lionbridge since December 1996. Since May 1996, Ms. Hooper has been a partner with the Information Technology Group of Advent International Corporation, a venture capital company. From July 1994 to April 1996, she served as a partner of Viking Capital Group, a venture capital company focused on early stage investments. Ms. Hooper was a partner of Paine Webber/Ampersand Ventures, a venture capital company, from September 1985 to June 1994. Ms. Hooper is also a director of Wang Laboratories, Inc., Interleaf, Inc., Worldgate Communications, Inc. and PolyMedica Corporation.

STEPHEN M. JENKS has been a director of Lionbridge since March 1999. Mr. Jenks has been a member of Capital Resource Management, LLC since 1993. He is also a director of several privately held companies.

PAUL KAVANAGH has been a director of Lionbridge since December 1996. Mr. Kavanagh has served as an industry consultant since January 1998. Mr. Kavanagh served as President Europe, Middle East and Africa of Stream International, Inc. from August 1995 to January 1998. From April 1992 to August 1995, Mr. Kavanagh was Managing Director Europe, Middle East and Africa of R.R. Donnelley & Sons.

CLAUDE P. SHEER has been a director of Lionbridge since March 1999. Mr. Sheer has served as Senior Advisor to Ziff Davis since April 1999. Mr. Sheer served as Chief Internet Strategist of Ziff Davis from November 1998 to April 1999. From 1980 to November 1998, Mr. Sheer served in a number of executive roles for Ziff Davis, including President, ZD Publishing; President US Publications; and President, Business Media Group.

The Board of Directors is currently fixed at six members. Lionbridge's second amended and restated certificate of incorporation, as in effect immediately following this offering, divides the Board of Directors into three classes. The members of each class of directors serve for staggered three-year terms. The Board of Directors is composed of (i) two Class I directors (Messrs. Jenks and Sheer), whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2000, (ii) two Class II directors (Mr. de Chazal and Ms. Hooper), whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2001, and (iii) two Class III directors (Messrs. Cowan and Kavanagh),

whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2002.

Our executive officers are elected by and serve at the discretion of the Board of Directors. There are no family relationships among any of our executive officers and directors.

COMMITTEES OF THE BOARD OF DIRECTORS

We have a standing compensation committee and audit committee of the Board of Directors. The members of the compensation committee consist of Messrs. de Chazal, Kavanagh and Sheer. The compensation committee's duties are to review and evaluate the salaries and incentive compensation of our management and employees and administer our 1998 Stock Plan and, upon adoption at the closing of this offering, our 1999 Employee Stock Purchase Plan.

The members of the audit committee consist of Messrs. Jenks and Kavanagh and Ms. Hooper. The audit committee is responsible for the selection of and determination of fees paid to Lionbridge's independent public accountants, reviewing the scope and results of audits and other services provided by our independent public accountants and reviewing Lionbridge's system of internal accounting and financial controls. The audit committee also reviews other matters with respect to our accounting, auditing, and financial reporting practices and procedures as it may find appropriate or may be brought to its attention.

DIRECTOR COMPENSATION

Lionbridge does not currently compensate its directors. Each director is reimbursed for reasonable travel and other out-of-pocket expenses incurred in attending meetings of the Board of Directors or of any committee of the Board. Non-employee directors are eligible to receive options to purchase shares of our common stock.

EXECUTIVE COMPENSATION

The following summary compensation table sets forth the total compensation paid or accrued for the year ended December 31, 1998 for our Chief Executive Officer and all other executive officers whose salary and bonus for services rendered in any capacities to Lionbridge for the fiscal year ended December 31, 1998 exceeded \$100,000. We will use the term "named executive officers" to refer to these people later in this prospectus.

SUMMARY COMPENSATION TABLE

<TABLE>  
<CAPTION>

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM
	SALARY	BONUS	OTHER ANNUAL COMPENSATION	SECURITIES UNDERLYING OPTIONS/SARS
<S>	<C>	<C>	<C>	<C>
Rory J. Cowan..... Chairman of the Board, President and Chief Executive Officer	\$ 249,144	\$ 112,500	--	--
Stephen J. Lifshatz..... Chief Financial Officer, Treasurer and Secretary	\$ 182,750	\$ 41,250	--	36,667
Myriam Martin-Kail..... Vice President, Operations	\$ 128,256	\$ 31,205	--	20,000
Peter H. Wright..... Vice President, Sales	\$ 151,614	\$ 30,000	--	33,334

</TABLE>

OPTION GRANTS IN LAST FISCAL YEAR

The following table summarizes the options granted to each of Lionbridge's named executive officers during the fiscal year ended December 31, 1998.

<TABLE>  
<CAPTION>

INDIVIDUAL GRANTS		POTENTIAL REALIZABLE
NUMBER OF	PERCENT OF	VALUE AT ASSUMED
		ANNUAL RATES OF
		STOCK
		PRICE APPRECIATION

NAME	SECURITIES UNDERLYING OPTIONS GRANTED	TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (1)	EXPIRATION DATE	FOR OPTION TERM(2)	
					5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Rory J. Cowan.....	--	--	--	--	--	--
Stephen J. Lifshatz.....	36,667	9.0%	\$ 0.30	2/08/08	\$ 6,918	\$ 17,531
Myriam Martin-Kail.....	20,000	4.9%	\$ 0.30	2/08/08	\$ 3,773	\$ 9,562
Peter H. Wright.....	33,334	8.2%	\$ 0.30	4/01/08	\$ 6,289	\$ 15,937

(1) The exercise price equals the fair market value of the common stock as of the grant date as determined by our board of directors.

(2) The potential realizable value is calculated based on the term of the option at the time of grant (10 years). Assumed stock price appreciation of 5% and 10% is based on the fair value at time of the grant.

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AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table sets forth information with respect to exercisable and unexercisable stock options held as of December 31, 1998 by each of the named executive officers and with respect to stock options exercised by the named executive officers during the fiscal year ended December 31, 1998.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED(1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1998		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1998 (2)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Rory J. Cowan.....	187,689	\$ 53,492	187,689	750,763	2,408,988	9,636,069
Stephen J. Lifshatz.....	97,155	\$ 34,004	--	198,595	--	2,546,446
Myriam Martin-Kail.....	--	--	121,455	222,430	1,560,697	2,855,226
Peter H. Wright.....	--	--	44,769	119,065	575,282	1,529,985

(1) The value realized by Messrs. Cowan and Lifshatz upon the exercise of these options represents the aggregate amount of the difference between the fair market value for a share of our common stock on the date of exercise and the exercise price per share, multiplied by the number of shares underlying such options.

(2) There was no public trading market for our common stock as of December 31, 1998. Accordingly, as permitted by the rules of the Securities and Exchange Commission, the value of unexercised in-the-money options has been calculated by determining the difference between the exercise price per share payable upon exercise of such options and an assumed initial public offering price of \$13.00.

STOCK PLANS

1998 STOCK PLAN. The 1998 Stock Plan has a total of 5,522,032 shares of common stock reserved for issuance. The 1998 Stock Plan provides for the grant of stock-based awards to our employees, officers, directors, and consultants. Under the 1998 Stock Plan, we may grant options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code, options not intended to qualify as incentive stock options, stock-based awards and opportunities to make direct purchases of stock. Incentive stock options may be granted only to employees of Lionbridge. In general, options granted pursuant to the 1998 Stock Plan are exercisable within ten years of the original grant date and become exercisable over a period of four years as follows: 25% on the first anniversary of the date of grant and semi-annually thereafter, in six equal installments over the remaining three-year period. As of June 30, 1999, an aggregate of 2,621,945 shares of common stock at an average exercise price of \$1.69 per share were outstanding under the 1998 Stock Plan. The maximum number of shares with respect to which options, awards or purchase rights may be

granted to any employee under the 1998 Stock Plan shall not exceed 2,333,334 shares of common stock during any fiscal year of Lionbridge.

The 1998 Stock Plan is administered by the compensation committee. Subject to the provisions of the 1998 Stock Plan, the compensation committee has the authority to select the persons to whom options, awards or purchase rights are granted and determine the terms of each option, award or purchase right, including the number of shares of common stock subject to the option or award. The compensation committee may also provide that any option shall become immediately exercisable, in full or in part. Payment of the exercise price of an option or award or purchase rights may be made in cash or check or, if approved by the compensation committee, shares of common stock, a promissory note, an assignment of common stock proceeds or any combination of the foregoing. Incentive stock options are not assignable or transferable except by wills or the laws of descent or distribution. Non-qualified

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stock options and other awards or purchase rights are assignable or transferable to the extent set forth in the agreement relating to the non-qualified stock option or award or purchase rights.

**1999 EMPLOYEE STOCK PURCHASE PLAN.** The 1999 Employee Stock Purchase Plan (the "1999 Purchase Plan") was adopted by the Board of Directors and our stockholders on June 15, 1999, to be effective upon the closing of this offering. The 1999 Purchase Plan provides for the issuance of a maximum of 1,000,000 shares of common stock.

The 1999 Purchase Plan will be administered by the compensation committee of the Board of Directors. All employees of Lionbridge whose customary employment is for more than 20 hours per week and for more than three months in any calendar year are eligible to participate in the 1999 Purchase Plan. Employees who would own 5% or more of the total combined voting power or value of our stock immediately after the grant of the option may not participate in the 1999 Purchase Plan. To participate in the 1999 Purchase Plan, an employee must authorize us to deduct an amount (not less than one percent nor more than 10 percent of a participant's total cash compensation) from his or her pay during six-month payment periods (each, a "Payment Period"). The first Payment Period will commence on the earlier to occur of (1) November 1, 1999 and (2) the first day of the first calendar month following the effective date of the Registration Statement on Form S-8 filed with respect to the shares issued under the 1999 Purchase Plan and shall end April 30, 2000. Thereafter, the Payment Periods will commence on the six-month periods commencing on May 1 and November 1, respectively, and ending on the following October 31 and April 30, respectively, of each year, but in no case shall an employee be entitled to purchase more than 500 shares in any one Payment Period. The exercise price for the option granted in each Payment Period is 85% of the lesser of the average market price of the common stock on the first or last business day of the Payment Period, in either event rounded up to the nearest cent. If an employee is not a participant on the last day of the Payment Period, such employee is not entitled to exercise his or her option, and the amount of his or her accumulated payroll deductions will be refunded. Options granted under the 1999 Purchase Plan may not be transferred or assigned. An employee's rights under the 1999 Purchase Plan terminate upon his or her voluntary withdrawal from the plan at any time or upon termination of employment. No options have been granted to date under the 1999 Purchase Plan.

#### 401(K) PLAN

We maintain a 401(k) plan qualified under Section 401(a) of the Code. Most of our U.S.-based employees who are at least 21 years of age are eligible to participate in the 401(k) plan. Under the 401(k) plan, a participant may contribute a maximum of 15% of his or her pre-tax salary, commissions and bonuses through payroll deductions (up to the statutorily prescribed annual limit of \$10,000 in calendar year 1999) to the 401(k) plan. The percentage elected by more highly compensated participants may be required to be lower. In addition, at the discretion of the Board of Directors, we may make matching contributions to the 401(k) plan for all eligible employees. During the plan year ended December 31, 1998, we made no matching contributions to the 401(k) plan.

#### PENSION PLANS

We maintain a defined contribution pension plan for our employees in Ireland. Our permanent employees in Ireland are eligible to participate in the plan after one year of employment with us. Under the Ireland pension plan, we contribute 5% of a participant's gross salary (excluding any overtime or bonus payments) to the plan and a participant is entitled to contribute between 5% and 15% of his or her total earnings (gross salary plus bonus, overtime, and other earnings) to the plan.

We also maintain a defined benefit pension plan for our employees in France as required by and in accordance with French law. All of our employees in France

are entitled to participate in the plan.

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We and our employees in France contribute to the plan in varying amounts based upon French statutory requirements.

We maintain a defined benefit pension plan for our employees in The Netherlands. All of our employees in the Netherlands with a fixed contract are entitled to participate in the plan. The cost of funding the plan is split equally between us and the participants. For married employees, 8% of their salaries are contributed to the plan on an annual basis. and, for single employees, 5% of their salaries are contributed to the plan on an annual basis.

#### EMPLOYMENT AND NON-COMPETITION AGREEMENTS

Rory J. Cowan entered into an employment agreement with Lionbridge on December 23, 1996. Mr. Cowan's employment agreement provides for a two-year term with automatic one-year renewals. Under the terms of his employment agreement, Mr. Cowan receives a base salary of \$225,000, subject to increase from time to time by the Board of Directors in its sole discretion, and an annual discretionary bonus in an amount up to Mr. Cowan's then current base salary. Pursuant to his employment agreement, we also issued Mr. Cowan options to purchase up to 1,501,529 shares of our common stock at an exercise price of \$0.15 per share. Mr. Cowan's options vest over a four-year period and 50% of any unvested options held by Mr. Cowan will vest and become immediately exercisable upon a merger or sale of all or substantially all of the assets of Lionbridge or upon the disposition by certain stockholders of Lionbridge of more than 50% of the aggregate amount of our capital stock owned by the stockholders. If Lionbridge terminates Mr. Cowan's employment other than for cause, he is entitled to receive twelve monthly severance payments, each in an amount equal to his then current monthly base compensation (i.e., 1/12(th) of Mr. Cowan's base salary). If Mr. Cowan is terminated for cause, he will not be entitled to any severance payments or other benefits except as required by law.

Mr. Cowan entered into a non-competition agreement with Lionbridge on December 23, 1996. The agreement provides that Mr. Cowan will not, during the course of his employment and the twelve months following the date of the termination of his employment with Lionbridge (1) engage or otherwise have a financial interest in any business activity which is in competition with any of the products or services being provided by Lionbridge, (2) solicit our employees or (3) solicit or do business with any present or past customer of ours, or any prospective customer of ours in connection with any business activity which would be in violation of the non-competition agreement.

Stephen J. Lifshatz entered into an employment agreement with Lionbridge on February 11, 1997. Mr. Lifshatz's employment agreement provides for a one-year term with automatic one-year renewals. Under the terms of his employment agreement, Mr. Lifshatz receives a base salary of \$165,000, subject to increase from time to time by the Board of Directors in its sole discretion, and an annual discretionary bonus in an amount up to 50% of his then current base salary. In connection with his employment agreement, we also issued Mr. Lifshatz options to purchase up to 259,082 shares of our common stock at an exercise price of \$0.15 per share. Mr. Lifshatz's options vest over a four-year period. If, during the six-month period following a change in control of Lionbridge, Mr. Lifshatz ceases to be the Chief Financial Officer of the parent of the surviving entity or suffers a substantial diminution of his responsibilities, 50% of any unvested options then held by Mr. Lifshatz shall vest and become immediately exercisable. If Lionbridge terminates Mr. Lifshatz's employment other than for cause, he is entitled to receive six monthly severance payments, each in an amount equal to his then current monthly base compensation (i.e., 1/12(th) of Mr. Lifshatz's base salary). If Mr. Lifshatz is terminated for cause, he will not be entitled to any severance payments or other benefits except as required by law.

Mr. Lifshatz entered into a non-competition agreement with Lionbridge on February 11, 1997. The agreement provides that Mr. Lifshatz will not, during the course of his employment and the twelve months following the date of the termination of his employment with Lionbridge (1) engage or

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otherwise have a financial interest in any business activity which is in competition with any of the products or services being provided by Lionbridge, (2) solicit our employees or (3) solicit or do business with any present or past customer of ours, or any prospective customer of ours in connection with any business activity which would be in violation of the non-competition agreement.

Myriam Martin-Kail entered into an employment agreement with Lionbridge on February 24, 1997, effective as of January 1, 1997. Under the terms of her employment agreement, Ms. Martin-Kail receives a base salary of 650,000 French Francs, subject to increase from time to time by the Board of Directors in its sole discretion, and an annual discretionary bonus in an amount up to 50% of her then current base salary. Ms. Martin-Kail is also entitled to a car allowance of up to 63,000 French Francs per year. In connection with her employment agreement, we also issued Ms. Martin-Kail options to purchase up to 323,885 shares of our common stock at an exercise price of \$0.15 per share. Ms. Martin-Kail's options vest over a four-year period. If Lionbridge terminates Ms. Martin-Kail's employment, she is entitled to receive twelve monthly severance payments, each in an amount equal to her then current monthly base compensation (i.e., 1/12(th) of Ms. Martin-Kail's base salary).

Ms. Martin-Kail entered into a non-competition agreement with Lionbridge on February 24, 1997. The agreement provides that Ms. Martin-Kail will not, during the course of her employment and the twelve months following the date of the termination of her employment with Lionbridge (1) engage or otherwise have a financial interest in any business activity which is in competition with any of the products or services being provided by Lionbridge, (2) solicit our employees or (3) solicit or do business with any present or past customer of ours or any prospective customer of ours which would be in violation of the non-competition agreement.

Peter H. Wright entered into an employment agreement with Lionbridge on February 28, 1997. Mr. Wright's employment agreement provides for a one-year term with automatic one-year renewals. Under the terms of his employment agreement, Mr. Wright receives a base salary of \$125,000, subject to increase from time to time by the Board of Directors in its sole discretion, and an annual discretionary bonus in an amount up to 50% of his then current base salary. In connection with his employment agreement, we issued Mr. Wright options to purchase up to 97,166 shares of our common stock at an exercise price of \$0.15 per share. Mr. Wright's options vest over a four-year period. If Lionbridge terminates Mr. Wright's employment other than for cause, he is entitled to receive six monthly severance payments, each in an amount equal to his then current monthly base compensation (i.e., 1/12(th) of Mr. Wright's base salary). If Mr. Wright is terminated for cause, he will not be entitled to any severance payments or other benefits except as required by law.

Mr. Wright entered into a non-competition agreement with Lionbridge on February 28, 1997. The agreement provides that Mr. Wright will not, during the course of his employment and the six months following the date of the termination of his employment with Lionbridge (1) engage or otherwise have a financial interest in any business activity which is in competition with any of the products or services being provided by Lionbridge, (2) solicit our employees or (3) solicit or do business with any present or past customer of ours, or any prospective customer of ours which would be in violation of the non-competition agreement.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Prior to June 1999, we did not have a separate compensation committee or other board committee performing equivalent functions. These functions were performed by our board of directors. In June 1999, we established a compensation committee and appointed Messrs. de Chazal, Kavanagh and Sheer to serve on the compensation committee.

The compensation committee evaluates the salaries and incentive compensation of management and employees of Lionbridge and administers our equity incentive plans. No member of this committee was at any time during the past year an officer or employee of Lionbridge, was formerly an officer of

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Lionbridge or any of its subsidiaries, or had any relationship with Lionbridge. During the last year, none of our executive officers served as:

- a member of the compensation committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on the compensation committee of Lionbridge;
- a director of another entity, one of whose executive officers served on the compensation committee of Lionbridge; or
- a member of the compensation committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose



CERTAIN TRANSACTIONS

ORGANIZATION OF LIONBRIDGE

In September 1996, Lionbridge America, Inc., our predecessor holding company and current wholly owned subsidiary, issued 2,000 shares of its common stock to Rory J. Cowan, our President and Chief Executive Officer at a purchase price of \$0.15 per share, for an aggregate of \$30.

In December 1996, Lionbridge America acquired the localization businesses of Stream International in Ireland, The Netherlands and France for \$11,300,000 in cash and the assumption of \$100,000 of liabilities through its acquisition of all of the capital stock of the following five foreign subsidiaries of Stream: R.R. Donnelly Language Solutions International B.V., INK Nederland B.V., R.R. Donnelly Language Solutions Belgium N.V., R.R. Donnelly Language Solutions France SARL, and Stream International Language Solutions. Rory J. Cowan was an executive officer of Stream International until June 1996. As a result of this transaction, R.R. Donnelly Language Solutions International B.V. became a subsidiary of Lionbridge America and is now known as Lionbridge Technologies Holdings, B.V. and each of INK Nederland B.V. (now known as Lionbridge Technologies B.V.), R.R. Donnelly Language Solutions France SARL (now known as Lionbridge Technologies (France)), and Stream International Language Solutions (now known as Lionbridge Technologies Ireland) became subsidiaries of Lionbridge Technologies Holdings, B.V. R.R. Donnelly Language Solutions Belgium N.V. was an inactive subsidiary and was subsequently dissolved by Lionbridge. All subsidiaries of Lionbridge are, directly or indirectly, wholly owned by Lionbridge.

In July 1997, Lionbridge America, through its Lionbridge Technologies Holdings, B.V. subsidiary, acquired assets from the localization businesses of Stream International in Japan, China, South Korea and Taiwan for \$100,000 in cash and the assumption of \$317,000 of liabilities.

In June 1998, Lionbridge and Stream International entered into an agreement to settle indemnity claims of Lionbridge against Stream under the December 1996 purchase agreement. Under the terms of the settlement agreement, Lionbridge's purchase price for the European businesses acquired from Stream International was reduced by \$531,000.

The purchase price for and terms of these acquisitions and the terms of the settlement agreement described above were the result of arms'-length negotiations.

SALES OF STOCK OF LIONBRIDGE AMERICA

In December 1996, Lionbridge America issued 701,454 shares of its Series A convertible preferred stock at a purchase price of \$1.00 per share, for an aggregate of \$701,454, and an option to purchase up to 1,501,529 shares of its common stock at an exercise price of \$0.15 per share to Mr. Cowan.

In December 1996, Lionbridge America issued an aggregate of 1,000 shares of its Series AA preferred stock to five affiliated limited partnerships (collectively, the "Advent entities") of Advent International Corporation, at a purchase price of \$0.01 per share, for an aggregate purchase price of \$10.00. In December 1996, Lionbridge Technologies Holdings, B.V., a subsidiary of Lionbridge, issued an aggregate of 248 of its ordinary shares to the Advent entities at purchase price of \$24,193.55 per share, for an aggregate of \$6,000,000. Marcia J. Hooper, a partner of Advent, has served as a member of the Board of Directors of Lionbridge since December 1996.

In December 1996, Lionbridge America issued an aggregate of 6,000,000 shares of its Series A convertible preferred stock to Morgan Stanley Venture Capital Fund II Annex, L.P. and Morgan Stanley Venture Investors Annex, L.P. (collectively, the "Morgan Stanley entities") at purchase price of \$1.00 per share, for an aggregate of \$6,000,000. Guy L. de Chazal, the managing general

partner of Morgan Stanley Venture Partners II, L.P., the general partner of each of the Morgan Stanley entities, has served as a member of the Board of Directors of Lionbridge since February 1998.

In December 1996, Lionbridge America issued 971,654 shares of its Series A convertible preferred stock to Stream International at a purchase price of \$1.00 per share, for an aggregate of \$971,654. The shares issued to Stream International were subject to a stock option agreement providing a call option to the Advent entities, the Morgan Stanley entities and Lionbridge America to purchase the shares from Stream and a put option to Stream to sell the shares to the Advent entities, the Morgan Stanley entities and Lionbridge America at Stream's original purchase price. In September 1997, Stream International exercised its put option and sold the shares to Lionbridge America at a purchase price of \$1.00 per share, for an aggregate of \$971,654.

In July 1997, Lionbridge America issued 100,000 shares of its Series A convertible preferred stock to Paul Kavanagh at a purchase price of \$1.00 per share, for an aggregate of \$100,000. Mr. Kavanagh has served as a member of the Board of Directors of Lionbridge since December 1996.

#### SALES OF STOCK, NOTES AND WARRANTS OF LIONBRIDGE

In February 1998, Lionbridge America became a subsidiary of Lionbridge. We accomplished this by issuing an aggregate of 1,359,993 shares of our common stock, 13,271,314 shares of our Series A convertible preferred stock and 140 shares of our Series D nonvoting convertible preferred stock to Mr. Cowan, the Advent entities, the Morgan Stanley entities, and the other stockholders of Lionbridge America in exchange for all of the outstanding shares of capital stock of Lionbridge America held by these stockholders and the outstanding ordinary shares of Lionbridge Technologies Holdings, B.V. held by the Advent entities. Lionbridge America also redeemed all of the outstanding shares of its Series AA preferred stock held by the Advent entities at the original purchase price of \$0.01 per share, for an aggregate of \$10.00.

In January 1999, Lionbridge borrowed \$4,000,000 from Capital Resource Lenders, III, L.P. ("CRL") under a 12% senior subordinated convertible note due January 8, 2000. In connection with our issuance of the note to CRL, many of our subsidiaries executed guarantees in favor of CRL. In February 1999, we borrowed an additional \$2,000,000 from CRL under an amended and restated 12% senior subordinated note due February 26, 2006 in the aggregate principal amount of \$6,000,000 and issued to CRL and an affiliated entity of CRL common stock purchase warrants exercisable for an aggregate of 1,277,716 shares of our common stock at an exercise price of \$0.015 per share. These warrants will be exercised in connection with this offering.

In February 1999, our indirect wholly owned subsidiary, Lionbridge Technologies Holdings, B.V. borrowed \$4,000,000 from CRL under a 12% senior subordinated note due February 26, 2006. In connection with Lionbridge Technologies Holdings, B.V.'s issuance of the note to CRL, many of our subsidiaries executed guarantees in favor of CRL. Stephen M. Jenks, a member of Capital Research Partners III, L.L.C. which is the general partner of CRL, has served as a member of our Board of Directors since March 1999.

In March 1999, Lionbridge and Lionbridge Technologies Holdings, B.V. borrowed an aggregate of \$2,000,000 from the Morgan Stanley entities under 12% senior subordinated notes due March 9, 2006 and issued to the Morgan Stanley entities common stock purchase warrants (the "Morgan Stanley Warrants") exercisable for an aggregate of 255,544 shares of our common stock at an exercise price of \$0.015 per share. In connection with our issuance of the notes to the Morgan Stanley entities, many of our subsidiaries executed guarantees in favor of the Morgan Stanley entities. These warrants will be exercised in connection with this offering.

#### TRANSACTIONS OCCURRING AT THE CLOSING OF THIS OFFERING

Upon closing of this offering:

- the notes issued to CRL and the Morgan Stanley entities will be paid in full. As of June 30, 1999, the amount to be repaid under the notes is \$10,000,000 and \$2,000,000, respectively,

- the 13,271,314 outstanding shares of our Series A convertible preferred stock and 140 outstanding shares of our Series D nonvoting convertible preferred stock will automatically be exchanged for an aggregate of 132.7145 shares of our Series B redeemable preferred stock and 8,847,649 shares of our Series C convertible preferred stock,
- the 132.7145 outstanding shares of our Series B redeemable preferred stock will be redeemed for \$100,000 per share plus an 8% annual premium. As of June 30, 1999, the redemption amount to be paid to Mr. Cowan, the Advent entities, the Morgan Stanley entities, and Mr. Kavanagh is approximately \$843,000, \$7,209,000, \$7,209,000, and \$120,000, respectively,
- the 8,847,649 outstanding shares of our Series C convertible preferred stock will automatically convert into 8,847,649 shares of our common stock, and
- the warrants issued to CRL and the Morgan Stanley entities will be exercised to acquire 1,533,260 shares of our common stock.

#### STOCKHOLDERS' AGREEMENT

Lionbridge, Mr. Cowan, the Advent entities, the Morgan Stanley entities, CRL and each of the other preferred stockholders of Lionbridge are parties to a Second Restated Stockholders' Agreement dated as of February 26, 1999. The stockholders agreement contains arrangements with respect to voting, rights of first refusal, rights of first offer, as well as other agreements relating to corporate governance. This agreement will terminate upon the closing of this offering.

#### REGISTRATION RIGHTS AGREEMENT

We have entered into a Second Restated Registration Rights Agreement dated as of February 26, 1999 with Mr. Cowan, the Advent entities, the Morgan Stanley entities, Capital Resource Lenders III, L.P., CRP Investment Partners III, L.L.C. and each of our other preferred stockholders. This registration rights agreement provides these holders with rights with respect to the registration by Lionbridge of their shares under the Securities Act.

Lionbridge believes that all transactions described above were made on terms no less favorable to us than would have been obtained from unaffiliated third parties. All future transactions, if any, with our executive officers, directors and affiliates will be on terms no less favorable to us than could be obtained from unrelated third parties and will be approved by a majority of the Board of Directors and by a majority of the disinterested members of the Board of Directors.

#### PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of June 30, 1999, and as adjusted to reflect the sale of the shares of common stock offered hereby, by:

- each of Lionbridge's directors and named executive officers,
- all directors and executive officers of Lionbridge as a group,
- each person who is known by us to own beneficially more than five percent of the outstanding shares of our common stock, and
- each person who is a selling stockholder if the underwriters exercise their over-allotment options.

Except as noted below, the address of each person listed on the table is c/o Lionbridge Technologies, Inc., 950 Winter Street, Waltham, Massachusetts 02451, and each person has sole voting and investment power over the shares shown as beneficially owned, except to the extent authority is shared by spouses under applicable law unless otherwise noted below.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. For purposes of calculating the percentage of shares beneficially owned, the number of shares of our common stock deemed outstanding as of June 30, 1999 includes (i) 11,219,450 shares outstanding as of June 30, 1999 and (ii) 1,533,260 shares to be issued pursuant to warrants issued to the CRL entities and the Morgan Stanley entities which will be exercised upon the closing of this offering. Except for these warrants, shares of common stock issuable by Lionbridge to a person or entity named below pursuant to options which may be exercised within 60 days after June 30, 1999 are deemed to be beneficially owned and outstanding for purposes of calculating the number of shares and the percentage beneficially owned by that person or entity. However, these shares are not deemed to be beneficially owned and outstanding for purposes of computing the percentage beneficially owned by any other person or entity. The number of shares of common stock deemed outstanding after this offering includes an additional 4,000,000 shares that are being offered for sale by us in this offering.

<TABLE>  
<CAPTION>

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES BENEFICIALLY OWNED AFTER THE OFFERING (1)	
	NUMBER	PERCENT	NUMBER	PERCENT
<S>	<C>	<C>	<C>	<C>
Rory J. Cowan (2).....	2,390,706	18.5%	2,390,706	14.1%
Marcia J. Hooper (3)..... c/o Advent International Corporation 75 State Street Boston, MA 02109	4,000,004	31.4	4,000,004	23.9
Guy L. de Chazal (4)..... c/o Morgan Stanley Dean Witter Venture Capital 1221 Avenue of the Americas, 33(rd) Floor New York, New York 10020	4,255,546	33.4	4,255,546	25.4
Paul Kavanagh (5)..... "Arcachon" Strathmore Road Killiney, Co. Dublin, Ireland	69,166	*	69,166	*

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<TABLE>  
<CAPTION>

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES BENEFICIALLY OWNED AFTER THE OFFERING (1)	
	NUMBER	PERCENT	NUMBER	PERCENT
<S>	<C>	<C>	<C>	<C>
Stephen M. Jenks (6)..... c/o Capital Resource Lenders III, L.P. 85 Merrimac Street, Suite 200 Boston, MA 02114	1,277,716	10.0	1,277,716	7.6
Claude P. Sheer..... 240 Main Street Boxford, MA 01921	0	*	0	*
Myriam Martin-Kail (7).....	209,925	1.6	209,925	1.2
Stephen J. Lifshatz (8).....	175,674	1.4	175,674	1.0
Peter H. Wright (9).....	85,726	*	85,726	*

Morgan Stanley entities (10)..... 1221 Avenue of the Americas, 33(rd) Floor New York, New York 10020	4,255,546	33.4	4,255,546	25.4
Advent entities (11)..... 75 State Street Boston, MA 02109	4,000,004	31.4	4,000,004	23.9
CRL entities (12)..... 85 Merrimac Street, Suite 200 Boston, MA 02114	1,277,716	10.0	1,277,716	7.6
All executive officers and directors as a group (9 persons).....	12,464,463	94.3	12,464,463	72.4
Kenneth Coleman (13).....	66,666	*	66,666	*
Martha Lynne Paschetag (14).....	9,582	*	9,582	*

</TABLE>

\* Less than 1% of the outstanding shares.

(1) If the underwriters exercise their over-allotment option in full, then the following stockholders named in the table above will sell the following number of shares: Rory J. Cowan, 266,667 shares; Stephen J. Lifshatz, 50,000 shares; Peter H. Wright, 33,333 shares; Kenneth Coleman, 20,000 shares; and Martha Lynne Paschetag, 6,667 shares.

(2) Includes an aggregate of 266,667 shares held by affiliated trusts of Mr. Cowan. Includes 187,692 shares deemed to be beneficially owned by Mr. Cowan pursuant to options exercisable within 60 days of June 30, 1999.

(3) Includes 328,001 shares held by Advent Euro-Italian Direct Investment Program Limited Partnership; 88,001 shares held by Advent Partners Limited Partnership; 2,396,000 shares held by Global Private Equity II Limited Partnership; 504,001 shares held by Global Private Equity II-- Europe Limited Partnership; and 684,001 shares held by Global Private Equity II--PGGM Limited Partnership (collectively, the "Advent entities"). Ms. Hooper is a partner of Advent International Corporation, which is the general partner of Advent International Limited Partnership, the general partner of each of the Advent entities. Ms. Hooper may be deemed to beneficially own the shares held by the Advent entities. Ms. Hooper disclaims beneficial ownership of all such shares, except to the extent of her pecuniary interest therein.

(4) Includes 3,743,822 shares, including 224,802 shares deemed to be beneficially owned pursuant to warrants which will be exercised upon the closing of this offering, held by Morgan Stanley Venture

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Capital Fund II Annex, L.P. and 511,724 shares, including 30,742 shares deemed to be beneficially owned pursuant to warrants which will be exercised upon the closing of this offering, held by Morgan Stanley Venture Investors Annex, L.P. (collectively, the "Morgan Stanley entities"). Mr. de Chazal is a general partner of Morgan Stanley Venture Partners II, L.P., which is the managing general partner of each of the Morgan Stanley entities. Mr. de Chazal may be deemed to beneficially own the shares held by the Morgan Stanley entities. Mr. de Chazal disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein.

(5) Includes 2,499 shares deemed to be beneficially owned by Mr. Kavanagh pursuant to options exercisable within 60 days of June 30, 1999.

(6) Represents an aggregate of 1,277,716 shares held by Capital Resource

Lenders III, L.P. and CRP Investment Partners III, L.L.C. (the "CRL entities") deemed to be beneficially pursuant to warrants which will be exercised upon the closing of this offering. Mr. Jenks is a member of Capital Resource Partners III, L.L.C., which is the general partner of Capital Resource Lenders III, L.P., and a manager of CRP Investment Partners III, L.L.C.

- (7) Represents 209,925 shares deemed to be beneficially owned by Ms. Martin-Kail pursuant to options exercisable within 60 days of June 30, 1999.
- (8) Includes 36,966 shares deemed to be beneficially owned by Mr. Lifshatz pursuant to options exercisable within 60 days of June 30, 1999.
- (9) Includes an aggregate of 6,668 shares held in trusts for the benefit of Mr. Wright's children and 24,642 shares deemed to be beneficially owned by Mr. Wright pursuant to options exercisable within 60 days of June 30, 1999.
- (10) Includes 3,743,822 shares, including 224,802 shares deemed to be beneficially owned pursuant to warrants which will be exercised upon the closing of this offering, held by Morgan Stanley Venture Capital Fund II Annex, L.P. and 511,724 shares, including 30,742 shares deemed to be beneficially owned pursuant to warrants which will be exercised upon the closing of this offering, held by Morgan Stanley Venture Investors Annex, L.P. The managing general partner of each of the Morgan Stanley entities is Morgan Stanley Venture Partners II, L.P. Morgan Stanley Venture Capital II, Inc. is the managing general partner of Morgan Stanley Venture Partners II, L.P. and exercises sole voting and investment power with respect to all shares held of record by the Morgan Stanley entities; individually, no stockholder, director or officer of Morgan Stanley Venture Capital II, Inc. is deemed to have or share such voting or investment power.
- (11) Includes 328,001 shares held by Advent Euro-Italian Direct Investment Program Limited Partnership; 88,001 shares held by Advent Partners Limited Partnership; 2,396,000 shares held by Global Private Equity II Limited Partnership; 504,001 shares held by Global Private Equity II-- Europe Limited Partnership; and 684,001 shares held by Global Private Equity II--PGGM Limited Partnership (collectively, the "Advent entities"). The general partner of each of the Advent entities is Advent International Limited Partnership. Advent International Corporation is the general partner of Advent International Limited Partnership and exercises sole voting and investment power with respect to all shares held of record by the Advent entities; individually, no stockholder, director or officer of Advent International Corporation is deemed to have or share such voting or investment power.
- (12) Represents an aggregate of 1,277,716 shares held by the CRL entities deemed to be beneficially owned pursuant to warrants which will be exercised upon the closing of this offering.
- (13) Includes 415 shares deemed to be beneficially owned by Mr. Coleman, our Vice President, Marketing, pursuant to options exercisable within 60 days of June 30, 1999.
- (14) Includes 2,080 shares deemed to be beneficially owned by Ms. Paschetag, our Director of Financial Planning and Analysis, pursuant to options exercisable within 60 days of June 30, 1999.

DESCRIPTION OF CAPITAL STOCK

Effective upon the closing of this offering and the filing of our Second Amended and Restated Certificate of Incorporation, the authorized capital stock of Lionbridge will consist of 100,000,000 shares of common stock, par value

\$0.01 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share.

The following summary description of Lionbridge's capital stock, as of the closing of this offering, is not intended to be complete and is qualified by reference to Lionbridge's Second Amended and Restated Certificate of Incorporation and Amended and Restated By-laws filed as exhibits to the registration statement of which this prospectus is a part.

#### COMMON STOCK

As of June 30, 1999, there were 12,752,710 shares of common stock outstanding and held of record by 38 stockholders, after giving effect to (1) the exchange of all of the 13,271,314 outstanding shares of Series A convertible preferred stock and 140 outstanding shares of Series D nonvoting convertible preferred stock for an aggregate of 132.7145 shares of Series B redeemable preferred stock and 8,847,649 shares of Series C convertible preferred stock, (2) the redemption of all of the 132.7145 outstanding shares of Series B redeemable preferred stock for \$100,000 per share plus an 8% annual premium, (3) the conversion of all of the 8,847,649 outstanding shares of our Series C convertible preferred stock into 8,847,649 shares of common stock, and (4) the exercise of warrants to acquire 1,533,260 shares of our common stock upon the closing of this offering. Based upon the number of shares outstanding as of June 30, 1999 and giving effect to the issuance of the shares of common stock offered by Lionbridge hereby, there will be 16,752,710 shares of common stock outstanding upon the closing of this offering. In addition, as of June 30, 1999, there were outstanding stock options and warrants for the purchase of a total of 2,705,279 shares of common stock.

Holders of common stock are entitled to one vote per share for each share held of record on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Directors are elected by a plurality of the votes of the shares present in person or by proxy at the meeting. The holders of common stock are entitled to receive ratably such lawful dividends as may be declared by the Board of Directors. However, such dividends are subject to preferences that may be applicable to the holders of any outstanding shares of preferred stock. In the event of a liquidation, dissolution or winding up of the affairs of Lionbridge, whether voluntarily or involuntarily, the holders of common stock will be entitled to receive pro rata all of the remaining assets of Lionbridge available for distribution to its stockholders. Any such pro rata distribution would be subject to the rights of the holders of any outstanding shares of preferred stock. The common stock has no preemptive, redemption, conversion or subscription rights. All outstanding shares of common stock are fully paid and non-assessable. The shares of common stock to be issued by Lionbridge in this offering, when issued in consideration of payment, will be fully paid and non-assessable. The rights, powers, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which Lionbridge may designate and issue in the future.

#### PREFERRED STOCK

The Board of Directors is authorized, subject to any limitations prescribed by Delaware law, without further stockholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock, in one or more series. The Board of Directors is also authorized, subject to the limitations prescribed by Delaware law, to establish the number of shares to be included in each series and to fix the designations, preferences, rights and any qualifications, limitation or restrictions of the shares of any series, including the dividend rights, dividend rates, conversion rights, voting rights,

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redemption terms and prices, liquidation preferences and the number of shares constituting any series. The Board of Directors is authorized to issue preferred stock with voting, conversion and other rights and preferences that could adversely affect the voting power or other rights of the holders of common stock.

Upon the closing of this offering, there will be no shares of preferred stock outstanding. Lionbridge has no current plans to issue any preferred stock. However, the issuance of preferred stock or of rights to purchase preferred stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of the outstanding common stock of Lionbridge.

#### REGISTRATION RIGHTS

The Second Restated Registration Rights Agreement dated as of February 26, 1999, provides holders (the "Registration Rights Holders") of 12,215,870 shares of our common stock (the "Registrable Shares") rights with respect to the registration of the Registrable Shares under the Securities Act. If we propose to register any of our securities under the Securities Act, either for our own account or for the account of another securityholder, the Registration Rights Holders are entitled to notice of this registration and to include the Registrable Shares in this registration. However, in the event of a registration pursuant to an underwritten public offering of common stock, the underwriters will have the right to limit the number of shares included in the registration. The Registration Rights Holders currently have piggyback registration rights in connection with this offering. These holders have agreed to waive their piggyback registration rights with respect to this offering. In addition, a majority of the Registration Rights Holders have entered into a 180-day lock-up agreement with the underwriters. After expiration of this lock-up period, these Registration Rights Holders will have the ability to exercise the registration rights set forth above.

In addition, six months after this offering, the holders of at least 40% of the then outstanding Registrable Shares issued are entitled to request that we file a registration statement under the Securities Act covering the sale of some or all of the shares held by the requesting holder or holders. Upon the receipt of a request, Lionbridge is generally required to use its best efforts to effect a registration. Lionbridge is not required to effect more than two demand registrations for the Registration Rights Holders, and each demand registration must cover the sale shares of common stock representing at least 20% of the Registrable Shares or any lesser percentage, so long as anticipated offering price for these shares exceeds \$5,000,000.

Once Lionbridge has qualified to use Form S-3 to register securities under the Securities Act, the Registration Rights Holders have the right to request that we file a registration statement on Form S-3 or any successor form for a public offering of all or any portion of their Registrable Shares, provided that the reasonably anticipated aggregate price to the public of such offering would be at least \$1,000,000. Upon the receipt of such a request, Lionbridge is generally required to use its best efforts to effect such registration.

In general, all fees, costs and expenses of such registrations (other than underwriting discounts and selling commissions), including the fees and disbursements of one counsel to the Registration Rights Holders, will be borne by us. Lionbridge has agreed to indemnify the Registration Rights Holders against, and provide contribution with respect to, liabilities relating to any registration in which any Registrable Shares of Registration Rights Holders are sold under the Securities Act.

The previously described registration rights shall terminate for a Registration Rights Holder upon the earlier to occur of (1) the fifth anniversary of the closing of this offering, (2) such time as the particular holder remains an "affiliate" of Lionbridge pursuant to Rule 144 under the Securities Act and could sell all of such holder's shares under Rule 144 within any three month period, or (3) such

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time as the particular holder ceases to be an "affiliate" of Lionbridge pursuant to Rule 144 and could sell all of such holder's shares under the terms of Rule 144(k) under the Securities Act.

#### ANTI-TAKEOVER EFFECTS OF PROVISIONS OF LIONBRIDGE'S SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AND AMENDED AND RESTATED BY-LAWS AND DELAWARE LAW

Lionbridge's Second Amended and Restated Certificate of Incorporation (the "Charter"), Lionbridge's Amended and Restated By-Laws (the "By-Laws") and Delaware General Corporation Law contain provisions that could discourage, delay or prevent a change in control of Lionbridge or an acquisition of Lionbridge at a price which many stockholders may find attractive. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of common stock.

#### CHARTER AND BY-LAWS

The Charter provides for the division of the Board of Directors into three classes as nearly as equal in size as possible with staggered three-year terms.



In addition, the Charter provides that directors may be removed without cause by the affirmative vote of the holders of 75% of the shares of capital stock of Lionbridge entitled to vote or with cause by the affirmative vote of the holders of a majority of the shares. The By-Laws provide that, except as otherwise provided by law or the Charter, newly created directorships resulting from an increase in the authorized number of directors or vacancies on the Board may be filled only by:

- a majority of the directors then in office, even though less than a quorum may then be in office, or
- the sole remaining director.

These provisions prevent a stockholder from enlarging the Board and filling the new directorships with this stockholder's own nominees without Board approval.

These provisions of the By-Laws may have the effect of discouraging a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of Lionbridge, or attempting to change the composition or policies of the Board, even though these attempts might be beneficial to Lionbridge or its stockholders.

The Charter and By-Laws provide that, unless otherwise prescribed by law, only the Chairman of the Board, a majority of the Board of Directors, or the President is able to call a special meeting of stockholders. The Charter and the By-Laws also provide that, unless otherwise prescribed by law, stockholder action may be taken only at a duly called and convened annual or special meeting of stockholders and may not be taken by written consent. These provisions, taken together, prevent stockholders from forcing consideration by the stockholders of stockholder proposals over the opposition of the Board, except at an annual meeting.

The By-Laws provide that any action required or permitted to be taken by the stockholders of Lionbridge at an annual meeting or special meeting of stockholders may only be taken if Lionbridge is given proper advance notice of the action (the "Notice Procedure"). The Notice Procedure affords the Board an opportunity to consider the qualifications of proposed director nominees or the merit of stockholder proposals, and, to the extent deemed appropriate by the Board, to inform stockholders about such matters. The Notice Procedure also provides a more orderly procedure for conducting annual meetings of stockholders. The By-Laws do not give the Board any power to approve or disapprove stockholder nominations for the election of directors or proposals for action. However, the Notice Procedure may prevent a contest for the election of directors or the consideration of stockholder proposals. This could deter a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal if the proper advance notice procedures are

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not followed, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to Lionbridge and its stockholders.

Lionbridge, without stockholder approval, can issue shares of common stock and preferred stock up to the number of shares authorized for issuance in its Charter, except as limited by Nasdaq rules. Lionbridge could use these additional shares for a variety of corporate purposes. These purposes include future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. Lionbridge's ability to issue these shares of common stock and preferred stock could make it more difficult or discourage an attempt to obtain control of Lionbridge by means of a proxy contest, tender offer, merger or otherwise.

The General Corporation Law of Delaware provides generally that the affirmative vote of a majority of the shares issued and outstanding is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. The Charter requires the affirmative vote of the holders of at least 75% of the issued and outstanding shares of our capital stock to amend many Charter provisions, including provisions relating to any reduction in the number of authorized shares of our capital stock, our staggered board, and director and officer indemnification. The By-Laws require the affirmative vote of the holders of at least 75% of the issued and outstanding shares of capital stock of Lionbridge entitled to vote to amend or repeal any of the foregoing provisions of the By-Laws. The 75% stockholder vote would be in addition to any separate class vote that might be required pursuant to the terms of any series of preferred stock that might be outstanding at the time any amendments are submitted to stockholders.

#### DELAWARE LAW

Lionbridge is subject to Section 203 of the Delaware General Corporation Law which, subject to certain exceptions, prohibits a Delaware corporation from

engaging in any business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder.

Section 203 does not apply if:

- prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

The application of Section 203 may limit the ability of stockholders to approve a transaction that they may deem to be in their best interests.

Section 203 defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;
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- any sale, lease, transfer, pledge or other disposition of 10% or more of the assets of the corporation to or with the interested stockholder;
  - subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
  - any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
  - the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the past three years, and any entity or person associated with, affiliated with or controlling or controlled by such entity or person.

#### LIMITATION OF LIABILITY

The Charter provides that no director of Lionbridge shall be personally liable to Lionbridge or to its stockholders for monetary damages for breach of fiduciary duty as a director, except that the limitation shall not eliminate or limit liability to the extent that the elimination or limitation of such liability is not permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended.

The Charter further provides for the indemnification of Lionbridge's directors and officers to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, including circumstances in which indemnification is otherwise discretionary. A principal effect of these provisions is to limit or eliminate the potential liability of Lionbridge's directors for monetary damages arising from breaches of their duty of care, subject to certain exceptions. These provisions may also shield directors from liability under federal and state securities laws.

Officers, directors or other persons controlling Lionbridge may be entitled under these indemnification provisions to indemnification for liabilities arising under the Securities Act of 1933. We have been informed that in the opinion of the Securities and Exchange Commission, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. The market price of our common stock could drop due to sales of a large number of shares of our common stock or the perception that these sales could occur. These factors could also make it more difficult to raise funds through future offerings of common stock.

After this offering, 16,752,710 shares of common stock will be outstanding, 16,976,043 shares if the underwriters exercise their over-allotment option from us in full. Of these shares, the 4,000,000 shares (4,600,000 shares if the underwriters exercise their over-allotment options in full) sold in this offering will be freely tradeable without restriction under the Securities Act except for any shares purchased by "affiliates" of Lionbridge as defined in Rule 144 under the Securities Act. The remaining 12,752,710 shares are "restricted securities" within the meaning of Rule 144 under the Securities Act. The restricted securities generally may not be sold unless they are registered under the Securities Act or are sold pursuant to an exemption from registration, such as the exemption provided by Rules 144 or 701 under the Securities Act.

We, our officers and directors, and a majority of our stockholders, including the selling stockholders, have entered into lock-up agreements pursuant to which we and they have agreed not to offer or sell any shares of common stock or securities convertible into or exchangeable or exercisable for shares of common stock for a period of 180 days from the date of this prospectus without the prior written consent of Prudential Securities, on behalf of the underwriters. Transfers or dispositions can be made in the case of gifts or estate planning transfers where the donee signs a lock-up agreement. Prudential Securities may, at any time and without notice, waive any of the terms of these lock-up agreements specified in the underwriting agreement. Following the lock-up period, these shares will not be eligible for sale in the public market without registration under the Securities Act unless these sales meet the conditions and restrictions of Rules 144 or 701 as described below.

As restrictions on resale end, the market price could drop significantly if the holders of these restricted shares sell them, or are perceived by the market as intending to sell them.

<TABLE>	<CAPTION>	DATE OF AVAILABILITY FOR RESALE INTO PUBLIC MARKET
NUMBER OF SHARES	-----	-----
<S>	<C>	180 days after the date of this prospectus due to a lock-up agreement these stockholders have with Prudential Securities. However, Prudential Securities can waive this restriction at any time and without notice.
11,887,476		865,234 Between 180 and 365 days after the date of this prospectus due to the requirements of the federal securities laws.

In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated), including an affiliate, who has beneficially owned shares for a period of at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of

- 1% of the then-outstanding shares of common stock and
- the average weekly trading volume in the common stock during the four calendar weeks immediately preceding the date on which the notice of such sale on Form 144 is filed with the Securities and Exchange Commission.

Sales under Rule 144 are also subject to certain provisions relating to notice and manner of sale and the availability of current public information about Lionbridge.

In addition, a person (or persons whose shares are aggregated) who has not been an affiliate of Lionbridge at any time during the 90 days immediately preceding a sale, and who has beneficially owned the shares for at least two years, would be entitled to sell such shares under Rule 144(k) without

regard to the volume limitation and other conditions described above. Therefore, unless otherwise restricted, Rule 144(k) shares may be sold immediately upon the completion of this offering. The foregoing summary of Rule 144 is not intended to be a complete description.

Subject to limitations on the aggregate offering price of a transaction and other conditions, Rule 701 may be relied upon with respect to the resale of securities originally purchased from Lionbridge by its employees, directors, officers, consultants or advisors prior to the date the issuer becomes subject to the reporting requirements of the Exchange Act. To be eligible for resale under Rule 701, shares must have been issued pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options (including exercises after the date of the offering). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than affiliates, subject only to the manner of sale provisions of Rule 144, and by affiliates, under Rule 144 without compliance with its one-year minimum holding period requirements. The foregoing summary of Rule 701 is not intended to be a complete description.

Ninety days following the consummation of this offering, Lionbridge intends to file a registration statement under the Securities Act to register the shares of common stock available for issuance pursuant to its stock option plans as of the date of this prospectus. Shares issued pursuant to these plans after the effective date of such registration statement will be available for sale in the open market subject to the lock-up period and, for affiliates of Lionbridge, subject to conditions and restrictions of Rule 144.

UNDERWRITING

We have entered into an underwriting agreement with the underwriters named below, for whom Prudential Securities Incorporated, U.S. Bancorp Piper Jaffray and Adams, Harkness & Hill, Inc. are acting as representatives. We and the selling stockholders are obligated to sell, and the underwriters are obligated to purchase, all of the shares offered on the cover page of this prospectus, if any are purchased. Subject to conditions of the underwriting agreement, each underwriter has severally agreed to purchase the shares indicated opposite its name:

<TABLE>  
<CAPTION>

UNDERWRITERS	NUMBER OF SHARES
-----	
<S>	<C>
Prudential Securities Incorporated.....	
U.S. Bancorp Piper Jaffray Inc.....	
Adams, Harkness & Hill, Inc. ....	
	-----
Total.....	
	-----
	-----

</TABLE>

The underwriters may sell more shares than the total number of shares offered on the cover page of this prospectus and they have, for a period of 30 days from the date of this prospectus, over-allotment option to purchase up to 223,333 additional shares from us and 376,667 additional shares from the selling stockholders. If any additional shares are purchased, the underwriters will severally purchase the shares in the same proportion as per the table above.

The representatives of the underwriters have advised us and the selling stockholders that the shares will be offered to the public at the offering price indicated on the cover page of this prospectus. The underwriters may allow to selected dealers a concession not in excess of \$ \_\_\_\_\_ per share and such dealers may reallocate a concession not in excess of \$ \_\_\_\_\_ per share to certain other dealers. After the shares are released for sale to the public, the representatives may change the offering price and the concessions. The representatives have informed us that the underwriters do not intend to sell shares to any investor who has granted them discretionary authority.

We and the selling stockholders have agreed to pay to the underwriters the following fees, assuming both no exercise and full exercise of the underwriters' over-allotment options to purchase additional shares:

<TABLE>  
<CAPTION>

	TOTAL FEES		
	WITHOUT EXERCISE OF OVER-ALLOTMENT OPTIONS		FULL EXERCISE OF OVER-ALLOTMENT OPTIONS
	FEE PER SHARE		
<S>	<C>	<C>	<C>
Fees paid by us.....	\$	\$	\$
Fees paid by the selling stockholders.....	\$	\$	\$

In addition, we estimate that we will spend approximately \$1,000,000 in expenses for this offering, including those of the selling stockholders. We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in respect of these liabilities.

We, our officers and directors, and a majority of our stockholders, including the selling stockholders, have entered into lock-up agreements pursuant to which we and they have agreed not to offer or sell any shares of common stock or securities convertible into or exchangeable or exercisable for shares of common stock for a period of 180 days from the date of this prospectus without the prior

written consent of Prudential Securities, on behalf of the underwriters. Prudential Securities may, at any time and without notice, waive the terms of these lock-up agreements specified in the underwriting agreement.

Prior to this offering, there has been no public market for the common stock of Lionbridge. The public offering price, negotiated among Lionbridge and the representatives, is based upon various factors such as Lionbridge's financial and operating history and condition, our prospects, the prospects for our industry, and prevailing market conditions.

Prudential Securities, on behalf of the underwriters, may engage in the following activities in accordance with applicable securities rules:

- over-allotments involving sales in excess of the offering size, creating a short position. Prudential Securities may elect to reduce this short position by exercising some or all of the over-allotment options.
- stabilizing and short covering; stabilizing bids to purchase the shares are permitted if they do not exceed a specified maximum price. After the distribution of shares has been completed, short covering purchases in the open market may also reduce the short position. These activities may cause the price of the shares to be higher than would otherwise exist in the open market.
- penalty bids permitting the representatives to reclaim concessions from a syndicate member for the shares purchased in the stabilizing or short covering transactions.

Such activities, which may be commenced and discontinued at any time, may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

Each underwriter has represented that it has complied and will comply with all applicable laws and regulations in connection with the offer, sale or delivery of the shares and related offering materials in the United Kingdom, including:

- the Public Offers of Securities Regulation 1995,
- the Financial Services Act 1986, and
- the Financial Services Act 1986, (Investment Advertisements) (Exemptions) Order 1986 (as amended).

We have asked the underwriters to reserve approximately 5% of the shares offered for sale at the same offering price directly to our employees and other business affiliates or related third parties. The number of shares available for sale to the general public in the offering will be reduced to the extent such persons purchase the reserved shares.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for Lionbridge by Testa, Hurwitz & Thibault, LLP, Boston, Massachusetts. George W. Lloyd, a partner at Testa, Hurwitz & Thibault, LLP, is the beneficial owner of 16,667 shares of common stock of Lionbridge. Certain legal matters will be passed upon for the underwriters by Brobeck, Phleger & Harrison LLP, Washington, District of Columbia.

EXPERTS

The consolidated financial statements of Lionbridge Technologies, Inc. as of December 31, 1998 and 1997 and for the years then ended, the combined financial statements of The Localization Businesses of Stream International Holdings, Inc. in Ireland, The Netherlands and France for the year ended December 31, 1996, and the financial statements of VeriTest, Inc. as of December 31, 1998 and for the year then ended, included in this prospectus, have been so included in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

Lionbridge has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement. For further information with respect to Lionbridge and the common stock, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of the contract or document filed as an exhibit to the registration statement, and each such statement is qualified in all respects by reference to such exhibit. Copies of the registration statement may be examined without charge at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Regional Offices of the Commission at Suite 1400, 500 West Madison Street, Chicago, Illinois 60661 and 7 World Trade Center, Thirteenth Floor, New York, New York 10048. Copies of all or any portion of the registration statement may be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549, or by calling the Commission at 1-800-SEC-0330, at prescribed rates. The Commission also maintains a Web site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants, such as Lionbridge, that make electronic filings with the Commission.

Lionbridge intends to furnish to its stockholders annual reports containing financial statements audited by an independent public accounting firm.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of  
Lionbridge Technologies, Inc.:

The 2-for-3 reverse stock split described in Note 1 to the financial statements has not been consummated at July 27, 1999. When it has been consummated, we will be in a position to furnish the following report:

"In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' deficit and cash flows present fairly, in all material respects, the financial position of Lionbridge Technologies, Inc. at December 31, 1997 and 1998, and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. 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 audits. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 audits provide a reasonable basis for the opinion expressed above."

/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
March 4, 1999

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LIONBRIDGE TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT NUMBER OF SHARES AND PER SHARE DATA)

<TABLE>  
<CAPTION>

DECEMBER 31,		JUNE 30, 1999	PRO FORMA JUNE 30,
1997	1998		
-----	-----		

	----- (UNAUDITED)			1999 ----- (UNAUDITED) (NOTE 2) -----
<S>	<C>	<C>	<C>	<C>
<b>ASSETS</b>				
Current assets:				
Cash.....	\$ 1,098	\$ 732	\$ 1,455	\$ 1,455
Accounts receivable, net of allowances of \$366, \$573 and \$546 at December 31, 1997 and 1998 and June 30, 1999 (unaudited), respectively.....	6,902	7,321	9,133	9,133
Work in process.....	2,386	3,929	3,674	3,674
Other current assets.....	624	805	1,045	1,045
	-----	-----	-----	-----
Total current assets.....	11,010	12,787	15,307	15,307
Property and equipment, net.....	951	1,840	2,155	2,155
Goodwill, net.....	6,710	7,370	10,325	10,325
Other assets.....	85	405	320	320
	-----	-----	-----	-----
Total assets.....	\$ 18,756	\$ 22,402	\$ 28,107	\$ 28,107
	-----	-----	-----	-----
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT</b>				
Current liabilities:				
Amounts owed to banks.....	\$ 88	\$ 416	\$ 143	\$ 143
Short-term debt.....	2,200	7,693	5,893	33,842
Accounts payable.....	3,118	3,964	3,761	3,761
Accrued compensation and benefits.....	2,057	2,356	2,855	2,855
Other accrued expenses.....	4,499	5,664	5,175	5,175
Deferred revenue.....	524	412	399	399
	-----	-----	-----	-----
Total current liabilities.....	12,486	20,505	18,226	46,175
	-----	-----	-----	-----
Long-term debt, net of discount.....	--	--	10,964	831
Redeemable convertible preferred stock, \$0.01 par value:				
Series A convertible preferred stock, 17,271,314 shares authorized; 13,271,314 shares issued and outstanding at December 31, 1997 and 1998 and June 30, 1999 (unaudited); no shares issued and outstanding on a pro forma basis (unaudited).....	14,356	15,418	15,949	--
Series B redeemable preferred stock, 200 shares authorized; no shares issued and outstanding.....	--	--	--	--
Series C convertible preferred stock, 17,271,514 shares authorized; no shares issued and outstanding.....	--	--	--	--
Series D nonvoting convertible preferred stock, 200 shares authorized; 140 shares issued and outstanding at December 31, 1997 and 1998 and June 30, 1999 (unaudited); no shares issued and outstanding on a pro forma basis (unaudited).....	--	--	--	--
Commitments and contingencies (Note 7)				
Stockholders' deficit:				
Common stock, \$0.01 par value; 25,950,867 shares authorized; 1,359,993, 1,963,614 and 2,371,799 shares issued and outstanding at December 31, 1997 and 1998 and June 30, 1999 (unaudited), respectively, and 12,752,710 shares issued and outstanding on a pro forma basis (unaudited).....	14	20	24	128
Additional paid-in capital.....	57	300	10,516	10,412
Accumulated deficit.....	(8,898)	(14,222)	(24,518)	(26,385)
Deferred compensation.....	--	--	(3,529)	(3,529)
Accumulated other comprehensive income.....	741	381	475	475
	-----	-----	-----	-----
Total stockholders' deficit.....	(8,086)	(13,521)	(17,032)	(18,899)
	-----	-----	-----	-----
Total liabilities, redeemable convertible preferred stock and stockholders' deficit.....	\$ 18,756	\$ 22,402	\$ 28,107	\$ 28,107
	-----	-----	-----	-----

</TABLE>

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

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LIONBRIDGE TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS



<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
			(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$ 26,462	\$ 38,412	\$ 18,132	\$ 23,783
Cost of revenue.....	18,914	25,546	12,226	16,607
Gross profit.....	7,548	12,866	5,906	7,176
Operating expenses:				
Sales and marketing.....	1,306	2,735	1,206	2,613
General and administrative.....	8,210	10,889	5,238	6,894
Amortization of acquisition-related intangible assets.....	4,400	2,145	1,194	1,579
Restructuring charges (Note 10).....	541	501	451	--
Stock-based compensation.....	--	--	--	232
Total operating expenses.....	14,457	16,270	8,089	11,318
Loss from operations.....	(6,909)	(3,404)	(2,183)	(4,142)
Interest expense.....	(127)	(648)	(265)	(4,988)
Other income (expense), net.....	(506)	49	(22)	(320)
Loss before income taxes.....	(7,542)	(4,003)	(2,470)	(9,450)
Provision for income taxes.....	112	259	53	315
Net loss.....	(7,654)	(4,262)	(2,523)	(9,765)
Accrued dividends on preferred stock.....	(1,062)	(1,062)	(531)	(531)
Net loss attributable to common stockholders.....	\$ (8,716)	\$ (5,324)	\$ (3,054)	\$ (10,296)
Basic and diluted net loss per share attributable to common stockholders.....	\$ (8.85)	\$ (2.99)	\$ (1.89)	\$ (4.64)
Shares used in computing basic and diluted net loss per share attributable to common stockholders.....	985	1,782	1,613	2,218
Unaudited pro forma basic and diluted net loss per share.....		\$ (0.44)		\$ (0.72)
Shares used in computing unaudited pro forma basic and diluted net loss per share.....		11,977		14,250

&lt;/TABLE&gt;

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

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LIONBRIDGE TECHNOLOGIES, INC.

## CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(AMOUNTS IN THOUSANDS, EXCEPT NUMBER OF SHARES)

<TABLE>  
<CAPTION>

	REDEEMABLE CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT
	SHARES	AMOUNT	SHARES	PAR VALUE		
Balance at December 31, 1996.....	13,673,098	\$ 13,696	984,608	\$ 10	\$ 5	\$ (182)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Stock options exercised.....			375,385	4	52	
Issuance of Series A convertible preferred stock.....	570,010	570				
Repurchase of Series A convertible preferred stock to be retired.....	(971,654)	(972)				
Accrual of dividends on preferred stock.....		1,062				(1,062)
Comprehensive loss:						
Net loss.....						(7,654)
Other comprehensive income:						
Translation adjustment.....						
Comprehensive loss.....						

Balance at December 31, 1997.....	13,271,454	14,356	1,359,993	14	57	(8,898)
Issuance of common stock in connection with the acquisition of Japanese Language Services, Inc.....			286,959	3	83	
Stock options exercised.....			316,662	3	39	
Accrual of dividends on preferred stock.....		1,062				(1,062)
Accretion of common stock to redemption value.....					121	
Comprehensive loss:						
Net loss.....						(4,262)
Other comprehensive loss:						
Translation adjustment.....						
Comprehensive loss.....						
Balance at December 31, 1998.....	13,271,454	15,418	1,963,614	20	300	(14,222)
Issuance of common stock in connection with the acquisition of VeriTest, Inc.....			66,668	1	343	
Issuance of common stock in connection with the acquisition of Japanese Language Services, Inc.....			24,268	--	35	
Issuance of warrants in connection with debt financing.....					5,967	
Deferred compensation.....					3,761	
Amortization of deferred compensation.....						
Stock options exercised.....			317,249	3	50	
Accrual of dividends on preferred stock.....		531				(531)
Accretion of common stock to redemption value.....					60	
Comprehensive loss:						
Net loss.....						(9,765)
Other comprehensive income:						
Translation adjustment.....						
Comprehensive loss.....						
Balance at June 30, 1999 (unaudited).....	13,271,454	\$ 15,949	2,371,799	\$ 24	\$ 10,516	\$ (24,518)

<CAPTION>

	DEFERRED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' DEFICIT	COMPREHENSIVE LOSS
Balance at December 31, 1996.....			\$ (167)	
<S>	<C>	<C>	<C>	<C>
Stock options exercised.....			56	
Issuance of Series A convertible preferred stock.....				
Repurchase of Series A convertible preferred stock to be retired.....				
Accrual of dividends on preferred stock.....			(1,062)	
Comprehensive loss:				
Net loss.....			(7,654)	\$ (7,654)
Other comprehensive income:				
Translation adjustment.....		\$ 741	741	741
Comprehensive loss.....				\$ (6,913)
Balance at December 31, 1997.....		741	(8,086)	
Issuance of common stock in connection with the acquisition of Japanese Language Services, Inc.....			86	
Stock options exercised.....			42	
Accrual of dividends on preferred stock.....			(1,062)	
Accretion of common stock to redemption value.....			121	
Comprehensive loss:				
Net loss.....			(4,262)	\$ (4,262)
Other comprehensive loss:				
Translation adjustment.....		(360)	(360)	(360)
Comprehensive loss.....				\$ (4,622)
Balance at December 31, 1998.....		381	(13,521)	
Issuance of common stock in connection with the acquisition of VeriTest, Inc.....			344	
Issuance of common stock in connection with the acquisition of Japanese Language Services, Inc.....			35	
Issuance of warrants in connection with debt financing.....			5,967	
Deferred compensation.....	\$ (3,761)		--	

Amortization of deferred compensation.....	232		232
Stock options exercised.....			53
Accrual of dividends on preferred stock.....			(531)
Accretion of common stock to redemption value.....			60
Comprehensive loss:			
Net loss.....			(9,765)
Other comprehensive income:			
Translation adjustment.....	94		94
Comprehensive loss.....			\$ (9,671)
Balance at June 30, 1999 (unaudited).....	\$ (3,529)	\$ 475	\$ (17,032)

</TABLE>

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

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LIONBRIDGE TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
			(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net loss.....	\$ (7,654)	\$ (4,262)	\$ (2,523)	\$ (9,765)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Amortization of acquisition-related intangible assets.....	4,400	2,145	1,194	1,579
Compensation expense for stock options granted....	--	--	--	232
Accretion of discount on subordinated notes payable.....	--	--	--	4,099
Depreciation and amortization of property and equipment.....	1,164	1,187	573	741
Provision for doubtful accounts.....	380	182	75	35
Deferred income taxes.....	112	206	--	--
Foreign currency (gain) loss on intercompany transactions.....	353	(67)	549	555
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable.....	187	214	93	(2,334)
Work in process.....	(592)	(828)	(1,163)	(47)
Other current assets.....	690	(295)	(229)	(255)
Other assets.....	(78)	(193)	(34)	67
Accounts payable.....	(426)	(401)	(189)	90
Accrued compensation and benefits.....	781	341	299	499
Other accrued expenses.....	184	478	755	104
Deferred revenue.....	(943)	(440)	(105)	12
Net cash used in operating activities.....	(1,442)	(1,733)	(705)	(4,388)
Cash flows from investing activities:				
Purchases of property and equipment.....	(923)	(1,363)	(1,154)	(1,039)
Payments for businesses acquired, net of cash acquired.....	(18)	(3,141)	(3,141)	(3,726)
Payments for Asian asset purchase, net of cash acquired.....	(85)	--	--	--
Transfer of funds from escrow.....	600	--	--	--
Net cash used in investing activities.....	(426)	(4,504)	(4,295)	(4,765)
Cash flows from financing activities:				
Net increase (decrease) in amounts owed to banks...	(522)	328	(68)	(178)
Net increase (decrease) in short-term debt.....	1,197	5,551	5,795	(1,843)
Proceeds from long-term debt.....	--	--	--	12,000
Proceeds from issuance of preferred stock.....	570	--	--	--
Proceeds from exercise of common stock options.....	56	42	43	53

Net cash provided by financing activities....	1,301	5,921	5,770	10,032
Net increase (decrease) in cash.....	(567)	(316)	770	879
Effects of exchange rate changes on cash.....	(130)	(50)	(89)	(156)
Cash at beginning of period.....	1,795	1,098	1,098	732
Cash at end of period.....	\$ 1,098	\$ 732	\$ 1,779	\$ 1,455

</TABLE>

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

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

NATURE OF THE BUSINESS

Lionbridge Technologies, Inc. and its subsidiaries (collectively, "Lionbridge") is a provider of globalization services to software publishers, computer hardware manufacturers and telecommunications companies. Globalization services, including localization, internationalization and testing, enable simultaneous worldwide release and ongoing maintenance of products and product-related technical support, training materials, and sales and marketing information in multiple languages. Lionbridge has its head office in the United States, with operations in France, Ireland, The Netherlands, China, Japan, South Korea and the United States.

FORMATION OF LIONBRIDGE AND BASIS OF PRESENTATION

Lionbridge was incorporated on September 11, 1996 in order to effect the acquisition of certain elements of the localization businesses of Stream International Holdings, Inc. ("Stream"). Funding for the acquisition was provided through the issuance of common and preferred stock in Lionbridge and in a majority-owned subsidiary of Lionbridge.

On December 23, 1996, Lionbridge entered into an agreement with Stream to acquire its localization businesses in Ireland, The Netherlands and France (see Note 4). The purchase accounting for the acquisition of the businesses was recorded as though the purchase had occurred on December 31, 1996, as the results of operations and changes in financial position between December 23, 1996 and this date were immaterial.

The December 23, 1996 agreement with Stream also contemplated the acquisition of certain businesses in Asia. However, Lionbridge did not acquire such businesses as planned, and renegotiated the agreement in July 1997. As a result, a note payable for \$840,000 issued to Stream in contemplation of the December 23, 1996 agreement was canceled, and restricted cash of \$600,000, which was held in escrow at December 31, 1996 and was to be paid to Stream on completion of the Asian acquisition, was returned to Lionbridge, net of certain payments otherwise due.

On July 3, 1997, Lionbridge entered into a new agreement with Stream to purchase work in process and certain other assets of Stream's Japanese, Chinese and Taiwanese localization businesses as of April 1, 1997, and of the South Korean localization business as of July 3, 1997, in exchange for approximately \$100,000 of cash plus the assumption of liabilities of \$317,000 for the completion of work under existing customer contracts. As these assets did not comprise businesses, the Company allocated the purchase price based on their fair values.

REVERSE STOCK SPLIT

The Company's Board of Directors has declared a 2-for-3 reverse stock split to be consummated immediately prior to the initial public offering of securities. All references in the consolidated financial statements to shares of common stock have been retroactively adjusted to reflect this reverse stock split.

## LIONBRIDGE TECHNOLOGIES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements of Lionbridge reflect the application of certain significant accounting policies as described below:

## PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Lionbridge and its wholly owned subsidiaries from the effective date of their acquisition or formation. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

## UNAUDITED INTERIM FINANCIAL STATEMENTS

The consolidated financial statements and related notes of Lionbridge for the six months ended June 30, 1998 and 1999 are unaudited. Management believes the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations in such periods. Results of operations for the six months ended June 30, 1998 and 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999, or for any other future period.

## UNAUDITED PRO FORMA BALANCE SHEET

Upon the closing of Lionbridge's anticipated initial public offering of securities, certain transactions will occur automatically. The unaudited pro forma information included on the balance sheet at June 30, 1999 reflects these transactions as if they had occurred on June 30, 1999, as follows (see Notes 6 and 8):

- the exchange of an aggregate of 13,271,454 shares of Series A convertible preferred stock and Series D nonvoting convertible preferred stock outstanding as of June 30, 1999 for 132.7145 shares of Series B redeemable preferred stock and 8,847,649 shares of Series C convertible preferred stock;
- the redemption of the 132.7145 shares of Series B redeemable preferred stock for \$15,949,000, including accrued and unpaid dividends, presented as a reclassification of long-term debt, net of discount to short-term debt;
- the conversion of the 8,847,649 shares of Series C convertible preferred stock into 8,847,649 shares of common stock;
- the repayment of subordinated notes payable for \$12,000,000, presented as a reclassification of long-term debt, net of discount to short-term debt, and the associated impact on accumulated deficit of the write-off of the unamortized discount on these notes of \$1,867,000 as of June 30, 1999; and
- the exercise of warrants to acquire 1,533,260 shares of common stock for nominal consideration.

## REVENUE RECOGNITION

Lionbridge recognizes revenue from the provision of services to its customers on the percentage-of-completion method of accounting, based on costs incurred as a percentage of

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

management's estimates of total costs of individual contracts. Anticipated losses by project, if any, are recognized in the period in which determined.

## ADVERTISING COSTS

Advertising costs are included in sales and marketing expenses and are expensed as incurred. Advertising costs were \$0 and approximately \$120,000 for the years ended December 31, 1997 and 1998, respectively.

## FOREIGN CURRENCY TRANSLATION

The functional currency for each of Lionbridge's foreign operations is the local currency of the country in which those operations are based. Revenues and expenses of foreign operations are translated into U.S. dollars at the average rates of exchange during the period. Assets and liabilities of foreign operations are translated into U.S. dollars at period-end rates of exchange. Resulting cumulative translation adjustments are reflected as a separate component of accumulated other comprehensive income in stockholders' deficit. Foreign currency transaction gains or losses, arising from exchange rate fluctuations on transactions denominated in currencies other than the functional currencies, are included in other income (expense), net in the consolidated statements of operations and were \$(472,000) and \$49,000 for the years ended 1997 and 1998, respectively.

For the purpose of the disclosure of comprehensive loss, Lionbridge does not record tax provisions or benefits for the net changes in foreign currency translation adjustments, as Lionbridge intends to permanently reinvest undistributed earnings in its foreign subsidiaries.

## WORK IN PROCESS

Work in process represents the value of work performed but not billed. Work in process is calculated using the percentage-of-completion method based on total anticipated costs and is stated at cost plus estimated profit, but not in excess of net realizable value. Billing of amounts in work in process occurs according to customer-agreed payment schedules or upon completion of specified project milestones. All of Lionbridge's projects in work in process are expected to be billed and collected within one year.

## PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated over the estimated useful lives of the assets using the straight-line method, based upon the following asset lives:

<TABLE>	
<S>	<C>
Computer software and equipment	1 to 5 years
Furniture and office equipment	3 to 5 years
Leasehold improvements	Shorter of lease term or useful life of asset
</TABLE>	

Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in the determination of net income or loss. Expenditures for maintenance and repairs are expensed as incurred.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

## INTANGIBLE ASSETS

Goodwill represents the excess of cost over the fair value of the net assets of businesses acquired. Goodwill is amortized using the straight-line method over five years.

## LONG-LIVED ASSETS

Lionbridge periodically evaluates the net realizable value of long-lived assets, including goodwill and property and equipment, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying value of an asset is assessed when the undiscounted, expected future operating cash flows derived from the asset are less than its carrying value.

#### INCOME TAXES

Deferred income taxes are recognized based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

#### NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS AND PRO FORMA NET LOSS PER SHARE

Basic and diluted earnings per share are computed in accordance with SFAS No. 128, "Earnings per Share." Basic net loss per share attributable to common stockholders is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding. There is no difference between basic and diluted earnings per share since potential common shares from the conversion of preferred stock and exercises of stock options and warrants are anti-dilutive for all periods presented.

Unaudited pro forma basic and diluted net loss per share for the year ended December 31, 1998 and the six months ended June 30, 1999 is computed using the weighted average number of common shares outstanding, adjusted to include the impact of certain transactions that will occur automatically or are deemed to occur for pro forma purposes upon the closing of Lionbridge's anticipated initial public offering of securities, as follows:

- the addition of 8,847,649 shares of common stock for each of the year ended December 31, 1998 and the six months ended June 30, 1999, resulting from the exchange of an aggregate of 13,271,454 shares of Series A and Series D convertible preferred stock for 8,847,649 shares of Series C convertible preferred stock, and the conversion of these shares into 8,847,649 shares of common stock;
- the addition of 0 and 1,051,987 shares of common stock for the year ended December 31, 1998 and the six months ended June 30, 1999, respectively, resulting from the exercise of warrants to acquire 1,533,260 shares of common stock for nominal consideration, weighted from the warrant issuance dates; and
- the addition of 1,347,044 and 2,132,517 shares of common stock for the year ended December 31, 1998 and the six months ended June 30, 1999, respectively, to reflect the number of shares of common stock from the anticipated initial public offering from which proceeds are

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LIONBRIDGE TECHNOLOGIES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

deemed to be used to repay the subordinated notes of \$12,000,000 and to redeem the 132,7145 shares of Series B redeemable preferred stock with accrued dividends for \$15,949,000, based on an assumed net offering price of \$11.84 per share, weighted from the beginning of the periods for the preferred stock and from the date of issuance for the subordinated notes.

#### ACCOUNTING FOR STOCK-BASED COMPENSATION

Lionbridge accounts for stock-based awards to employees using the intrinsic value method as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense is recorded for options issued to employees

in fixed amounts and with fixed exercise prices at least equal to the fair market value of Lionbridge's common stock at the date of grant. When the exercise price of stock options granted to employees is less than the fair market value of common stock at the date of grant, Lionbridge records that difference multiplied by the number of shares under option as deferred compensation, which is then amortized over the vesting period of the options. Lionbridge has adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," through disclosure only (see Note 8). All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used when accounting for the collectibility of receivables, calculating revenue using the percentage-of-completion method, and valuing intangible assets, deferred tax assets and net assets of businesses acquired.

#### CONCENTRATIONS OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

Financial instruments which potentially subject Lionbridge to concentrations of credit risk consist principally of trade accounts receivables. Concentrations of credit risk with respect to trade accounts receivable are limited due to the dispersion of customers across different geographic regions, although globally some customers constitute a significant percentage of total revenue (see Note 11). Lionbridge does not require collateral or other security against trade receivable balances; however, it maintains reserves for potential credit losses and such losses have been within management's expectations.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments, including cash, accounts receivable, accounts payable, redeemable preferred stock and debt, are carried in the consolidated financial statements at amounts that approximate fair values at December 31, 1997 and 1998 and June 30, 1999 (unaudited). Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

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LIONBRIDGE TECHNOLOGIES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 2. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED) RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The standard requires that all derivative instruments be recorded on the balance sheet at their fair values. Changes in the fair values of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether or not a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. SFAS No. 133 is expected to be effective for Lionbridge's fiscal quarter beginning January 1, 2001 and its adoption is not expected to have a material impact on Lionbridge's financial position or results of operations.

In April 1998, AcSEC issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." Start-up activities are defined broadly as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, commencing some new operation or organizing a new entity. Under SOP 98-5, the cost of start-up activities should be expensed as incurred. SOP 98-5 is effective for Lionbridge's fiscal 1999 financial statements, and Lionbridge does not expect its adoption to have a material effect on its financial position or results of operations.

#### 3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31:

<TABLE>  
<CAPTION>

1997

1998



<S>	<C>	<C>
Computer software and equipment.....	\$ 1,400,000	\$ 2,035,000
Furniture and office equipment.....	527,000	708,000
Leasehold improvements.....	138,000	327,000
	2,065,000	3,070,000
Less: Accumulated depreciation and amortization.....	(1,114,000)	(1,230,000)
	\$ 951,000	\$ 1,840,000

</TABLE>

4. BUSINESS COMBINATIONS:

LOCALIZATION BUSINESS OF STREAM

On December 23, 1996, Lionbridge acquired the localization businesses of Stream in Ireland, The Netherlands and France (see Note 1). In accordance with the acquisition agreement, Lionbridge paid Stream aggregate cash consideration of \$11,300,000 in exchange for all of the outstanding common stock of R.R. Donnelley Language Solutions International B.V. and Stream International Language Solutions as well as the assumption of tax liabilities of \$100,000 incurred in connection with the transaction.

The business combination was accounted for using the purchase method of accounting, and the results of the acquired localization business have been included in Lionbridge's financial statements as

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS COMBINATIONS: (CONTINUED)

of December 31, 1996 (see Note 1). The purchase price, including direct costs of the acquisition, was allocated based on the fair values of the acquired assets and assumed liabilities as follows:

<S>	<C>
Current assets.....	\$ 11,417,000
Current liabilities.....	(12,516,000)
Property and equipment.....	1,350,000
Non-compete agreement.....	2,559,000
Goodwill.....	9,224,000
	\$ 12,034,000

</TABLE>

In 1997, Lionbridge submitted a claim to Stream for the reimbursement of a portion of the purchase consideration under the indemnity terms of the December 23, 1996 agreement. This claim was ultimately resolved through a settlement agreement with Stream, effective December 31, 1997 (see Note 6). Under the terms of this agreement, the purchase price for the European businesses was reduced by \$531,000. This amount was deducted from goodwill at December 31, 1997.

During 1997 and 1998, acquired net operating loss carryforwards of \$1,120,000 and \$1,291,000, respectively, were utilized to offset taxable income in Ireland and The Netherlands. As the deferred tax assets associated with these losses had been fully reserved at the time of the Stream acquisition, the benefits were recorded as reductions to goodwill of \$112,000 and \$207,000 in 1997 and 1998, respectively.

JAPANESE LANGUAGE SERVICES

On February 27, 1998, Lionbridge entered into an agreement to acquire all of the outstanding stock of Japanese Language Services, Inc., a company based in Massachusetts with additional operations in Japan, for total initial consideration of \$2,323,000 consisting of cash of \$2,237,000 and 286,959 shares of common stock valued at \$86,000. The shares of common stock may be redeemed,

at the option of the holder, at a price of \$1.35 per share at any time from July 2001 to September 2001. The carrying amount of the redeemable common stock will be increased to the redemption amount of \$387,000 over the 30-month period ending July 2001. The agreement also requires certain contingent stock issuances, limited to 24,268 shares of common stock, and cash payments, limited to \$625,000, dependent on future operating results of Japanese Language Services, Inc. through December 31, 1999. This agreement was effective January 2, 1998, when operating control of Japanese Language Services, Inc. was assumed by Lionbridge. The acquisition was accounted for using the purchase method of accounting, and the results of Japanese Language Services, Inc. have been included in Lionbridge's financial statements as of the effective date. The purchase price, including direct costs of the acquisition, was allocated based on the fair values of the acquired assets and assumed liabilities as follows:

<TABLE>  
<CAPTION>  
<S>

	<C>
Current assets.....	\$ 935,000
Current liabilities.....	(789,000)
Property and equipment.....	247,000
Goodwill.....	1,999,000
	-----
	\$ 2,392,000
	-----
	-----

</TABLE>

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS COMBINATIONS: (CONTINUED)

The initial calculation of goodwill did not include any anticipated contingent consideration. Additional goodwill of \$375,000 was recorded at December 31, 1998 in connection with an incremental payment being due under the contingent payment arrangement. Future payments under the contingent payment arrangement, if any, will similarly increase goodwill. Goodwill was also increased by \$120,000 and \$60,000 (unaudited) during the year ended December 31, 1998 and the six months ended June 30, 1999, respectively, related to the accretion to the redemption amount of the redeemable common stock. Pro forma statements of operations would not differ materially from reported results.

ILT SOLUTIONS GROUP

On April 1, 1998, Lionbridge acquired certain assets and operations of the ILT Solutions Group of Lucent Technologies, Inc. for cash of \$1,000,000. The acquisition was accounted for using the purchase method of accounting. The purchase price, including direct costs of the acquisition, was allocated to current assets of \$244,000, property and equipment of \$299,000 and goodwill of \$470,000 based on their fair values at the acquisition date. The results of the ILT Solutions Group are included in these financial statements from the date of the acquisition. Pro forma statements of operations would not differ materially from reported results.

VERITEST, INC. (UNAUDITED)

On January 11, 1999, Lionbridge entered into an agreement to acquire all of the stock of VeriTest, Inc., a company based in California, for total initial consideration of \$4,354,000 consisting of cash of \$3,260,000, 66,668 shares of common stock valued at \$344,000, and notes payable for \$750,000. The agreement also requires certain contingent cash payments, limited to \$1,000,000, dependent on future operating performance through December 31, 2000. This acquisition was accounted for using the purchase method of accounting. The purchase price, including direct costs of the acquisition, was allocated based on the fair values of the acquired assets and assumed liabilities as follows:

<TABLE>  
<CAPTION>  
<S>

	<C>
Current assets.....	\$ 522,000
Current liabilities.....	(616,000)

Property and equipment.....	175,000
Goodwill.....	4,338,000
	-----
	\$ 4,419,000
	-----

</TABLE>

The initial calculation of goodwill did not include any contingent consideration. Future payments, if any, under the contingent payment arrangement will increase goodwill. The results of VeriTest, Inc. are included in these financial statements from the date of acquisition.

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS COMBINATIONS: (CONTINUED)

The following unaudited pro forma consolidated results of operations for the year ended December 31, 1998 and the six month period ended June 30, 1999 assume that the acquisition of VeriTest, Inc. occurred as of January 1, 1998:

<TABLE>			
<CAPTION>			
	1998	1999	
	-----	-----	
<S>	<C>	<C>	<C>
Revenue.....	\$ 42,147	\$ 23,783	
Net loss.....	(6,615)	(9,982)	
Basic and diluted net loss per share attributable to common stockholders.....	(4.08)	(4.72)	
</TABLE>			

For each period presented, the pro forma results include estimates of the interest expense on debt used to finance the purchase and the depreciation and amortization of intangible and other fixed assets based on the purchase price allocation. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition had occurred on January 1, 1998 or that may be obtained in the future.

The expense of amortizing goodwill from all acquisitions prior to December 31, 1998 was \$1,841,000 and \$2,145,000 in 1997 and 1998, respectively. Additionally, amortization of \$2,559,000 was recorded in 1997 in connection with a noncompete agreement between Lionbridge and Stream.

5. AMOUNTS OWED TO BANKS:

Amounts owed to banks represent temporary, unsecured overdraft facilities utilized by Lionbridge's operations in Ireland, France, Holland and the United States.

6. DEBT:

SETTLEMENT AGREEMENT

On June 10, 1998, Lionbridge entered into an agreement with certain companies that had previously been part of the Stream organization to settle various outstanding amounts due between Lionbridge and Stream, including the indemnity claim submitted by Lionbridge (see Note 4); a note payable to Stream of \$569,000, together with accrued interest of \$39,000; and the amount due to Stream on the exercise of its put option to sell 971,654 shares of Series A convertible preferred stock to Lionbridge (see Note 8). The effective date of this agreement was December 31, 1997, and its impact was reflected in the consolidated financial statements as of that date.

In settlement of all amounts due to and from Stream (or successor companies), Lionbridge agreed to pay an interest-free amount of \$700,000 in seven equal monthly installments beginning February 1998. This note was recorded in current liabilities at December 31, 1997 and was paid during 1998.

LINE OF CREDIT

On September 26, 1997, Lionbridge entered into a line of credit agreement

with a commercial bank. The agreement was subsequently amended on May 21, 1998 and May 20, 1999 (unaudited) and expires on September 20, 1999. At the time of the May 1998 amendment, Lionbridge issued a warrant for the purchase of 83,334 shares of common stock at an exercise price of \$2.40 per share. This warrant was exercisable immediately and expires on May 21, 2003. The value ascribed to this warrant was

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. DEBT: (CONTINUED)

immaterial. Under the amended terms of the agreement, Lionbridge may borrow up to \$8,000,000, based on the value of certain eligible current assets worldwide.

The interest rate payable on any outstanding borrowings is prime plus 1% per year (9.5% and 8.8% at December 31, 1997 and 1998, respectively), and Lionbridge was required to pay a facility fee of \$50,000 on the signing of the agreement. This fee and other direct arrangement expenses were amortized over the initial term of the agreement, which expired on May 22, 1998. Borrowings outstanding under the line of credit agreement are collateralized by certain assets of Lionbridge. The amount outstanding on the line of credit at December 31, 1997 and 1998 was \$1,500,000 and \$7,693,000, respectively, and \$5,893,000 as of June 30, 1999 (unaudited).

The agreement requires Lionbridge to maintain certain financial ratios and restricts the payment of dividends. As of December 31, 1997 and 1998, Lionbridge was in compliance with the financial covenants as subsequently amended by the bank.

ADDITIONAL FINANCING (UNAUDITED)

On January 8, 1999, Lionbridge entered into a bridge loan agreement with a third party. Under the terms of the agreement, Lionbridge issued a \$4,000,000, 12% senior subordinated note. On February 26, 1999, Lionbridge entered into a new subordinated debt agreement with the same party and terminated the bridge loan agreement. Under the terms of the new agreement, Lionbridge issued \$10,000,000, 12% senior subordinated convertible notes. The notes are repayable in quarterly installments beginning in March 2003, with final settlement of the principal and interest due in February 2006. The notes are subject to certain covenant restrictions, including the maintenance of a defined minimum current asset to current liability ratio and a minimum profitability measure, and are collateralized by certain assets of Lionbridge. In connection with the issuance of these notes, Lionbridge issued detachable warrants to purchase 1,277,716 shares of common stock at a price of \$0.015 per share, valued at \$4,972,000.

On January 11, 1999, Lionbridge entered into two identical promissory note agreements with the former owners of VeriTest, Inc. in connection with the acquisition of this business (see Note 4). The notes are for an aggregate amount of \$750,000 and are payable in one installment on January 11, 2001. Interest on the notes is due annually at a rate of 8%.

On March 9, 1999, Lionbridge entered into a subordinated debt agreement with a stockholder. Under the terms of the agreement, Lionbridge issued \$2,000,000, 12% senior subordinated convertible notes. The notes are repayable in quarterly installments beginning in March 2003, with final settlement of the principal and interest due in March 2006. The notes are collateralized by certain assets of Lionbridge and are subject to certain covenant restrictions, including the maintenance of a defined minimum current asset to current liability ratio and a minimum profitability measure. In connection with the issuance of these notes, Lionbridge issued detachable warrants to purchase 255,544 shares of common stock at a price \$0.015 per share, valued at \$995,000.

Lionbridge is required to repay each of the above notes, together with all accrued and unpaid interest, upon the closing of certain defined liquidity events, including the initial public offering of securities with aggregate proceeds of at least \$25,000,000. The detachable warrants issued in connection with these financings expire on the later of (i) the seventh anniversary of the issuance of the warrant and (ii) the date when each related note is paid in full. If not otherwise exercised, the warrants will be automatically exercised in accordance with their terms immediately prior to any expiration. The aggregate value of these warrants was recorded as a discount on subordinated

notes payable and is being amortized as additional interest expense using the straight-line method over the period from issuance until August 1999, based on the expected repayment of the debt upon the initial public offering of securities by Lionbridge.

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. DEBT: (CONTINUED)

As of March 31, 1999, Lionbridge was not in compliance with one of the covenants common to each of the above notes. Lionbridge subsequently obtained waivers from the debtholders which release it from the requirement to comply with that covenant for the quarter ended March 31, 1999 and for the quarters ending June 30 and September 30, 1999.

7. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

The Company leases certain equipment and office space under noncancelable agreements and leases which expire at various dates through 2003. Future minimum lease payments under noncancelable operating leases at December 31, 1998 were as follows:

<TABLE>	
<CAPTION>	
YEAR ENDING DECEMBER 31,	
-----	
<S>	<C>
1999.....	\$ 746,000
2000.....	564,000
2001.....	334,000
2002.....	229,000
2003.....	298,000
Thereafter.....	2,019,000
	-----
	\$ 4,190,000
	-----
	-----

</TABLE>

Total rental expenses charged to operations were \$697,000 and \$952,000 in 1997 and 1998, respectively.

8. REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT:

SERIES A AND SERIES D CONVERTIBLE PREFERRED STOCK

VOTING

The holders of Series A preferred stock are entitled to one vote for each whole share of common stock issuable upon conversion to Series C preferred stock and thereon to common stock. The holders of Series A preferred stock vote with the holders of common stock, and certain other outstanding preferred stock, as a single class. The holders of Series D preferred stock have no voting rights.

DIVIDENDS

Holdings of Series A and Series D preferred stock are entitled to receive dividends or other distributions in an amount based upon, and in advance of, the planned dividend or other distribution to holders of common stock.

LIQUIDATION

In the event of any liquidation, dissolution or winding up of Lionbridge, the holders of Series A and Series D preferred stock are entitled to be paid out of the assets available for distribution, in preference to any payment to the holders of common or more junior preferred stock, but subordinated to payments to the holders of more senior preferred stock, an amount of \$1.00 per share, plus any dividends declared but unpaid, plus a premium of \$0.08 per year from the date of issue, plus an

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT: (CONTINUED)

amount per share that would have been payable had each share of Series A and Series D preferred stock been converted into shares of common stock immediately prior to liquidation, dissolution or winding up.

In the event of a merger or consolidation of Lionbridge with another corporation, with certain exemptions, or the sale of substantially all the assets of Lionbridge, holders of 66 2/3% or more of the Series A or Series D preferred stock may elect to consider the event to be a liquidation of Lionbridge.

#### EXCHANGE

Each share of Series A and Series D preferred stock is exchangeable, at the option of the holder, into 1/100,000 of a share of Series B preferred stock and a specified number of shares of Series C preferred stock based on an exchange price of \$1.50 per share, subject to adjustment under specified terms and conditions (2-for-3 at December 31, 1998). Certain terms exist to protect the exchange rights of the holders of Series A and Series D preferred stock in the event of further issuances of common stock or a merger or reorganization of Lionbridge.

In the event of a public offering satisfying certain specified monetary criteria, all shares of Series A and Series D preferred stock will automatically be exchanged for shares of Series B and C preferred stock at the effective exchange rates.

#### SERIES B REDEEMABLE PREFERRED STOCK

##### VOTING

The holders of Series B preferred stock are not entitled to vote, except in certain specified circumstances.

##### DIVIDENDS

Holders of Series B preferred stock are not entitled to receive dividends.

##### LIQUIDATION

In the event of any liquidation, dissolution or winding up of Lionbridge, the holders of Series B preferred stock are entitled to be paid out of the assets available for distribution, in preference to any payment to the holders of common or more junior preferred stock, but subordinated to payments to the holders of more senior preferred stock, an amount of \$100,000 per share, plus any dividends declared but unpaid, plus a premium of \$8,000 per share per year.

##### REDEMPTION

On December 23, 2001, the Series B preferred stock becomes redeemable at the request of 66 2/3% or more of the holders and to the extent permitted by legally available funds. The redemption price is equal to \$100,000 per share, plus any unpaid dividends, plus a premium of \$8,000 per share per year, for all shares of Series B preferred stock issued or issuable upon conversion of the outstanding Series A preferred stock and Series D preferred stock. In any event, to the extent permitted by legally available funds, all outstanding shares of Series B preferred stock become redeemable on December 23, 2003.

In the event of a public offering satisfying certain specified monetary criteria, the merger or consolidation of Lionbridge with another corporation, with certain exemptions, or the sale of

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LIONBRIDGE TECHNOLOGIES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT: (CONTINUED)  
substantially all the assets of Lionbridge, all shares of Series B preferred stock become redeemable at a price equal to \$100,000 per share, plus any unpaid dividends, plus a premium of \$8,000 per share per year, up to a maximum payment equal to 50% of the Lionbridge's consolidated net income before taxes for the preceding fiscal year.

#### SERIES C CONVERTIBLE PREFERRED STOCK

##### VOTING

The holders of Series C preferred stock are entitled to one vote for each whole share of common stock issuable upon conversion. The holders of Series C preferred stock vote with the holders of common stock, and any other outstanding

preferred stock, as a single class.

#### DIVIDENDS

Holders of Series C preferred stock are entitled to receive dividends or other distributions in an amount based upon, and in advance of, the planned dividend or other distribution to holders of common stock.

#### LIQUIDATION

In the event of any liquidation, dissolution or winding up of Lionbridge, the holders of Series C preferred stock are entitled to be paid out of the assets available for distribution, in preference to any payment to the holders of common or more junior preferred stock, but subordinated to payments to the holders of more senior preferred stock, an amount per share that would have been payable had each share of Series C preferred stock been converted into shares of common stock.

In the event of a merger or consolidation of Lionbridge with another corporation, with certain exemptions, or the sale of substantially all the assets of Lionbridge, holders of 66 2/3% or more of the Series C preferred stock may elect to consider the event to be a liquidation of Lionbridge.

#### CONVERSION

Each share of Series C preferred stock is convertible, at the option of the holder, into a specified number of shares of common stock based on a conversion price of \$1.00 per share, subject to adjustment under specified terms and conditions (1-for-1 at December 31, 1998). Certain terms exist to protect the conversion rights of the holders of Series C preferred stock in the event of further issuances of common stock or a merger or reorganization of Lionbridge.

In the event of a public offering satisfying certain specified monetary criteria, all shares of Series C preferred stock will automatically be converted into shares of common stock at the effective conversion rate.

#### TREASURY STOCK

In connection with the December 23, 1996 financing of Lionbridge, Stream was granted a put option to sell 971,654 shares of Series A preferred stock to Lionbridge.

On September 25, 1997, Stream exercised its put option and Lionbridge acquired 971,654 shares of its Series A preferred stock at a cost of \$971,654. Settlement of this amount due to Stream was resolved through a subsequent agreement (see Note 6). In 1998, Lionbridge retired all of the shares acquired.

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LIONBRIDGE TECHNOLOGIES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT: (CONTINUED) STOCK OPTION PLANS

Lionbridge maintains a stock option plan (the "Plan") for the issuance of incentive and nonqualified stock options. The number of shares of common stock available for issuance under the Plan was 2,855,365 shares, an amount which increased to 3,522,032 shares on April 23, 1998. Options to purchase common stock are granted at the discretion of the Board of Directors.

Generally, stock options vest over a four-year period as follows: 25% on the first anniversary of the date of grant and semi-annually thereafter in equal installments over the remaining three-year period. Stock options generally expire ten years (five years in certain cases) from the date of grant.

Under the terms of the Plan, the exercise price of incentive stock options granted must not be less than 100% (110% in certain cases) of the fair market value of the common stock on the date of grant, as determined by the Board of Directors. The exercise price of nonqualified stock options may be less than the fair market value of the common stock on the date of grant, as determined by the Board of Directors, but in no case may the exercise price be less than the statutory minimum. The Board of Directors, in assessing the fair market value of Lionbridge's common stock, considers factors relevant at the time, including recent third-party transactions, significant new customers, composition of the management team, recent hiring results, Lionbridge's financial condition and operating results and the lack of a public market for Lionbridge's common stock.

Transactions involving the Plan for the period from January 1, 1997 to December 31, 1998 are summarized as follows:

	NUMBER OF SHARES	WEIGHTED- AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Outstanding at January 1, 1997.....	1,501,529	\$ 0.165
Granted.....	1,472,555	0.150
Exercised.....	(375,385)	0.150
Canceled.....	(382,363)	0.150
Outstanding at December 31, 1997.....	2,216,336	0.165
Granted.....	407,573	0.525
Exercised.....	(316,662)	0.135
Canceled.....	(115,025)	0.195
Outstanding at December 31, 1998.....	2,192,222	0.225

</TABLE>

Options for 0 and 421,380 shares were exercisable at December 31, 1997 and 1998, respectively.

There were 263,644 and 637,763 shares available for future grant under the Plan at December 31, 1997 and 1998, respectively.

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT: (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 1998:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
		WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED- AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
\$0.150 - \$0.165	1,800,349	8.09 years	\$ 0.165	421,380	\$ 0.165
0.300 - 0.450	285,797	9.13 years	0.300	--	0.300
0.900	69,917	9.58 years	0.900	--	0.900
1.500	36,159	9.83 years	1.500	--	1.500
	2,192,222			421,380	

</TABLE>

Had compensation cost for stock options granted to employees been determined based on the fair value at the date of grant for awards in the period from inception (September 11, 1996) to December 31, 1998, consistent with the provisions of SFAS No. 123, Lionbridge's net loss for 1997 and 1998 would have been increased to \$7,668,000 and \$4,283,000, and the net loss per common share attributable to common stockholders for 1997 and 1998 would have been increased to \$8.87 and \$3.00, respectively. The fair value of options granted during 1997



and 1998 was \$0.02 and \$0.06, respectively.

For these pro forma calculations, the fair value of each option granted was estimated on the date of grant using the minimum value option pricing model, utilizing the following weighted-average assumptions: (1) weighted-average risk free interest rates of 6.11% and 5.40% for 1997 and 1998, respectively, (2) weighted-average expected option life of 4.0 years, and (3) expected dividend yield of 0.

The effects of applying the fair value method may be material to the pro forma results of operations in future years because the determination of the fair value of all options granted after Lionbridge becomes a public entity will include an expected volatility factor, additional option grants are expected to be made subsequent to December 31, 1998, and most options vest over several years.

DEFERRED COMPENSATION (UNAUDITED)

During the six months ended June, 1999, Lionbridge granted stock options to purchase 843,700 shares of its common stock at exercise prices ranging from \$1.50 to \$9.75 per share. Lionbridge recorded deferred compensation relating to these options totaling \$3,761,000, representing the aggregate difference between the estimated fair market value of Lionbridge's common stock on the date of grant and the exercise price of each option. This deferred compensation is being amortized over the four-year vesting period of the related options, resulting in amortization of \$232,000 in the six months ended June 30, 1999.

9. INCOME TAXES:

The provisions for income taxes for the years ended December 31, 1997 and 1998 are due to taxable income generated in foreign jurisdictions for which US tax credit utilization is currently uncertain. The benefit from the utilization of net operating loss carryforwards in Europe during the years ended December 31, 1997 and 1998 was recorded as a reduction of goodwill of \$112,000 and

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. INCOME TAXES: (CONTINUED)

\$207,000, respectively, rather than a tax provision benefit, since the deferred tax assets associated with these carryforwards had been fully reserved at the time of the acquisition of the businesses from Stream (see Note 4). Lionbridge recorded no tax benefit for losses generated during these periods due to the uncertainty of realizing such benefits.

The components of the loss before income taxes were as follows for the years ended December 31:

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
United States.....	\$ (6,115,000)	\$ (4,636,000)
Foreign.....	(1,427,000)	633,000
	-----	-----
Loss before income taxes.....	\$ (7,542,000)	\$ (4,003,000)
	-----	-----

</TABLE>

The consolidated deferred tax assets of the Company were as follows at December 31:

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
U.S. net operating loss carryforwards.....	\$ 564,000	\$ 1,309,000
Foreign net operating loss carryforwards.....	1,623,000	1,696,000
Difference in accounting for amortization and depreciation.....	1,136,000	1,113,000
Other.....	77,000	32,000

Valuation allowance.....	(3,400,000)	(4,150,000)
Net deferred tax asset.....	--	--

</TABLE>

Management of Lionbridge has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Under the applicable accounting standards, management has considered Lionbridge's history of losses and concluded that it is more likely than not that Lionbridge will not generate future taxable income prior to the expiration of these net operating losses. Accordingly, the deferred tax assets have been fully reserved. Management reevaluates the positive and negative evidence periodically.

At December 31, 1998, Lionbridge had net operating loss carryforwards for U.S. Federal and state income tax purposes of approximately \$3,252,000 which may be used to offset future taxable income, beginning to expire in 2011. Additionally, Lionbridge has net operating loss carryforwards in France of approximately \$4,218,000 which may be used to offset future taxable income, beginning to expire in 1999; net operating loss carryforwards in Japan of approximately \$247,000 which expire in 2003; and net operating loss carryforwards in The Netherlands of approximately \$483,000 which may be carried forward indefinitely.

Tax benefits recognized for the utilization of foreign net operating loss carryforwards acquired in the December 23, 1996 acquisition of businesses from Stream (see Note 4) are recorded as a reduction to goodwill, rather than as a tax provision benefit.

Under the provisions of the Internal Revenue Code, certain substantial changes in Lionbridge's ownership may limit in the future the amount of net operating loss carryforwards which could be used annually to offset future taxable income and income tax liability.

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. RESTRUCTURING CHARGES:

During the fourth quarter of 1997, the first quarter of 1998 and the fourth quarter of 1998, Lionbridge recorded restructuring charges of \$541,000, \$451,000 and \$50,000, respectively, in operating expenses. These charges related to workforce reductions in France, consisting of nine technical staff in 1997 and five technical and administrative staff in 1998. All employees had been informed of their termination and related benefits in the period that the corresponding charge was recorded. Lionbridge had balances of \$541,000, \$0 and \$0 (unaudited) remaining at December 31, 1997 and 1998 and at June 30, 1999, respectively, in other accrued expenses in relation to these charges. As of June 30, 1999 (unaudited), none of these employees remained with Lionbridge and management does not anticipate any future expenditures related to these actions.

11. SIGNIFICANT CUSTOMERS:

Lionbridge's two largest customers accounted for the following percentages of total revenues for the periods ended:

<TABLE>

<CAPTION>

	DECEMBER 31,		JUNE 30,	
	1997	1998	1998	1999
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Customer A.....	19%	14%	16%	14%
Customer B.....	10%	6%	7%	2%

</TABLE>

12. OPERATING SEGMENT AND GEOGRAPHICAL INFORMATION:

In June 1998, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 requires that public business enterprises report certain information about operating segments in

annual and interim financial statements filed with the SEC and issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing their performance.

Lionbridge provides localization services to the information technology industry, including language translation, cultural reformatting and testing of applications. Lionbridge provides a full service offering to its clients on a global basis and, although customers may utilize the results of Lionbridge's services in a number of different formats, for example, through software manuals or the Internet, management does not allocate resources or assess performance on the basis of this end-use. As a result, management considers Lionbridge to have only one operating segment.

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. OPERATING SEGMENT AND GEOGRAPHICAL INFORMATION: (CONTINUED)

A summary of Lionbridge's operations and other financial information by geographical region follows:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
			(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Net revenues:				
United States.....	\$ --	\$4,683,000	\$1,562,000	\$4,846,000
Asia.....	1,510,000	4,801,000	1,934,000	3,451,000
France.....	11,070,000	9,094,000	4,634,000	6,035,000
Ireland.....	11,157,000	14,296,000	6,889,000	7,907,000
The Netherlands.....	3,724,000	6,799,000	3,668,000	2,835,000
Eliminations.....	(999,000)	(1,261,000)	(555,000)	(1,291,000)
	\$26,462,000	\$38,412,000	\$18,132,000	\$23,783,000

</TABLE>

<TABLE>

<CAPTION>

	DECEMBER 31,		JUNE 30, 1999
	1997	1998	
<S>	<C>	<C>	<C>
			(UNAUDITED)
Long-lived assets:			
United States.....	\$ 6,776,000	\$ 7,990,000	\$ 11,573,000
Asia.....	146,000	320,000	307,000
France.....	121,000	207,000	163,000
Ireland.....	595,000	989,000	694,000
The Netherlands.....	108,000	109,000	63,000
	\$ 7,746,000	\$ 9,615,000	\$ 12,800,000

</TABLE>

Foreign revenue is presented based on the country in which projects are managed. Long-lived assets in the United States as of December 31, 1997 and 1998 and June 30, 1999 include goodwill from acquisitions of \$6,710,000, \$7,370,000 and \$10,325,000, respectively.

Lionbridge has an agreement with the Irish Industrial Development Agency regarding financial grants to its Irish subsidiary from this agency. Under the

agreement, the Irish subsidiary may not pay dividends or otherwise distribute its cash, including any distributions to Lionbridge.

LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>
Interest paid.....	\$ 127,000	\$ 648,000	\$ 83,000	\$ 332,000
Noncash investing and financing activities:				
Cancellation of note payable (Note 1).....	\$ 840,000	--	--	--
Issuance of warrants for common stock in connection with debt (Note 6).....	--	--	--	\$5,967,000
Lionbridge entered into an agreement to settle various outstanding amounts due between Lionbridge and Stream (Note 6) which reduced goodwill as follows:				
Cancellation of note payable, including interest.....	\$ 608,000	--	--	--
Repurchase of Series A preferred stock from Stream	972,000	--	--	--
Settlement of operating accounts.....	(349,000)	--	--	--
Amount payable by Lionbridge under agreement.....	(700,000)	--	--	--
Reduction to goodwill.....	\$ 531,000	--	--	--
Lionbridge purchased all of the outstanding capital stock of Japanese Language Services, Inc. for \$2,323,000, effective January 2, 1998. In conjunction with the acquisition, liabilities were assumed as follows:				
Fair value of assets acquired and goodwill.....	--	\$3,181,000	\$3,181,000	--
Cash paid for capital stock.....	--	(2,237,000)	(2,237,000)	--
Common stock issued.....	--	(86,000)	(86,000)	--
Liabilities assumed.....	--	\$ 858,000	\$ 858,000	--
Lionbridge purchased all of the outstanding capital stock of VeriTest, Inc. for \$4,354,000, effective January 11, 1999. In conjunction with the acquisition, liabilities were assumed as follows:				
Fair value of assets acquired and goodwill.....	--	--	--	\$5,035,000
Cash paid for capital stock.....	--	--	--	(3,260,000)
Common stock issued.....	--	--	--	(344,000)
Notes issued.....	--	--	--	(750,000)
Liabilities assumed.....	--	--	--	\$ 681,000

</TABLE>

14. VALUATION AND QUALIFYING ACCOUNTS:

The following table sets forth activity in Lionbridge's accounts receivable reserve:

<TABLE>  
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	CHARGES TO OPERATIONS	DEDUCTIONS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Year ended:				

December 31, 1997	\$	--	\$ 450,000	\$ (84,000)	\$ 366,000
December 31, 1998	\$	366,000	\$ 220,000	\$ (13,000)	\$ 573,000

</TABLE>

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LIONBRIDGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:

Diluted loss per share attributable to common stockholders does not differ from basic loss per share attributable to common stockholders since potential common shares from the conversion of preferred stock and the exercise of stock options and warrants are anti-dilutive for all periods presented and are therefore excluded from the calculation. Preferred stock convertible into 8,847,649 shares of common stock, options to purchase 2,216,336, 2,192,222 and 2,621,945 (unaudited) shares of common stock, and warrants to purchase 0, 83,334 and 1,616,594 (unaudited) shares of common stock, were outstanding as of December 31, 1997 and 1998 and June 30, 1999, respectively, but were not included in the calculation of diluted net loss per share attributable to common shareholders because the effect of their inclusion would have been anti-dilutive.

16. EMPLOYEE BENEFIT PLANS:

As of December 31, 1998, the Company maintained defined benefit pension plans for employees in The Netherlands and France, and a defined contribution scheme for employees in Ireland. Total pension contributions charged to operations were \$154,000 and \$350,000 in 1997 and 1998, respectively.

17. SUBSEQUENT EVENTS (UNAUDITED):

On June 15, 1999, the Board of Directors of Lionbridge approved the following matters, among other items:

- the adoption, effective upon the closing of the anticipated initial public offering, of the Second Amended and Restated Certificate of Incorporation, which among other matters (a) increases the number of authorized shares of common stock of Lionbridge to 100,000,000 and (b) decreases the number of authorized shares of preferred stock of Lionbridge to 5,000,000 and authorizes the Board of Directors to issue up to that amount of shares of undesignated preferred stock, for which the Board of Directors will have the power to determine designations and preferences;
- an amendment to Lionbridge's stock option plan to increase the number of shares of common stock issuable under the plan by 2,000,000 to 5,522,032; and
- the adoption, effective upon the closing of the anticipated initial public offering, of an employee stock purchase plan, under which employees may purchase shares of common stock in semi-annual offerings at a price equal to the lower of 85% of the average market price on the beginning or ending date of each offering period.

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REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Stockholders of  
Lionbridge Technologies, Inc.:

We have audited the accompanying combined statements of operations and cash flows of the Localization Businesses of Stream International Holdings, Inc. in Ireland, The Netherlands and France (together, the "Entities") for the year ended December 31, 1996. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined results of operations and cash flows of the Entities for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts  
November 7, 1997

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THE LOCALIZATION BUSINESSES OF STREAM INTERNATIONAL HOLDINGS, INC. IN IRELAND, THE NETHERLANDS AND FRANCE

COMBINED STATEMENT OF OPERATIONS

(AMOUNTS IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996
	-----
<S>	<C>
Revenue.....	\$ 28,134
Cost of revenue.....	24,977
	-----
Gross profit.....	3,157
Selling, general and administrative expenses.....	3,144
	-----
Income from operations.....	13
Interest expense.....	(154)
Other income (expense), net.....	(72)
	-----
Net loss.....	\$ (213)
	-----

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE COMBINED FINANCIAL STATEMENTS.

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THE LOCALIZATION BUSINESSES OF STREAM INTERNATIONAL HOLDINGS, INC. IN IRELAND, THE NETHERLANDS AND FRANCE

COMBINED STATEMENT OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996
	-----
<S>	<C>
Cash flows from operating activities:	
Net loss.....	\$ (213)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization of property and equipment.....	571
Provision for doubtful accounts.....	62
Loss on disposal of equipment.....	16
Changes in operating assets and liabilities:	
Accounts receivable.....	1,603
Work in process.....	(709)
Other current assets.....	169
Accounts payable.....	2,394
Accrued expenses.....	(1,457)
Deferred revenue.....	445
	-----
Net cash provided by operating activities.....	2,881
	-----
Cash flows from investing activities:	
Purchases of property and equipment.....	(444)
	-----
Net cash used in investing activities.....	(444)
	-----
Cash flows from financing activities:	

Increase in short-term debt, net.....	890
Payment of notes payable.....	(554)
Net decrease in amounts owed to banks.....	(3,239)
	-----
Net cash used in financing activities.....	(2,903)
	-----
Net decrease in cash.....	(466)
Effects of exchange rate changes on cash.....	(41)
Cash at beginning of year.....	715
	-----
Cash at end of year.....	\$ 208
	-----
Supplemental disclosure of cash flow information:	
Interest paid.....	\$ 154

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE COMBINED FINANCIAL STATEMENTS.

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THE LOCALIZATION BUSINESSES OF STREAM INTERNATIONAL HOLDINGS, INC. IN IRELAND, THE NETHERLANDS AND FRANCE

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

NATURE OF THE BUSINESS

The Localization Businesses of Stream International Holdings, Inc. in Ireland, The Netherlands and France (together, the "Entities") are providers of outsourced localization services to the information technology industry. Their customer base includes software publishers, hardware manufacturers and telecommunications companies that must render versions of their software and manuals in different languages and culturally appropriate formats.

ACQUISITION OF THE ENTITIES

Lionbridge Technologies, Inc. ("Lionbridge") was incorporated on September 11, 1996 in order to effect the acquisition of certain elements of the localization businesses of Stream International Holdings, Inc. ("Stream"). Funding for the acquisition was provided through the issuance of common and preferred stock in Lionbridge and in a majority-owned subsidiary of Lionbridge.

On December 23, 1996, Lionbridge entered into an agreement with Stream to acquire its localization businesses in Ireland, The Netherlands and France for total consideration of \$11,400,000, principally consisting of cash. These businesses consisted of legal entities in Ireland and Holland, a legal entity and divisional operation in France, and a divisional operation in Belgium.

These combined financial statements have been prepared using Stream's historical basis in the assets and liabilities and historical results of operations related to the Entities, since the Entities were under the common control of Stream. These combined financial statements generally reflect the results of operations and cash flows of the Entities as if they were separate entities for the period presented.

Certain costs and expenses presented in the combined financial statements were allocated by the management of Stream, based on their estimates of the cost of services provided to the Entities by Stream. Stream management believes that these allocations and allocation methods are reasonable. However, the financial information included herein may not necessarily reflect the combined results of operations and cash flows of the Entities in the future, or what they would have been had the Entities been separate from Stream during the period presented.

2. SIGNIFICANT ACCOUNTING POLICIES:

The accompanying combined financial statements of the Entities reflect the application of certain significant accounting policies as described below:

BASIS OF PRESENTATION

The combined financial statements present the statements of operations and cash flows as if the Entities had operated as separate entities for the year ended December 31, 1996. All significant inter-entity transactions have been eliminated on combination.

Transactions with other members of the Stream group have been treated as dealings with third-parties. Management does not believe that the cost of such transactions would differ materially if conducted with unrelated parties.

THE LOCALIZATION BUSINESSES OF STREAM INTERNATIONAL  
HOLDINGS, INC. IN IRELAND, THE NETHERLANDS AND FRANCE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)  
REVENUE RECOGNITION

The Entities recognize revenue from the provision of localization services to their customers on the percentage-of-completion method of accounting, based on management's estimates of project progress. Anticipated losses by project, if any, are recognized in the period in which determined.

ADVERTISING COSTS

Advertising costs are included in selling, general and administrative expenses and are expensed as incurred.

ALLOCATED COSTS

Corporate expenses incurred by Stream on behalf of the Entities were generally charged directly to these entities during the year ended December 31, 1996. These charges were allocated using a variety of methods depending on the nature of the expense, including specified percentages of revenue measures and management estimates.

When corporate expenses had not been previously charged, an amount has been allocated in these financial statements based upon estimates made by management of Stream of the cost attributable to the entity. Methods used to make allocations were similar to those used to determine direct charges, with the addition of headcount equivalents.

FOREIGN CURRENCY TRANSLATION

The functional currency for each of the Entities is the local currency of the country in which operations are based. Revenues and expenses of foreign operations are translated into U.S. dollars at the average rates of exchange for the period. Resulting cumulative translation adjustments are reflected as a separate component of accumulated comprehensive income in equity. Foreign currency transaction losses arising from exchange rate fluctuations on transactions denominated in currencies other than the functional currencies are included in other income (expense), net in results of operations and were \$32,000 in 1996.

INCOME TAXES

Historically, the operations of the Entities have been included in the consolidated U.S. Federal and certain state and foreign income tax returns filed by Stream and its subsidiaries (see Note 1). Income tax expense has been calculated on a separate-return basis for the purpose of these financial statements. Deferred taxes arise primarily from unutilized net operating losses, using enacted tax rates in effect in the years in which net operating losses are expected to be utilized or differences are expected to reverse. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

THE LOCALIZATION BUSINESSES OF STREAM INTERNATIONAL  
HOLDINGS, INC. IN IRELAND, THE NETHERLANDS AND FRANCE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)  
PROPERTY AND EQUIPMENT

Property and equipment is depreciated over the estimated useful lives of the assets using the straight-line method, based upon the following asset lives:

<TABLE>	
<S>	<C>
Computer software and equipment.....	1 to 3 years
Furniture and office equipment.....	3 to 5 years
Leasehold improvements.....	Shorter of lease term or useful life of asset
</TABLE>	

Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain



or loss is reflected in the determination of net income or net loss.  
Expenditures for maintenance and repairs are expensed as incurred.

#### LONG-LIVED ASSETS

The Entities periodically evaluate the net realizable value of long-lived assets relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying value of an asset is assessed when the undiscounted, expected future operating cash flows derived from the asset are less than its carrying value.

#### NET LOSS PER COMMON SHARE

As these financial statements have been prepared by combining the operating results and cash flows of several legal entities and divisional operations, there is no historical basis of common shares outstanding. As a result, earnings per share information is not presented.

#### USE OF ESTIMATES

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period presented. Actual results could differ from these estimates. Estimates are used when accounting for the calculation of work in process, depreciation and tax asset valuation allowances, and for the allocation of corporate expenses from Stream.

#### 3. RELATIONSHIP WITH STREAM:

Where corporate expenses incurred by Stream on behalf of the Entities were not charged to the Entities during the year ended December 31, 1996, an allocation of corporate expense has been included in operating expenses in the combined statement of operations. The aggregate of amounts allocated to the Entities for the year was \$717,000, all relating to selling, general and administrative expenses. No interest has been charged related to these transactions.

#### 4. LEASES:

The Entities leased certain equipment and office space. Total rental expense charged to operations during the year ended December 31, 1996 was \$90,000.

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#### THE LOCALIZATION BUSINESSES OF STREAM INTERNATIONAL HOLDINGS, INC. IN IRELAND, THE NETHERLANDS AND FRANCE

#### NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### 5. EMPLOYEE BENEFIT PLANS:

During the year ended December 31, 1996, certain of the employees of the Entities were members of defined benefit pension plans ultimately administered by Stream. The pension contributions charged to operations during the year were \$324,000.

#### 6. INCOME TAXES:

The Entities had no income tax expense for the year ended December 31, 1996, as a result of incurred losses. A full valuation allowance was recorded against the deferred tax assets generated by the 1996 losses, due to management's uncertainty of realizing such benefits.

#### 7. GEOGRAPHICAL INFORMATION:

Net revenue in 1996 arose entirely from activities in Europe, as follows:

<TABLE>	<S>	<C>
France.....		\$11,136,000
Ireland.....		13,796,000
The Netherlands.....		2,514,000
Belgium.....		688,000
		-----
		\$28,134,000
		-----

</TABLE>

Foreign revenue is presented based on the country in which projects are managed.

8. DONATED CAPITAL:

Immediately prior to the acquisition of the Entities by Lionbridge (see Note 1), a capital donation of \$1,974,000 was made to the Dutch entities by Stream. This donation was effected by the waiver of certain amounts payable to Stream.

9. VALUATION AND QUALIFYING ACCOUNTS:

The following table sets forth activity in the Entities' accounts receivable reserve:

<TABLE>  
<CAPTION>

	BALANCE AT BEGINNING OF YEAR	CHARGES TO OPERATIONS	DEDUCTIONS	BALANCE AT END OF YEAR
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
December 31, 1996.....	\$ 202,000	\$ 55,000	--	\$ 257,000

</TABLE>

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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheet and the related statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of VeriTest, Inc. (the "Company") at December 31, 1998, and the results of its operations and its cash flows for the year ended December 31, 1998 in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Woodland Hills, California

June 16, 1999

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VERITEST, INC.

BALANCE SHEET

DECEMBER 31, 1998

<TABLE>  
<S>

		<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 144,288	
Accounts receivable, net of allowance for doubtful accounts of \$15,000.....	317,258	
Prepaid expenses and other current assets.....	52,117	
	-----	
Total current assets.....	513,663	
Property and equipment, net.....	174,515	
Other assets.....	8,728	
	-----	
Total assets.....	\$ 696,906	
	-----	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses.....	300,459	
Deferred revenue.....	173,122	
	-----	
Total current liabilities.....	473,581	
	-----	

Shareholders' equity:

Common stock, no par value; 100,000 shares authorized; 10,000 shares issued and outstanding.....	10,000
Retained earnings.....	213,325
	-----
Total shareholders' equity.....	223,325
	-----
Total liabilities and shareholders' equity.....	\$ 696,906
	-----
	-----

</TABLE>

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

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VERITEST, INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1998

<TABLE>

<S>	<C>
Net revenues.....	\$3,735,496
Operating expenses:	
Cost of services.....	1,969,810
Selling and marketing.....	190,590
General and administrative.....	1,566,714
	-----
Total operating expenses.....	3,727,114
	-----
Income before income taxes.....	8,382
Provision for income taxes.....	130
	-----
Net income.....	\$ 8,252
	-----
	-----

</TABLE>

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

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VERITEST, INC.

STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1998

<TABLE>

<CAPTION>	COMMON STOCK			
	-----		-----	
	SHARES		RETAINED	
	OUTSTANDING	AMOUNT	EARNINGS	TOTAL
	-----		-----	
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1997.....	10,000	\$ 10,000	\$ 350,073	\$ 360,073
Net income.....			8,252	8,252
Cash distributions, \$14.50 per share.....	--	--	(145,000)	(145,000)
	-----		-----	
Balance, December 31, 1998.....	10,000	\$ 10,000	\$ 213,325	\$ 223,325
	-----		-----	
	-----		-----	

</TABLE>

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

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VERITEST, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1998

<TABLE>

<S>	<C>
Cash flows from operating activities:	
Net income.....	\$ 8,252
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation.....	77,632
Provision for bad debts.....	6,419
Changes in assets and liabilities:	
Accounts receivable.....	142,583
Prepaid expenses and other current assets.....	(22,030)
Other assets.....	(2,086)
Accounts payable and accrued expenses.....	88,619
Deferred revenue.....	53,329
	-----
Net cash provided by operating activities.....	352,718
	-----
Cash flows from investing activities:	
Purchases of property and equipment.....	(93,018)
	-----
Net cash used in investing activities.....	(93,018)
	-----
Cash flows from financing activities:	
Cash distributions.....	(145,000)
	-----
Net cash used in financing activities.....	(145,000)
	-----
Net increase in cash and cash equivalents.....	114,700
	-----
Cash and cash equivalents, beginning of year.....	29,588
	-----
Cash and cash equivalents, end of year.....	\$ 144,288
	-----
	-----
Supplemental disclosure of cash flow information:	
Income taxes paid.....	\$ 1,660
Interest paid.....	\$ 490

</TABLE>

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

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VERITEST, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

GENERAL

VeriTest, Inc. ("VeriTest") was incorporated in California on December 21, 1987 and began operations in that month.

VeriTest offers specialized lab test verification for computer hardware and software OEMS as well as other customers who want their product tested or logo-certified. The areas of testing include hardware platform and peripherals, client/server and Internet, mobile computing, software quality assurance, game and multimedia software, logo compliance and Year 2000 compliance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

In the normal course of preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

VeriTest considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their carrying amounts because of the short-term maturity of these instruments.

REVENUE RECOGNITION

VeriTest's revenues are derived principally from the performance of lab testing on computer hardware, software and software logo certification services performed for customers under a variety of contracts, some of which provide for reimbursement on a fixed-price basis and others on a time and materials basis. Generally, revenues and fees on VeriTest's long-term contracts are recognized as services are performed, using the percentage-of-completion method of accounting. Revenues on short-term contracts (typically three months or less) are generally recognized under the completed-contract method upon completion of the lab testing and delivery of the final report.

Billings and customer collections received prior to the completion of the lab tests are recorded as deferred revenue until the completion of the tests and services under the terms of the contracts.

#### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets, ranging from four to seven years. Leasehold improvements are amortized over the shorter of their estimated useful life or the term of the lease. Useful lives are evaluated regularly by management in order to

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VERITEST, INC.

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

##### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determine recoverability in light of current technological conditions. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized. Upon the sale or retirement of property and equipment, the accounts are relieved of the cost and the related accumulated depreciation, with any resulting gain or loss included in the Statement of Operations.

##### INCOME TAXES

VeriTest elected to be taxed under Section 1361 of the Internal Revenue Code as an S Corporation. Under these provisions, VeriTest does not pay federal corporate income taxes on its taxable income. Instead, the shareholders are individually liable for federal income taxes based on VeriTest's taxable income. This election is also valid for state income tax reporting. However, a provision for state income taxes is required based on a 1.5% state income tax rate, and this state tax provision is included in the provision for income taxes in the accompanying Statement of Operations.

##### COMPREHENSIVE INCOME

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This statement established standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997 and requires restatement of earlier periods presented. SFAS No. 130 defines comprehensive income as net income plus all other changes in equity from non-owner sources. VeriTest has no other comprehensive income items, and accordingly net income equals comprehensive income.

##### RECENT ACCOUNTING PRONOUNCEMENTS

In March 1998, the AICPA issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement provides guidance on accounting for the costs of computer software developed or obtained for internal use. This SOP is effective for fiscal periods commencing after December 15, 1998. Management does not believe that the implementation of SOP 98-1 will have a material effect on the financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement established accounting and reporting standards for derivative instruments and hedging activities and requires companies to recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. This statement is expected to be effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Management does not believe that the implementation of SFAS No. 133 will have any impact on the financial statements since VeriTest does not engage in derivative or hedging activities.

##### 3. CONCENTRATIONS OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

Financial instruments which subject VeriTest to concentrations of credit risk consist primarily of cash and cash equivalents, and trade accounts receivable. VeriTest maintains cash and cash equivalents with various domestic financial institutions. VeriTest performs periodic evaluations of the relative credit

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VERITEST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. CONCENTRATIONS OF CREDIT RISK AND SIGNIFICANT CUSTOMERS (CONTINUED)

standing of these institutions. From time to time, VeriTest's cash balances with any one financial institution may exceed Federal Deposit Insurance Corporation insurance limits.

VeriTest's customers are primarily concentrated in the United States. VeriTest performs ongoing credit evaluations and generally requires a deposit on its larger customer contracts prior to commencing work. Historically, VeriTest has not experienced any significant losses related to credit risk.

For the year ended December 31, 1998, two customers accounted for approximately 21% and 15%, respectively, of all revenues generated by VeriTest, and three customers accounted for approximately 33%, 16% and 12%, respectively, of accounts receivable at December 31, 1998.

4. PROPERTY AND EQUIPMENT

Property and equipment, net is comprised of the following at December 31, 1998:

<TABLE>  
<CAPTION>

	USEFUL LIFE -----	
<S>	<C>	<C>
Equipment.....	4 years	\$ 412,826
Furniture and fixtures.....	7 years	38,256
Leasehold improvements.....	5 years	27,955
Automobiles.....	5 years	55,588
		-----
		534,625
Less: accumulated depreciation		(360,110)
		-----
		\$ 174,515
		-----

</TABLE>

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses is comprised of the following at December 31, 1998:

<TABLE>  
<CAPTION>

<S>	<C>
Accounts payable.....	\$ 8,631
Accrued payroll.....	85,820
Accrued vacation.....	51,520
Accrued profit sharing.....	80,000
Accrued professional fees.....	30,000
Other accrued expenses.....	44,488
	-----
	\$ 300,459
	-----

</TABLE>

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VERITEST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. COMMITMENTS

VeriTest leases its facility under a noncancelable operating lease. The following are the minimum lease obligations under the noncancelable operating lease at December 31, 1998:

<TABLE>	
<S>	<C>
1999.....	\$ 224,724
2000.....	226,476
2001.....	228,427
2002.....	143,884
	-----
Minimum lease payments.....	\$ 823,511
	-----
	-----

</TABLE>

Rent expense for the year ended December 31, 1998 amounted to \$180,710.

7. PROFIT SHARING PLAN

VeriTest has a profit sharing plan covering employees with more than two years of service. All contributions are made by VeriTest, are based on VeriTest's performance, and are at the discretion of the Board of Directors. Total VeriTest contributions for the year ended December 31, 1998 were \$80,000.

8. CAPITALIZATION

As discussed in Note 2, VeriTest is a subchapter S Corporation with two shareholders. During 1998, VeriTest made cash distributions to its shareholders of \$145,000 in the aggregate.

9. BANK LINES OF CREDIT

VeriTest has lines of credit available totaling \$350,000 at December 31, 1998. There were no borrowings outstanding on these lines of credit at December 31, 1998. The lines of credit bear interest at rates ranging from a prime rate plus 0.5% to a prime rate plus 0.75% (8.25% to 8.50% at December 31, 1998) and are secured primarily by VeriTest's accounts receivable and/or property and equipment. In addition, VeriTest's president and vice-president act as guarantors for all indebtedness under the agreements.

10. SUBSEQUENT EVENT

Effective January 11, 1999, VeriTest's owners sold all their outstanding shares of common stock to Lionbridge in exchange for consideration of \$4,354,000, consisting of cash of \$3,260,000, 66,668 shares of common stock of Lionbridge valued at \$344,000, and notes payable for \$750,000. The agreement also requires certain contingent cash payments dependent on future operating performance through December 31, 2000. Concurrent with the sale, VeriTest converted its tax status from an S Corporation to a C Corporation.

INTRODUCTION TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

On January 11, 1999, Lionbridge Technologies, Inc. ("Lionbridge") entered into an agreement to acquire all of the stock of VeriTest, Inc. for consideration of \$4,354,000, consisting of cash of \$3,260,000, 66,668 shares of common stock valued at \$344,000, and notes payable for \$750,000. The agreement also required certain contingent cash payments, limited to \$1,000,000, dependent on future operating performance through December 31, 2000. This acquisition was accounted for using the purchase method of accounting. The net difference between the total purchase price of \$4,419,000 at the date of acquisition (including direct costs of the acquisition) and the fair value of assets and liabilities acquired was recognized as goodwill, totaling \$4,338,000. The initial calculation of goodwill does not include any contingent consideration. Future payments, if any, under the contingent payment arrangement will increase goodwill. The results of VeriTest, Inc. are included in the Lionbridge consolidated financial statements from January 11, 1999.

The following unaudited pro forma combined statements of operations give effect to this acquisition as if it had occurred on January 1, 1998 and include all material pro forma adjustments necessary for this purpose. The pro forma statement of operations for the six months ended June 30, 1999 combines the results of VeriTest, Inc. from January 1, 1999 to the date of acquisition with the consolidated results of Lionbridge for the six months ended June 30, 1999. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have actually occurred if the acquisition had been consummated on January 1, 1998, nor is it necessarily indicative of future operating results. This unaudited pro forma information should be read in conjunction with the Lionbridge consolidated financial statements and notes thereto, included elsewhere in this prospectus.

The combined financial position of Lionbridge and VeriTest, Inc. is presented in the Lionbridge consolidated balance sheet as of June 30, 1999, included elsewhere in this prospectus, and is therefore not presented on a pro forma basis.

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PRO FORMA STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1998

(UNAUDITED)

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	LIONBRIDGE TECHNOLOGIES, INC.	VERITEST, INC.	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$ 38,412	\$ 3,735		\$ 42,147
Cost of revenue.....	25,546	1,970		27,516
Gross profit.....	12,866	1,765		14,631
Operating expenses:				
Sales and marketing.....	2,735	191		2,926
General and administrative.....	10,889	1,567		12,456
Amortization of acquisition-related intangible assets.....	2,145	--	\$ 868 (a)	3,013
Restructuring charges.....	501	--	--	501
Total operating expenses.....	16,270	1,758	868	18,896
(Loss) income from operations.....	(3,404)	7	(868)	(4,265)
Interest expense.....	(648)	--	(451) (b) (1,041)	(2,147)
Other income (expense), net.....	49	--	-- (c)	49
(Loss) income before income taxes.....	(4,003)	7	(2,360)	(6,356)
Provision for income taxes.....	259	--	--	259
Net (loss) income.....	(4,262)	\$ 7	\$ (2,360)	(6,615)
Accrued dividends on preferred stock.....	(1,062)			(1,062)
Net loss attributable to common stockholders.....	\$ (5,324)			\$ (7,677)
Basic and diluted net loss per share attributable to common stockholders.....	\$ (2.99)			\$ (4.08)
Shares used in computing basic and diluted net loss per share attributable to common stockholders.....	1,782		100 (d)	1,882

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE COMBINED FINANCIAL STATEMENTS.

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PRO FORMA STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 1999

(UNAUDITED)

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>



	LIONBRIDGE TECHNOLOGIES, INC.	VERITEST, INC.	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$ 23,783	\$ --		\$ 23,783
Cost of revenue.....	16,607	68		16,675
Gross profit (loss).....	7,176	(68)		7,108
Operating expenses:				
Sales and marketing.....	2,613	5		2,618
General and administrative.....	6,894	80		6,974
Amortization of acquisition-related intangible assets.....	1,579	--	\$ 24 (e)	1,603
Stock-based compensation.....	232	--	--	232
Total operating expenses.....	11,318	85	24	11,427
Loss from operations.....	(4,142)	(153)	(24)	(4,319)
Interest expense.....	(4,988)	--	(12) (f) (28)	(5,028)
Other income (expense), net.....	(320)	--	(g)	(320)
Loss before income taxes.....	(9,450)	(153)	(64)	(9,667)
Provision for income taxes.....	315	--	--	315
Net loss.....	(9,765)	\$ (153)	\$ (64)	(9,982)
Accrued dividends on preferred stock.....	(531)			(531)
Net loss attributable to common stockholders.....	\$ (10,296)			\$ (10,513)
Basic and diluted net loss per share attributable to common stockholders.....	\$ (4.64)			\$ (4.72)
Shares used in computing basic and diluted net loss per share attributable to common stockholders.....	2,218		11 (h)	2,229

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE COMBINED FINANCIAL STATEMENTS.

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NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

Adjustments to reflect the acquisition of VeriTest, Inc. as if it had occurred as of January 1, 1998 are as follows:

- a) To increase amortization expense due to \$4,338,000 of goodwill generated from the acquisition of VeriTest, Inc., assuming one year of a five-year amortization period.
- b) To record interest expense for one year of interest on debt of \$4,010,000, used to finance the acquisition, at rates of 8% and 12%.
- c) To record accretion of discount on notes payable for the value of warrants issued in connection with debt used to finance the acquisition, assuming one year of a twenty-month amortization period.
- d) To adjust shares used in computing basic and diluted net loss per share attributable to common stockholders for common shares issued upon the acquisition that would have been outstanding for the entire year had the acquisition occurred on January 1, 1998.
- e) To increase amortization expense due to \$4,338,000 of goodwill generated from the acquisition of VeriTest, Inc., assuming ten days of a five-year amortization period.
- f) To record interest expense for ten days of interest on debt of \$4,010,000, used to finance the acquisition, at rates of 8% and 12%.
- g) To record accretion of discount on notes payable for the value of warrants issued in connection with debt used to finance the acquisition, assuming ten days of a twenty-month amortization period.
- h) To adjust shares used in computing basic and diluted net loss per share

attributable to common stockholders for common shares issued that would have been outstanding for ten days had the acquisition occurred on January 1, 1999.

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#### INSIDE BACK COVER

#### Representative Clients

Lionbridge has provided services to the following companies:

3Com  
Adobe  
Aurum  
Autodesk  
Avid  
Baan  
Bentley Systems  
Bull  
Candle  
Cognos  
Corel  
Data General  
Gateway  
IBM  
JD Edwards  
Kodak  
Macromedia  
Microsoft  
Motorola  
Network Associates  
Novell  
Oce  
Oracle  
Page Factory  
Parametric Technology  
Portal  
PowerQuest  
SPSS  
Silicon Graphics  
Sun Microsystems

#### Language Diversity

Lionbridge has delivered multilingual versions in the following languages:

Arabic  
Bulgarian  
Chinese Simplified  
Chinese Traditional  
Czech  
Danish  
Dutch  
English - American  
English - UK  
Finnish  
French  
French - Canadian  
German  
Greek  
Hebrew  
Hungarian  
Italian  
Japanese  
Korean  
Norwegian  
Polish  
Portuguese - Iberian  
Portuguese - Brazilian  
Romanian  
Russian  
Spanish Iberian  
Spanish Latin American  
Swedish  
Thai  
Turkish

#### Worldwide Locations

Lionbridge has facilities around the world  
Lionbridge Globalization Centers

Japan  
China  
South Korea  
Silicon Valley  
Boston  
Ireland  
France  
The Netherlands

Graphic showing world map with the locations of Lionbridge globalization centers and VeriTest Testing Labs indicated

VeriTest Testing Labs

Los Angeles  
Silicon Valley  
France  
Ireland  
Japan

-----  
Until , 1999, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.  
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[LOGO]

PRUDENTIAL SECURITIES

U.S. BANCORP PIPER JAFFRAY

ADAMS, HARKNESS & HILL, INC.

-----  
PART II  
INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Estimated expenses (other than underwriting discounts and commissions) payable in connection with the sale of the common stock offered hereby are as follows:

<TABLE>	<C>
<S>	
SEC registration fee.....	\$ 17,903
NASD filing fee.....	10,000
Nasdaq National Market listing fee.....	95,000
Printing and engraving expenses.....	150,000
Legal fees and expenses.....	300,000
Accounting fees and expenses.....	300,000
Blue Sky fees and expenses (including legal fees).....	10,000
Transfer agent and registrar fees and expenses.....	10,000
Miscellaneous.....	107,097
	-----
Total.....	\$1,000,000
	-----

</TABLE>

Lionbridge will bear all expenses shown above.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Delaware General Corporation Law and Lionbridge's second amended and restated charter and amended and restated by-laws provide for indemnification of Lionbridge's directors and officers for liabilities and expenses that they may incur in such capacities. In general directors and officers are indemnified with respect to actions taken in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of Lionbridge and, with respect to any criminal action or proceeding, actions that the indemnitee had no reasonable

cause to believe were unlawful. Reference is made to Lionbridge's second amended and restated charter and amended and restated by-laws filed as Exhibits 3.2 and 3.4 hereto, respectively.

The Underwriting Agreement provides that the Underwriters are obligated, under certain circumstances, to indemnify directors, officers and controlling persons of Lionbridge against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Reference is made to the form of Underwriting Agreement filed as Exhibit 1.1 hereto.

In addition, Lionbridge has an existing directors and officers liability insurance policy.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Lionbridge Technologies, Inc. was originally incorporated in Delaware in 1996. In 1998, Lionbridge Technologies, Inc. became a wholly owned subsidiary of the Registrant, Lionbridge Technologies Holdings, Inc. In June 1999, Lionbridge Technologies, Inc. changed its name to Lionbridge America, Inc. and Lionbridge Technologies Holdings, Inc. changed its name to Lionbridge Technologies, Inc.

In the three fiscal years preceding the filing of this registration statement, Lionbridge and Lionbridge America have issued the following securities that were not registered under the Securities Act:

(a) Issuances of Capital Stock.

In September 1996, Lionbridge America issued 2,000 shares of its common stock, par value \$0.01 per share, to Rory J. Cowan at a purchase price of \$0.15 per share, for an aggregate of \$30.

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In December 1996, Lionbridge America issued 982,610 shares of its common stock to Rory J. Cowan pursuant to a 491.3043 to 1 stock dividend and issued to Mr. Cowan an option to purchase 1,501,529 shares of its common stock.

In December 1996, Lionbridge America issued (i) an aggregate of 1,000 shares of its Series AA preferred stock, par value \$0.01 per share, to five affiliated limited partnerships (collectively, the "Advent entities") of Advent International Corporation, at a purchase price of \$.01 per share, for an aggregate of \$10.00 and (ii) an aggregate of 7,673,108 shares of its Series A convertible preferred stock, par value \$0.01 per share, to Rory J. Cowan, Morgan Stanley Venture Capital Fund II Annex, L.P. and Morgan Stanley Venture Investors Annex, L.P. (collectively, the "Morgan Stanley entities") and Stream International Holdings, Inc. at purchase price of \$1.00 per share, for an aggregate of \$7,673,108.

In March 1997, Lionbridge America issued an aggregate of 395,000 shares of its Series A convertible preferred stock to investors at purchase price of \$1.00 per share, for an aggregate of \$395,000.

In July 1997, Lionbridge America issued an aggregate of 175,000 shares of its Series A convertible preferred stock to Paul Kavanagh and Kenneth Coleman at purchase price of \$1.00 per share, for an aggregate of \$175,000.

In February 1998, Lionbridge issued an aggregate of 1,359,993 shares of its common stock to the holders of common stock of Lionbridge America in exchange for all of the 2,039,990 outstanding shares of common stock of Lionbridge America held by these holders in connection with the creation of our holding company corporate structure. Lionbridge also issued an aggregate of 13,271,314 shares of its Series A convertible preferred stock, par value \$0.01 per share, and an aggregate of 140 shares of its Series D nonvoting convertible preferred stock, par value \$0.01 per share, to Mr. Cowan, the Advent entities, the Morgan Stanley entities and other stockholders of Lionbridge America in exchange for all outstanding shares of Series A convertible preferred stock of Lionbridge America and ordinary shares of Lionbridge Technologies Holdings, B.V.

In February 1998, Lionbridge issued 259,524 shares of its common stock to Carl J. Kay at an agreed upon value of \$0.30 per share as partial consideration for all of the 97,500 outstanding shares of common stock of Japanese Language Services, Inc. held by Carl J. Kay and Yoko I. Kay in connection with

Lionbridge's acquisition of Japanese Language Services, Inc., a Massachusetts corporation. Lionbridge also issued an aggregate of 27,435 shares of its common stock to Elizabeth Draper, Coleman Yeaw and Daniel Schneider in February 1998 and an additional 24,268 shares to Ms. Draper and Mr. Yeaw in February 1999 in satisfaction of certain obligations of Japanese Language Services to Ms. Draper, Mr. Yeaw and Mr. Schneider.

In January 1999, Lionbridge issued an aggregate of 66,668 shares of its common stock to Steven Nezmer and Marc Porter Zasada as partial consideration for all of the 10,000 outstanding shares of common stock of VeriTest, Inc. held by Messrs. Nezmer and Zasada in connection with Lionbridge's acquisition of VeriTest, Inc., a California corporation.

In January 1999, Lionbridge entered into a Senior Subordinated Note Purchase Agreement with Capital Resource Lenders III, L.P. ("CRL") pursuant to which Lionbridge borrowed \$4,000,000 from CRL under a 12% senior subordinated convertible note due January 8, 2000. In February 1999, Lionbridge entered into a First Amended and Restated Senior Subordinated Note Purchase Agreement with CRL pursuant to which Lionbridge borrowed an additional \$2,000,000 from CRL under an amended and restated 12% senior subordinated note due February 26, 2006 in the aggregate principal amount of \$6,000,000 and issued to CRL and an affiliated entity of CRL common stock purchase warrants exercisable for an aggregate of 1,277,716 shares of common stock of Lionbridge at an exercise price of \$0.015 per share.

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In February 1999, Lionbridge Technologies Holdings, B.V. entered into a Senior Subordinated Note Purchase Agreement with CRL pursuant to which it borrowed \$4,000,000 from CRL under a 12% senior subordinated note due February 26, 2006.

In March 1999, Lionbridge and Lionbridge Technologies Holdings, B.V. entered into Senior Subordinated Note Purchase Agreements with the Morgan Stanley entities pursuant to which we borrowed an aggregate of \$2,000,000 from the Morgan Stanley entities under 12% senior subordinated notes due March 9, 2006 and issued to the Morgan Stanley entities common stock purchase warrants exercisable for an aggregate of 255,544 shares of common stock of Lionbridge at an exercise price of \$0.015 per share.

(b) Grants and Exercises of Stock Options

As of June 30, 1999, Lionbridge has granted options to purchase an aggregate of 2,621,945 shares of its common stock under its 1998 Stock Plan exercisable at a weighted average exercise price of \$1.69 per share. From December 1996 to June 30, 1999, Lionbridge issued 1,009,296 shares of its common stock for an aggregate purchase price of approximately \$151,000 pursuant to exercise of employee options.

No underwriters were involved in the foregoing sales of securities. Such sales were made in reliance upon an exemption from the registration provisions of the Securities Act set forth in Section 4(2) thereof relative to sales by an issuer not involving any public offering or the rules and regulations thereunder, or, in the case of options to purchase Common Stock, Rule 701 under the Securities Act. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits:

EXHIBIT NO.	EXHIBIT
<S>	<C>
1.1**	Form of Underwriting Agreement.
3.1*	Restated Certificate of Incorporation of Lionbridge.
3.2, 4.1	Form of Second Amended and Restated Certificate of Incorporation of Lionbridge.
3.3*	By-laws of Lionbridge.
3.4, 4.2	Form of Amended and Restated By-laws of Lionbridge.
3.5	Certificate of Amendment of Restated Certificate of Incorporation.
3.6	Form of Certificate of Amendment of Restated Certificate of Incorporation of Lionbridge (effecting

- reverse stock split).
- 4.3\*\* Specimen Certificate for shares of Lionbridge's Common Stock.
- 5.1\*\* Legal Opinion of Testa, Hurwitz & Thibeault, LLP.
- 10.1\* 1998 Stock Plan.
- 10.2\* 1999 Employee Stock Purchase Plan.
- 10.3\* Lease dated as of February 13, 1997 between Shorenstein Management, Inc., as Trustee of SRI Two Realty Trust, and Lionbridge Technologies, Inc.
- 10.4\* Employment Agreement dated as of December 23, 1996 between Lionbridge Technologies, Inc. and Rory J. Cowan.
- 10.5 Employment Agreement dated as of February 24, 1997 between Lionbridge Technologies, Inc. and Myriam Martin-Kail.
- 10.6\* Employment Agreement dated as of February 11, 1997 between Lionbridge Technologies, Inc. and Stephen J. Lifshatz.
- 10.7\* Employment Agreement dated as of February 28, 1997 between Lionbridge Technologies, Inc. and Peter Wright.

</TABLE>

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<TABLE>  
<CAPTION>  
EXHIBIT NO.

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- 10.8\* Second Restated Registration Rights Agreement dated as of February 26, 1999 by and among Lionbridge. Capital Resource Lenders III, L.P., Morgan Stanley Venture Capital Fund II Annex, L.P., Morgan Stanley Venture Investors Annex, L.P and each of the other parties listed on the signature pages thereto.
- 10.9\* Loan Agreement dated as of September 26, 1997 by and between Silicon Valley Bank and Lionbridge Technologies Holdings B.V. and Lionbridge Technologies B.V.
- 10.10\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies, Inc. of Shares in the Capital of Lionbridge Technologies Holdings B.V. in favor of Silicon Valley Bank.
- 10.11\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies Holdings B.V. of Shares in the Capital of Lionbridge Technologies B.V. in favor of Silicon Valley Bank.
- 10.12\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies B.V. of Accounts Receivable of Lionbridge Technologies B.V. in favor of Silicon Valley Bank.
- 10.13\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies Holdings B.V. of Accounts Receivable of Lionbridge Technologies Holdings B.V. in favor of Silicon Valley Bank.
- 10.14\* Letter of Deposit dated as of September 26, 1997 of Lionbridge Technologies Holdings B.V. and Rory Cowan to Silicon Valley Bank.
- 10.15\* Security Agreement dated as of September 26, 1997 between Lionbridge Technologies, Inc. and Silicon Valley Bank.
- 10.16\* Guarantee dated as of September 26, 1997 made by Lionbridge Technologies Ireland in favor of Silicon Valley Bank.
- 10.17\* Debenture dated as of September 26, 1997 between Lionbridge Technologies Ireland and Silicon Valley Bank.
- 10.18\* Loan Document Modification Agreement Number 1 dated as of May 21, 1998 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V. and Silicon Valley Bank.
- 10.19\* Pledge Agreement dated as of May 21, 1998 between Lionbridge Technologies Holdings B.V. and Silicon Valley Bank regarding capital stock of Lionbridge Technologies (France).
- 10.20\* Warrant to Purchase Common Stock of Lionbridge dated as of May 21, 1998 issued to Silicon Valley Bancshares.
- 10.21\* Pledge Agreement dated as of May 21, 1998 between Lionbridge and Silicon Valley Bank regarding capital stock of Lionbridge Technologies California, Inc.
- 10.22\* Pledge Agreement dated as of May 21, 1998 between Lionbridge and Silicon Valley Bank regarding capital stock of Japanese Language Services, Inc.
- 10.23\* Amended and Restated Guarantee dated as of May 21, 1998 made by Lionbridge Technologies, Inc. in favor of Silicon Valley Bank.
- 10.24\* Guarantee dated as of May 21, 1998 made by Japanese Language Services, Inc. in favor of Silicon Valley Bank.
- 10.25\* Pledge Agreement dated as of May 21, 1998 between Japanese Language Services, Inc. and Silicon Valley Bank regarding capital stock of Lionbridge Japan K.K.
- 10.26\* Security Agreement dated as of May 21, 1998 between Japanese Language Services, Inc. and Silicon Valley Bank.
- 10.27\* Guarantee dated as of May 21, 1998 made by Lionbridge Japan K.K. in favor of Silicon Valley Bank.
- 10.28\* Guarantee dated as of May 21, 1998 made by Lionbridge Technologies California, Inc. in favor of Silicon Valley Bank.
- 10.29\* Security Agreement dated as of May 21, 1998 between Lionbridge Technologies California, Inc. and Silicon Valley Bank.
- 10.30\* First Demand Guarantee dated as of May 21, 1998 made by Lionbridge Technologies (France) in favor of Silicon Valley Bank.

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II-4

<TABLE>  
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<S>	<C>
10.31*	Loan Document Modification Agreement Number 2 dated as of February 25, 1999 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V., Lionbridge Technologies, Inc. and Silicon Valley Bank.
10.32*	Common Stock Purchase Warrant of Lionbridge dated as of February 27, 1999 issued to Capital Resource Partners III, L.P.
10.33*	Common Stock Purchase Warrant of Lionbridge dated as of February 27, 1999 issued to CRP Investment Partners III, L.L.C.
10.34*	Common Stock Purchase Warrant of Lionbridge dated as of March 9, 1999 issued to Morgan Stanley Venture Capital Fund II Annex, L.P.
10.35*	Common Stock Purchase Warrant of Lionbridge dated as of March 9, 1999 issued to Morgan Stanley Venture Investors Annex, L.P.
10.36*	Lease dated as of January 1, 1998 between Corke Abbey Investments Limited and Lionbridge Technologies Ireland.
10.37*	Lease dated as of March 1, 1991 between Corke Abbey Investments and Andrews Travel Consultants Limited; Assignment to European Language Translations Limited as of March 12, 1993.
10.38*	Lease dated as of September 14, 1990 between Corke Abbey Investments Limited and European Language Translations Limited.
10.39*	Agreement dated as of December 4, 1998 between the Industrial Development Agency (Ireland) and Lionbridge.
10.40*	Loan Document Modification Agreement Number 3 dated as of May 20, 1999 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V. and Silicon Valley Bank.
10.41*	Form of Non-Competition Agreement as entered into between Lionbridge and each of Rory J. Cowan, Stephen J. Lifshatz, and Peter Wright.
10.42	Amended and Restated Promissory Note dated as of May 20, 1999 payable to Silicon Valley Bank.
10.43	Loan Document Modification Agreement Number 4 dated as of July 16, 1999 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V., Lionbridge America, Inc., and Silicon Valley Bank.
21.1*	Subsidiaries of Lionbridge.
23.1	Consent of Testa, Hurwitz & Thibault, LLP (contained in Exhibit 5.1).
23.2	Consent of PricewaterhouseCoopers LLP.
23.3	Consent of PricewaterhouseCoopers LLP.
24.1*	Power of Attorney.
27.1	Financial Data Schedule.

&lt;/TABLE&gt;

\* Previously filed.

\*\* To be filed by amendment.

## (B) FINANCIAL STATEMENT SCHEDULES.

All other schedules have been intentionally omitted because they are either not required or the information has been included in the Notes to the consolidated financial statements included as part of this Registration Statement.

## ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in

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Item 14 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes (1) to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser; (2) that for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement

in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and (3) that for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Waltham, Massachusetts on July 27, 1999.

LIONBRIDGE TECHNOLOGIES, INC.

By: /s/ STEPHEN J. LIFSHATZ

-----  
 Stephen J. Lifshatz  
 CHIEF FINANCIAL OFFICER, TREASURER AND  
 SECRETARY (PRINCIPAL FINANCIAL AND  
 ACCOUNTING OFFICER)

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE> <CAPTION>		
SIGNATURE	TITLE	DATE
-----		
<C>	<S>	<C>
*	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	July 27, 1999
----- Rory J. Cowan		
/s/ STEPHEN J. LIFSHATZ	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)	July 27, 1999
----- Stephen J. Lifshatz		
*	Director	July 27, 1999
----- Guy L. de Chazal		
*	Director	July 27, 1999
----- Marcia J. Hooper		
*	Director	July 27, 1999
----- Stephen M. Jenks		
*	Director	July 27, 1999
----- Paul Kavanagh		
*	Director	July 27, 1999
----- Claude P. Sheer		
</TABLE>		

<TABLE>  
 <S> <C> <C>  
 \*By: /s/ STEPHEN J. LIFSHATZ



</TABLE>

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<CAPTION>

EXHIBIT NO.

EXHIBIT INDEX

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- 
- 1.1\*\* Form of Underwriting Agreement.
  - 3.1\* Restated Certificate of Incorporation of Lionbridge.
  - 3.2, 4.1 Form of Second Amended and Restated Certificate of Incorporation of Lionbridge.
  - 3.3\* By-laws of Lionbridge.
  - 3.4, 4.2 Form of Amended and Restated By-laws of Lionbridge.
  - 3.5 Certificate of Amendment of Restated Certificate of Incorporation of Lionbridge.
  - 3.6 Form of Certificate of Amendment of Restated Certificate of Incorporation of Lionbridge (effecting reverse stock split).
  - 4.3\*\* Specimen Certificate for shares of Lionbridge's Common Stock.
  - 5.1\*\* Legal Opinion of Testa, Hurwitz & Thibeault, LLP.
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  - 10.2\* 1999 Employee Stock Purchase Plan.
  - 10.3\* Lease dated as of February 13, 1997 between Shorestein Management, Inc., as Trustee of SRI Two Realty Trust, and Lionbridge Technologies, Inc.
  - 10.4\* Employment Agreement dated as of December 23, 1996 between Lionbridge Technologies, Inc. and Rory J. Cowan.
  - 10.5 Employment Agreement dated as of January 1, 1997 between Lionbridge Technologies, Inc. and Myriam Martin-Kail.
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  - 10.7\* Employment Agreement dated as of February 28, 1997 between Lionbridge Technologies, Inc. and Peter Wright.
  - 10.8\* Second Restated Registration Rights Agreement dated as of February 26, 1999 by and among Lionbridge, Capital Resource Lenders III, L.P., Morgan Stanley Venture Capital Fund II Annex, L.P., Morgan Stanley Venture Investors Annex, L.P., and each of the other parties listed on the signature pages thereto.
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  - 10.10\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies, Inc. of Shares in the Capital of Lionbridge Technologies Holdings B.V. in favor of Silicon Valley Bank.
  - 10.11\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies Holdings B.V. of Shares in the Capital of Lionbridge Technologies B.V. in favor of Silicon Valley Bank.
  - 10.12\* Deed of Pledge dated as of September 26, 1997 by Lionbridge Technologies B.V. of Accounts Receivable of Lionbridge Technologies B.V. in favor of Silicon Valley Bank.
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  - 10.17\* Debenture dated as of September 26, 1997 between Lionbridge Technologies Ireland and Silicon Valley Bank.
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  - 10.19\* Pledge Agreement dated as of May 21, 1998 between Lionbridge Technologies Holdings B.V. and Silicon Valley Bank regarding capital stock of Lionbridge Technologies (France).

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- 
- 10.20\* Warrant to Purchase Common Stock of Lionbridge dated as of May 21, 1998 issued to Silicon Valley Bancshares.
  - 10.21\* Pledge Agreement dated as of May 21, 1998 between Lionbridge and Silicon Valley Bank regarding capital stock of Lionbridge Technologies California, Inc.

10.22\* Pledge Agreement dated as of May 21, 1998 between Lionbridge and Silicon Valley Bank regarding capital stock of Japanese Language Services, Inc.

10.23\* Amended and Restated Guarantee dated as of May 21, 1998 made by Lionbridge Technologies, Inc. in favor of Silicon Valley Bank.

10.24\* Guarantee dated as of May 21, 1998 made by Japanese Language Services, Inc. in favor of Silicon Valley Bank.

10.25\* Pledge Agreement dated as of May 21, 1998 between Japanese Language Services, Inc. and Silicon Valley Bank regarding capital stock of Lionbridge Japan K.K.

10.26\* Security Agreement dated as of May 21, 1998 between Japanese Language Services, Inc. and Silicon Valley Bank.

10.27\* Guarantee dated as of May 21, 1998 made by Lionbridge Japan K.K. in favor of Silicon Valley Bank.

10.28\* Guarantee dated as of May 21, 1998 made by Lionbridge Technologies California, Inc. in favor of Silicon Valley Bank.

10.29\* Security Agreement dated as of May 21, 1998 between Lionbridge Technologies California, Inc. and Silicon Valley Bank.

10.30\* First Demand Guarantee dated as of May 21, 1998 made by Lionbridge Technologies (France) in favor of Silicon Valley Bank.

10.31\* Loan Document Modification Agreement Number 2 dated as of February 25, 1999 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V., Lionbridge Technologies, Inc. and Silicon Valley Bank.

10.32\* Common Stock Purchase Warrant of Lionbridge dated as of February 27, 1999 issued to Capital Resource Partners III, L.P.

10.33\* Common Stock Purchase Warrant of Lionbridge dated as of February 27, 1999 issued to CRP Investment Partners III, L.L.C.

10.34\* Common Stock Purchase Warrant of Lionbridge dated as of March 9, 1999 issued to Morgan Stanley Venture Capital Fund II Annex, L.P.

10.35\* Common Stock Purchase Warrant of Lionbridge dated as of March 9, 1999 issued to Morgan Stanley Venture Investors Annex, L.P.

10.36\* Lease dated as of January 1, 1998 between Corke Abbey Investments Limited and Lionbridge Technologies Ireland.

10.37\* Lease dated as of March 1, 1991 between Corke Abbey Investments and Andrews Travel Consultants Limited; Assignment to European Language Translations Limited as of March 12, 1993.

10.38\* Lease dated as of September 14, 1990 between Corke Abbey Investments Limited and European Language Translations Limited.

10.39\* Agreement dated as of December 4, 1998 between the Industrial Development Agency (Ireland) and Lionbridge.

10.40\* Loan Document Modification Agreement Number 3 dated as of May 20, 1999 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V. and Silicon Valley Bank.

10.41\* Form of Non-Competition Agreement as entered into between Lionbridge and each of Rory J. Cowan, Stephen J. Lifshatz, and Peter Wright.

10.42 Amended and Restated Promissory Note dated as of May 20, 1999 payable to Silicon Valley Bank.

10.43 Loan Document Modification Agreement Number 4 dated as of July 16, 1999 by and among Lionbridge Technologies Holdings B.V., Lionbridge Technologies B.V., Lionbridge America, Inc., and Silicon Valley Bank

21.1\* Subsidiaries of Lionbridge.

</TABLE>

<TABLE>  
<CAPTION>  
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<S>	<C>
23.1	Consent of Testa, Hurwitz & Thibeault, LLP (contained in Exhibit 5.1).
23.2	Consent of PricewaterhouseCoopers LLP.
23.3	Consent of PricewaterhouseCoopers LLP.
24.1*	Power of Attorney.
27.1	Financial Data Schedule.

</TABLE>

\* Previously filed.

\*\* To be filed by amendment.

SECOND AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION

OF

LIONBRIDGE TECHNOLOGIES, INC.

(INCORPORATED OCTOBER 10, 1997)

\* \* \* \* \*

Lionbridge Technologies, Inc. (the "CORPORATION"), a corporation organized and existing under and by virtue of the General Law of the State of Delaware, hereby certifies as follows:

The original Certificate of Incorporation and the Restated Certificate of Incorporation of the Corporation were filed with the Secretary of State on October 10, 1997 and June 4, 1998, respectively, under the Corporation's previous name, Lionbridge Technologies Holdings, Inc. This Second Amended and Restated Certificate of Incorporation has been duly adopted by the Corporation in accordance with Sections 228, 242 and 245 of the General Corporation Law of Delaware.

The text of the Certificate of Incorporation of the Corporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

FIRST. The name of the Corporation is Lionbridge Technologies, Inc.

SECOND. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 105,000,000 shares, consisting of 100,000,000 shares of Common Stock with a par value of \$.01 per share (the "COMMON STOCK") and 5,000,000 shares of Preferred Stock with a par value of \$.01 per share (the "PREFERRED STOCK").

A description of the respective classes of stock and a statement of the designations, powers, preferences and rights, and the qualifications, limitations and restrictions of the Preferred Stock and Common Stock are as follows:

A. COMMON STOCK

1. GENERAL. All shares of Common Stock will be identical and will entitle the holders thereof to the same rights, powers and privileges. The rights, powers and privileges of the holders of the Common Stock are subject to and qualified by the rights of holders of the Preferred Stock.

2. DIVIDENDS. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

3. DISSOLUTION, LIQUIDATION OR WINDING UP. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, each issued and outstanding share of Common Stock shall entitle the holder thereof to receive an equal portion of the net assets of the Corporation available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock.

4. VOTING RIGHTS. Except as otherwise required by law or this Second Amended and Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held of record by such holder on the books of the Corporation for the election of directors and on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise required by law or provided herein, holders of Common Stock shall vote together with holders of the Preferred Stock as a single class, subject to any special or preferential voting rights of any then outstanding Preferred Stock. There shall be no cumulative voting.

B. PREFERRED STOCK

The Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors of the Corporation may determine. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. Except as otherwise provided in this Second Amended and Restated Certificate of Incorporation, different series of Preferred Stock shall not be construed to constitute different classes of shares for the purpose of voting by classes.

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the undesignated Preferred Stock in one or more series, each with such designations, preferences, voting powers (or special, preferential or no voting powers), relative, participating, optional or other special rights and privileges and such qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions adopted by the Board of Directors to create such series, and a certificate of said resolution or resolutions (a "CERTIFICATE OF DESIGNATION") shall be filed in accordance with the General Corporation Law of the State of Delaware. The authority of the Board of Directors with respect to each such series shall include, without limitation of the foregoing, the right to provide that the shares of each such series may

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be: (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock of the Corporation at such price or prices or at such rates of exchange and with such adjustments, if any; (v) entitled to the benefit of such limitations, if any, on the issuance of additional shares of such series or shares of any other series of Preferred Stock; or (vi) entitled to such other preferences, powers, qualifications, rights and privileges, all as the Board of Directors may deem advisable and as are not inconsistent with law and the provisions of this Second Amended and Restated Certificate of Incorporation.

FIFTH. The Corporation is to have perpetual existence.

SIXTH. The following provisions are included for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its Board of Directors and stockholders:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.

2. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the By-laws of the Corporation, subject to any limitation thereof contained in the By-laws. The stockholders shall also have the power to adopt, amend or repeal the By-laws of the Corporation; PROVIDED, HOWEVER, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Second Amended and Restated Certificate

of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the By-laws of the Corporation.

3. Stockholders of the Corporation may not take any action by written consent in lieu of a meeting.

4. Special meetings of stockholders may be called at any time only by the President, the Chairman of the Board of Directors (if any) or a majority of the Board of Directors. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

5. The books of the Corporation may be kept at such place within or without the State of Delaware as the By-laws of the Corporation may provide or as may be designated from time to time by the Board of Directors of the Corporation.

#### SEVENTH.

1. NUMBER OF DIRECTORS. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of a majority of the Board of Directors, but in no event shall the number of directors be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

2. CLASSES OF DIRECTORS. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class.

3. ELECTION OF DIRECTORS. Elections of directors need not be by written ballot except as and to the extent provided in the By-laws of the Corporation.

4. TERMS OF OFFICE. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1999; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December

31, 2000; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 2001.

5. ALLOCATION OF DIRECTORS AMONG CLASSES IN THE EVENT OF INCREASES OR DECREASES IN THE NUMBER OF DIRECTORS. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as director of the class of which he or she is a member until the expiration of such director's current term or his or her prior death, removal or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, though less than a quorum. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of an incumbent Director.

6. TENURE. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

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7. VACANCIES. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board of Directors, may be filled only by vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if applicable, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

8. QUORUM. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the total number of the whole Board of Directors constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

9. ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law or the Corporation's By-laws.

10. REMOVAL. Any one or more or all of the directors may be removed without cause only by the holders of at least seventy-five percent (75%) of the shares then entitled to vote at an election of directors. Any one or more or all of the directors may be removed with cause only by the holders of at least a majority of the shares then entitled to vote at an election of directors.

11. STOCKHOLDER NOMINATIONS AND INTRODUCTION OF BUSINESS, ETC. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided in the By-laws of the Corporation.

12. RIGHTS OF PREFERRED STOCK. The provisions of this Article are subject to the rights of the holders of any series of Preferred Stock from time to time outstanding.

EIGHTH. No director (including any advisory director) of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that, to the extent provided by applicable law, this provision shall not eliminate the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this provision shall apply to

or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

NINTH. The Board of Directors of the Corporation, when evaluating any offer of another party (a) to make a tender or exchange offer for any equity security of the Corporation or (b) to effect a business combination, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation as whole, be authorized to give due consideration to any such factors as the Board of Directors determines to be relevant, including, without limitation:



(i) the interests of the Corporation's stockholders, including the possibility that these interests might be best served by the continued independence of the Corporation;

(ii) whether the proposed transaction might violate federal or state laws;

(iii) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; and

(iv) the social, legal and economic effects upon employees, suppliers, customers, creditors and others having similar relationships with the Corporation, upon the communities in which the Corporation conducts its business and upon the economy of the state, region and nation.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and engage in such legal proceedings as the Board of Directors may determine.

#### TENTH.

1. ACTIONS, SUITS AND PROCEEDINGS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he

acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 6 below, the Corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation.

2. ACTIONS OR SUITS BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

3. INDEMNIFICATION FOR EXPENSES OF SUCCESSFUL PARTY. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or NOLO CONTENDERE by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to

be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the

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Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purpose hereof to have been wholly successful with respect thereto.

4. NOTIFICATION AND DEFENSE OF CLAIM. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 4. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

5. ADVANCE OF EXPENSES. Subject to the provisions of Section 6 below, in the event that the Corporation does not assume the defense pursuant to Section 4 of this Article of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter, PROVIDED, HOWEVER, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts

so advanced in the event that it shall ultimately be determined that the indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of such person to make such repayment.

6. PROCEDURE FOR INDEMNIFICATION. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in

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any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Section 1, 2 or 5 the Corporation determines, by clear and convincing evidence, within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1 or 2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the Corporation who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), even though less than a quorum, (b) by a committee of disinterested directors designated by a majority vote of disinterested directors, even though less than a quorum, (c) if there are no such disinterested directors, or if such disinterested directors so direct, by independent legal counsel (who may be regular legal counsel to the corporation) in a written opinion, (d) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, or (e) a court of competent jurisdiction.

7. REMEDIES. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6. Unless otherwise provided by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection

with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

8. SUBSEQUENT AMENDMENT. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of the State of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

9. OTHER RIGHTS. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically

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authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

10. PARTIAL INDEMNIFICATION. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

11. INSURANCE. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his

status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

12. MERGER OR CONSOLIDATION. If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

13. SAVINGS CLAUSE. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by an applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. DEFINITIONS. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of the State of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

15. SUBSEQUENT LEGISLATION. If the General Corporation Law of the State of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

ELEVENTH. The Corporation reserves the right to amend or repeal any provision contained in this Second Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation, PROVIDED, HOWEVER, that in addition to any vote of the holders of any class or series of stock of the Corporation required by law, this Second Amended and Restated Certificate of Incorporation or a Certificate of Designation with respect to a series of Preferred Stock, the affirmative vote of the holders of shares of voting stock of the Corporation representing at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to (i) reduce or eliminate the number of authorized shares of Common Stock or the number of

authorized shares of Preferred Stock set forth in Article FOURTH or (ii) amend or repeal, or adopt any provision inconsistent with, Articles FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH, TENTH and this Article ELEVENTH of this Second Amended and Restated Certificate of Incorporation.

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IN WITNESS WHEREOF, the undersigned has hereunto signed his name and affirms that the statements made in this Second Amended and Restated Certificate of Incorporation are true under the penalties of perjury this \_\_\_\_ day of \_\_\_\_\_, 1999.

-----  
Rory J. Cowan  
President

AMENDED AND RESTATED  
BY-LAWS  
OF  
LIONBRIDGE TECHNOLOGIES, INC.

BY-LAWS

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AMENDED AND RESTATED

BY-LAWS

OF

LIONBRIDGE TECHNOLOGIES, INC. (the "Corporation")

ARTICLE 1 -- STOCKHOLDERS

1.1 PLACE OF MEETINGS. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Chairman of the Board (if any), the board of directors of the Corporation (the "Board of Directors") or the President or, if not so designated, at the registered office of the Corporation.

1.2 ANNUAL MEETING. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Chairman of the Board (if any), Board of Directors or the President (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place to be fixed by the Chairman of the Board, the Board of Directors or the President and stated in the notice of the meeting.

1.3 SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the Chairman of the Board (if any), a majority of the Board of Directors or the President and shall be held at such place, on such date and at such time as shall be fixed by the Board of Directors or the person calling the meeting. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 NOTICE OF MEETINGS. Except as otherwise provided by law, written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

1.5 VOTING LIST. The officer who has charge of the stock ledger of the Corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in

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the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 QUORUM. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Shares held by brokers which such brokers are prohibited from voting (pursuant to their discretionary authority on behalf of beneficial owners of such shares who have not submitted a proxy with respect to such shares) on some or all of the matters before the stockholders, but which shares would otherwise be entitled to vote at the meeting ("Broker Non-Votes") shall be counted, for the purpose of determining the presence or absence of a quorum, both (a) toward the total voting power of the shares of capital stock of the Corporation and (b) as being represented by proxy. If a quorum has been established for the purpose of conducting the meeting, a quorum shall be deemed to be present for the purpose of all votes to be conducted at such meeting, provided that where a separate vote by a class or classes, or series thereof, is required, a majority of the voting power of the shares of such class or classes, or series, present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the voting power of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

1.7 ADJOURNMENTS. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these By-Laws by the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than 30 days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have

been transacted at the original meeting.

1.8 VOTING AND PROXIES. At any meeting of the stockholders, each stockholder shall have one vote for each share of stock entitled to vote at such meeting held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting (to the extent not otherwise prohibited by the Certificate of Incorporation or these By-laws), may vote or express such consent or dissent in person or may authorize another person or persons to vote or act for such stockholder by written proxy executed by such stockholder or his or her authorized agent or by a transmission permitted by law and delivered to the Secretary of the Corporation. No such proxy shall be voted or acted upon after three years from the date of its

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execution, unless the proxy expressly provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 1.8 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting or appointment of proxies, including on the election of directors but excepting where otherwise required by law or the Certificate of Incorporation, may take place via a voice vote or over the Internet. Any vote not taken by voice shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting.

1.9 ACTION AT MEETING. When a quorum is present at any meeting of stockholders, the holders of a majority of the stock present or represented and voting on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of a majority of the stock of that class present or represented and voting on such matter) shall decide any matter to be voted upon by the stockholders at such meeting (other than the election of directors), except when a different vote is required by express provision of law, the Certificate of Incorporation or these By-Laws. Any election of directors by the stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at such election, except as otherwise provided by the Certificate of Incorporation. For the purposes of this paragraph, Broker Non-Votes represented at the meeting but not permitted to vote on a particular matter shall not be counted, with respect to the vote on such matter, in the number of (a) votes cast, (b) votes cast affirmatively, or (c) votes cast negatively.

1.10 INTRODUCTION OF BUSINESS AT MEETINGS.

A. ANNUAL MEETINGS OF STOCKHOLDERS.

(1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 1.10, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A) (1) of this Section 1.10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the one hundred twentieth (120th) day nor earlier than the close

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of business on the one hundred fiftieth (150th) day prior to the first anniversary of the date of the proxy statement delivered to stockholders in connection with the preceding year's annual meeting; provided, however, that if either (i) the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such an anniversary date or (ii) no proxy statement was delivered to stockholders in connection with the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of (x) the sixtieth (60th) day prior to such annual meeting and (y) the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is

made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of capital stock of the Corporation that are owned beneficially and held of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this Section 1.10 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy (70) days prior to such annual meeting), a stockholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

B. SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for

election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10. If the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A) (2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the ninetieth (90th) day prior to such special meeting nor later than the later of (x) the close of business on the sixtieth (60th) day

prior to such special meeting or (y) the close of business on the tenth (10th) day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

C. GENERAL.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.10 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to

Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

1.11 ACTION WITHOUT MEETING. Stockholders of the Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provision of law, the Certificate of Incorporation or these By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 1.11.

ARTICLE 2 -- DIRECTORS

2.1 GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law or the Certificate of Incorporation, may exercise the powers of the full Board of Directors until the vacancy is filled. Without limiting the foregoing, the Board of Directors may:

(a) declare dividends from time to time in accordance with law;

(b) purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(c) authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, to borrow funds and guarantee obligations, and to do all things necessary in connection therewith;

(d) remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(e) confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(f) adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine;

(g) adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine; and

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(h) adopt from time to time regulations, not inconsistent herewith, for the management of the Corporation's business and affairs.

2.2 NUMBER; ELECTION AND QUALIFICATION. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors, but in no event shall be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of stockholders (or, if so determined by the Board of Directors pursuant to Section 10 hereof, at a special meeting of stockholders), by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.



2.3 CLASSES OF DIRECTORS. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class.

2.4 TERMS IN OFFICE. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1999; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 2000; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 2001.

2.5 ALLOCATION OF DIRECTORS AMONG CLASSES IN THE EVENT OF INCREASES OR DECREASES IN THE NUMBER OF DIRECTORS. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of such director's current term or his or her prior death, removal or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors, subject to the second sentence of Section 2.3. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of an incumbent Director.

2.6 TENURE. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

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2.7 VACANCIES. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement thereof, may be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if applicable, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of directors of the class for which such director was chosen and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.8 RESIGNATION. Any director may resign by delivering his or her written resignation to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some

other event.

2.9 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

2.10 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board (if any), the President, two or more directors, or by one director in the event that there is only a single director in office.

2.11 NOTICE OF SPECIAL MEETINGS. Notice of any special meeting of directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least 48 hours in advance of the meeting, (ii) by sending a telegram or delivering written notice by facsimile transmission or by hand, to his or her last known business or home address at least 48 hours in advance of the meeting, or (iii) by mailing written notice to his or her last known business or home address at least 72 hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting.

2.12 MEETINGS BY TELEPHONE CONFERENCE CALLS. Directors or any members of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall be deemed to constitute presence in person at such meeting.

2.13 QUORUM. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the total number of the whole Board of Directors constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.14 ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be

sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these By-Laws.

2.15 ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent to such action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee.

2.16 REMOVAL. Unless otherwise provided in the Certificate of Incorporation, any one or more or all of the directors may be removed without cause by the holders of at least seventy-five percent (75%) of the shares then entitled to vote at an election of directors. Any one or more or all of the directors may be removed with cause only by the holders of at least a majority of the shares then entitled to vote at an election of directors.

2.17 COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members of such committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at such meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine or as provided herein, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these By-Laws for the Board of Directors. Adequate provisions shall be made for notice to members of all meeting of committees. One-third (1/3) of the members of any committee shall constitute a quorum unless the committee shall consist of one (1) or two (2)

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members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

2.18 COMPENSATION OF DIRECTORS. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings

as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

2.19 AMENDMENTS TO ARTICLE. Notwithstanding any other provisions of law, the Certificate of Incorporation or these By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of a least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article 2.

### ARTICLE 3 -- OFFICERS

3.1 ENUMERATION. The officers of the Corporation shall consist of a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including, but not limited to, a Chairman of the Board, a Vice-Chairman of the Board, and one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 ELECTION. The President, Treasurer and Secretary shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

3.3 QUALIFICATION. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 TENURE. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote choosing or appointing such officer, or until his or her earlier death, resignation or removal.

3.5 RESIGNATION AND REMOVAL. Any officer may resign by delivering his or her written resignation to the Chairman of the Board (if any), to the Board of Directors at a meeting thereof, to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Any officer may be removed at any time, with or without cause, by vote of a majority of the entire number of directors then in office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer

for any period following his or her resignation or removal, or any right to damages on account of such removal, whether his or her compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Corporation.

3.6 VACANCIES. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of his predecessor and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

3.7 CHAIRMAN OF THE BOARD AND VICE-CHAIRMAN OF THE BOARD. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and stockholders at which he or she is present and shall perform such duties and possess such powers as are designated by the Board of Directors. If the Board of Directors appoints a Vice-Chairman of the Board, he or she shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be designated by the Board of Directors.

3.8 PRESIDENT. The President shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the Corporation. Unless otherwise provided by the Board of Directors, and provided that there is no Chairman of the Board or that the Chairman and Vice-Chairman, if any, are not available, the President shall preside at all meetings of the stockholders, and, if a director, at all meetings of the Board of Directors. Unless the Board of Directors has designated another person as the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe. The President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.9 VICE PRESIDENTS. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and, when so performing, shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors. Unless otherwise determined by the Board of Directors, any Vice President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.10 SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

3.11 TREASURER AND ASSISTANT TREASURERS. The Treasurer shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these By-Laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts for such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the Corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board of Directors, the President or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Treasurer.

3.12 SALARIES. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

3.13 ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS. Unless otherwise directed by the Board of Directors, the President, the Treasurer or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any

action of stockholders of any other corporation in which the Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

#### ARTICLE 4 -- CAPITAL STOCK

4.1 ISSUANCE OF STOCK. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any issued, authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 CERTIFICATES OF STOCK. Every holder of stock of the Corporation shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by such stockholder in the Corporation. Each such certificate shall be signed by, or in the name of the Corporation by, the Chairman or Vice-Chairman, if any, of the Board of Directors, or the President or a Vice President, and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation. Any or all of the signatures on such certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the By-Laws, applicable securities laws or any agreement among any number of shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of such certificate either the full text of such restriction or a statement of the existence of such restriction.

4.3 TRANSFERS. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares, properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws.

4.4 LOST, STOLEN OR DESTROYED CERTIFICATES. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the President may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such

indemnity as the President may require for the protection of the Corporation or any transfer agent or registrar.

4.5 RECORD DATE. The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or, to the extent permitted by the Certificate of Incorporation and these By-laws, to express consent (or dissent) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action to which such record date relates.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (to the extent permitted by the Certificate of Incorporation and these By-laws) when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

#### ARTICLE 5 -- GENERAL PROVISIONS

5.1 FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

5.2 CORPORATE SEAL. The corporate seal shall be in such form as shall be approved by the Board of Directors.

5.3 NOTICES. Except as otherwise specifically provided herein or required by law or the Certificate of Incorporation, all notices required to be given to any stockholder, director, officer, employee or agent of the Corporation under these By-laws shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or facsimile transmission. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received shall be deemed to be the time of the giving of the notice.



5.4 WAIVER OF NOTICE. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these By-Laws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, facsimile transmission or any other available method, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

5.5 EVIDENCE OF AUTHORITY. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

5.6 FACSIMILE SIGNATURES. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-Laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

5.7 RELIANCE UPON BOOKS, REPORTS AND RECORDS. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

5.8 TIME PERIODS. In applying any provision of these By-Laws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

5.9 CERTIFICATE OF INCORPORATION. All references in these By-Laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and restated and in effect from time to time.

5.10 TRANSACTIONS WITH INTERESTED PARTIES. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because such director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his, her or their votes are counted for such purpose, if:

- (1) The material facts as to his or her relationship or interest and as

to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the

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Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

(2) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee of the Board of Directors, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

5.11 SEVERABILITY. Any determination that any provision of these By-Laws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these By-Laws.

5.12 PRONOUNS. All pronouns used in these By-Laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the persons or persons so designated may require.

## ARTICLE 6 -- AMENDMENTS

6.1 BY THE BOARD OF DIRECTORS. Except as is otherwise set forth in these By-Laws or the Certificate of Incorporation, these By-Laws may be altered, amended or repealed, or new by-laws may be adopted, by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

6.2 BY THE STOCKHOLDERS. Except as otherwise set forth in these By-Laws or the Certificate of Incorporation, these By-Laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all the then outstanding shares of the capital stock of the Corporation entitled to vote at any regular meeting of stockholders, or at any special meeting of stockholders, voting together as a single class; provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
LIONBRIDGE TECHNOLOGIES HOLDINGS, INC.  
PURSUANT TO SECTION 242  
OF THE GENERAL CORPORATION LAW OF  
THE STATE OF DELAWARE

Lionbridge Technologies Holdings, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation, by a unanimous written consent of the directors dated June 15, 1999, in accordance with the provisions of Section 141(f) of the General Corporation Law of the State of Delaware, duly adopted a resolution setting forth a proposed amendment to the Restated Certificate of Incorporation of the Corporation. The resolution setting forth the proposed amendment is as follows:

RESOLVED: That the Board of Directors of the Corporation deems it advisable and in the best interests of the Corporation that the Corporation amend its Restated Certificate of Incorporation to change its corporate name from "Lionbridge Technologies Holdings, Inc." to "Lionbridge Technologies, Inc.", by deleting Article First in its entirety and replacing it with the following:

"FIRST. The name of the corporation is Lionbridge Technologies, Inc."

and that a Certificate of Amendment of Restated Certificate of Incorporation of the Corporation (the "Charter Amendment") reflecting such amendment, in substantially the form attached hereto as EXHIBIT A, is hereby recommended to the stockholders of the Corporation for their consideration and approval.

SECOND: That the foregoing amendment to the Restated Certificate of Incorporation of the Corporation was duly adopted by the stockholders of the Corporation in accordance with the applicable provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by Rory J. Cowan, its President this 16th day of June, 1999.

LIONBRIDGE TECHNOLOGIES  
HOLDINGS, INC.

By:

-----

Rory J. Cowan  
President

CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
LIONBRIDGE TECHNOLOGIES, INC.  
PURSUANT TO SECTION 242  
OF THE GENERAL CORPORATION LAW OF  
THE STATE OF DELAWARE

Lionbridge Technologies, Inc., formerly known as Lionbridge Technologies Holdings, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation, by a unanimous written consent of the directors dated \_\_\_\_\_, 1999, in accordance with the provisions of Section 141(f) of the General Corporation Law of the State of Delaware, duly adopted a resolution setting forth a proposed amendment to the Restated Certificate of Incorporation of the Corporation. The resolution setting forth the proposed amendment is as follows:

RESOLVED: That the Board of Directors of the Corporation deems it advisable and in the best interests of the Corporation that the Corporation amend its Restated Certificate of Incorporation, as amended, to (i) effect a two-for-three reverse stock split of the Corporation's Common Stock by inserting at the beginning of Article FOURTH the three paragraphs set forth on ATTACHMENT A to the Certificate of Amendment of Restated Certificate of Incorporation of the Corporation (the "CHARTER AMENDMENT"), (ii) delete in its entirety Section C.4(b) of Article FOURTH and replace it with ATTACHMENT A-1 to the Charter Amendment, and (iii) delete in its entirety Section F.4(b) of Article FOURTH and replace it with ATTACHMENT A-2 to the Charter Amendment; and that the Charter Amendment reflecting such amendments is hereby recommended to the stockholders of the Corporation for their consideration and approval.

SECOND: That the foregoing amendment to the Restated Certificate of Incorporation of the Corporation was duly adopted by the stockholders of the Corporation in accordance with the applicable provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by Rory J. Cowan, its President this \_\_\_\_ day of \_\_\_\_\_, 1999.

LIONBRIDGE TECHNOLOGIES, INC.

By:

-----  
Rory J. Cowan  
President

ATTACHMENT A

FOURTH: Upon the effective filing of this Certificate of Amendment of Restated Certificate of Incorporation with the Secretary of State of Delaware, each outstanding share of Common Stock, \$.01 par value per share (the "Old Common Stock"), of the Corporation shall automatically be changed and converted into 0.66667 share of Common Stock, \$.01 par value per share ("Common Stock"), of the Corporation without any further action by the holders of such shares of Old Common Stock and whether or not the certificates representing the shares of Old Common Stock are surrendered to the Corporation; PROVIDED, HOWEVER, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless certificates evidencing such shares of Old Common Stock are either delivered to the Corporation, as hereinafter provided, or the holder notifies the Corporation that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith.

Upon the occurrence of the automatic conversion of the Old Common Stock, the holders of the Old Common Stock shall surrender the certificates representing such shares at the office of the Corporation. Thereupon, there shall be issued and delivered to such holder, promptly at such office and in the name shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the surrendered shares of Old Common Stock are convertible, dated as of the date on which such automatic conversion occurs.

Unless otherwise noted below, each of the per share Conversion Prices and/or values, liquidation preferences and other amounts set forth below which are adjustable in the manner and upon the events as set forth herein do not

reflect the adjustments required by the two-for-three reverse stock split effected upon the effective filing of this Certificate of Amendment of Restated Certificate of Incorporation with the Secretary of State of Delaware and shall be subject to such adjustment.

ATTACHMENT A-1

(b) FRACTIONAL SHARES. Fractional shares of Series B Preferred Stock shall be permitted. No fractional shares of Series C Preferred Stock shall be issued upon conversion of the Series A Preferred Stock.

ATTACHMENT A-2

(b) FRACTIONAL SHARES. Fractional shares of Series B Preferred Stock shall be permitted. No fractional shares of Series C Preferred Stock shall be issued upon conversion of the Series D Preferred Stock.

## AMENDMENT TO EMPLOYMENT CONTRACT

Between the undersigned:

Mrs. Myriam Martin-Kail, residing at 240 chemin de la papeterie, 06620 Bar-sur-Loup, hereafter designated as the "Director", on the one hand,

and

Lionbridge Technologies (France) , with company headquarters located at 23 avenue Luis Breguet, 78142 Velizy-Villacoublay, represented by Lionbridge Technologies, Inc., duly authorized for the purposes of this document, represented by Mr. Rory J. Cowan, hereafter designated as "Lionbridge" on the other hand.

The following must be noted:

By contract (the "Contract") of undetermined duration, concluded on November 30, 1994, the Director was hired by Lionbridge (at that time called RR Donnelley Language Solutions France) beginning December 1, 1994. At present the Director carries out the duties of Director of the Localization/Communication Division.

By reason of duties recently assigned to the Director, the parties have agreed upon the conclusion of this amendment to the Contract.

The above having been noted, the following has been agreed upon:

Article 1: DUTIES

- 1.1. Counting retroactively from January 1, 1997, the Director shall exercise the duties of Vice President for Europe. The place where these duties are carried out is currently in Velizy or Valbonne Sophia Antipolis (06) for half of the time, and the remainder away from the office. The Director agrees and accepts that the carrying out of said duties implies frequent travel, especially abroad.
- 1.2. The duties of Vice President Europe assigned to the Director consist primarily in coordinating and directing projects, expanding the customer base, assuming the general management of European operations, in particular managing personnel, supervising financial matters and preparing budgets for France, Ireland and the Netherlands.



In addition, the Director may be asked to exercise the duties of company representative within the subsidiaries of the group to which Lionbridge belongs. The exercise of these mandates by the Director does not entail an increase in salary.

The Director has agreed and accepted the fact that the content of such duties may be changed considerably and that his or her place of work may change to any part of the metropolitan territory.

1.3 The Director will confine his or her professional activity to Lionbridge and will not carry out any other professional activity whatsoever, even without remuneration.

1.4 The Director will fulfill his or her duties carefully and diligently. He or she will comply with the directives which may from time to time be issued by the C.E.O. of Lionbridge Technologies, Inc., or its agents.

#### Article 2. COLLECTIVE BARGAINING AGREEMENT -- CLASSIFICATION

The classification of Director by virtue of the National Collective Bargaining Agreement of the Offices of Technical Research, Engineering Consulting Firms, and Consulting Firms is "position 3.3, coefficient 270".

#### Article 3. SALARY AND PROFESSIONAL EXPENSES

3.1 The Director's salary includes the following items:

3.1.1 An annual gross salary of Fr. 650,000, payable in 12 payments at the end of each month. Ten percent of this sum (Fr. 65,000) are compensatory payments for long and frequent foreign travel.

3.1.2 A bonus to be determined, not to exceed half of the salary mentioned in paragraph 3.1.1 above, in accordance with the Incentive Bonus Plan which will be put in place;

3.1.3 A contribution to the 1996 Stock Plan of Lionbridge Technologies, Inc. this contribution will be the subject of a separate letter from Lionbridge Technologies, Inc., to the Director.

3.2. The Director will have the right to be reimbursed for professional expenses incurred in the performance of his or her duties in accordance with the rules and practices of Lionbridge and upon presentation of the corresponding documentation.

The Director will have at his or her disposition, to be paid for by Lionbridge up to the amount of Fr 63,000 per year, a company car which he or she may use for reasonable personal use.

Article 4. TERMINATION OF THE CONTRACT

The parties agree to carry to the equivalent of twelve months of salary calculated solely on the basis of paragraph 3.1.1 above, excluding any of part of the Director's remuneration having the nature of a salary but including the indemnity for dismissal as provided for by the above mentioned Collective Bargaining Agreement, damages and interest which may be due the Director in application of the last sentence of the first paragraph of Article L. 122-14-4 of the Employment Code.

That fraction of the damages and interest agreed upon in the preceding paragraph which exceeds (a) the indemnity for dismissal provided for in the above mentioned Collective Bargaining Agreement, augmented by (b) the legal minimum of damages and interest provided for in Article L. 122-14-4 of the Employment Code, will be payable:

- in twelve equal monthly payments, the first payment being due at the end of the month during which the employment contract expires,
- subject to the Director's abiding by the whole of the stipulations of Articles 5 and 6 below.

Article 5: CONFIDENTIALITY -- INVENTIONS OF THE DIRECTOR

An appendix to this contract shall determine the rights and obligations of the Director in these areas.

Article 6: NON-COMPETITION

An appendix to this contract shall determine the rights and obligations of the Director in this area.

Article 7: APPLICATION OF THIS AMENDMENT

This Amendment and the stipulations of the Contract which are not changed by this Amendment make up the whole of the agreement between the parties regarding the employment of the Director of Lionbridge. This accord may not be changed or filled in except by signed written notice of both parties.

Issued in two originals

Lionbridge Technologies (France)

SIGNED: RORY J. COWAN

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MYRIAM MARTIN-KAIL

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Appendices:  
Kail

[Stamp: February 10, 1997]

#### NON-COMPETITION AGREEMENT

You are currently employed by Lionbridge Technologies (France) (hereafter the "Company") as Vice President. In order to make available the capital necessary for further development, the parent company of the Company issues stock in its capital for the benefit of investors (the "Investor Capital") within the framework of a Preferential Contract to Purchase Shares. The sale of this Investor Capital should be to yours as a benefit of an important employee of the Company, given that the funds gathered from such issues allow the group to strengthen and extend its operations. The commitment of investors to buy Investor Capital requires that you sign this commitment. Within the framework of your work for the Company and the purchase by such investors of this Investment Capital, you commit to the following with the Company:

1. This contract will take effect on the date of this document and will end twelve months after your duties with the Company cease.
2. During the period of this contract, you will not commit to nor will have any financial interest in, without prior written consent of the Company, neither directly nor indirectly, neither alone nor as an associate, nor as a partner, executive, administrator, employee, consultant, agent, independent entrepreneur or shareholder in any company or enterprise, in any professional activity which is directly or indirectly in competition in the United States, Belgium, Communist China, France, Ireland, Korea, Japan, the Netherlands, Taiwan or in any other geographic areas where operations are conducted or where operations are planned for any of the products or services perfected, on the market, distributed, planned, sold or furnished in any way by the Company at this time. Your ownership of no more than one percent of the shares of a company having actively traded shares on a national stock market or on the Nasdaq will not itself be considered a violation of this paragraph.
3. During the period of this contract, you will not employ, directly or indirectly, nor will you knowingly allow another company or enterprise which employs you or which you directly or indirectly control to employ any person who is employed by the Company at any time during the duration of this contract, nor shall you in any way encourage such a person to resign his job in the Company.
4. During the period of this Contract, you will not solicit nor will you do

business, directly or indirectly, with a present or past client of the Company nor with any potential client of the Company with whom you have had contact, in relationship to your professional activity which would violate any other provision of this Contract.

5. You declare by this Contract that, except as you have indicated in writing to the Company, you are not party to nor bound by the terms of a contract with your previous employer or a third party which would preclude your using or revealing business secrets or confidential information or rights of intellectual property within the scope of your employment with the Company, or which would preclude your competing, directly or indirectly, with the activities of this previous employer or a third party. You declare further that your carrying out all the clauses of this Contract and as an employee of the Company does not violate nor will violate a promise to keep secret information regarding the rights of intellectual property, knowledge or items which you have received in confidence before your employment by the Company, and you will not reveal to the Company nor will you encourage the Company to use confidential information which might belong to a previous employer or to a third party.
6. You agree that your violation of this Contract would cause irreparable damage to the Company and that should such a violation occur, the Company will have, in addition to legal reparations,

the right to issue a formal demand for reparations in kind or any other type of reparation in order to prevent you from not carrying out your obligations according to the terms of this Contract.

7. You agree that this Contract does not create any obligation for the Company or any other person or entity to ensure the continuation of your employment.
8. Any modification of this Contract and any renunciation of any of its provision must be stated in writing. Any renunciation by the Company to claim grounds for a violation of any provision of this Contract may not be interpreted as a renunciation regarding any future violation.
9. You agree by this Contract that any clause in it shall be treated as an independent clause and the inability to carry out one of the clauses will not prevent in any way the possibility of having any other clause in the Contract being carried out. Further, if one or more of the provisions contained in this Contract may for whatever reason be considered as excessively broad as regards its scope, activity or subject, such that it cannot be legally enforced, this provision shall be interpreted by the appropriate courts by limiting or circumscribing it, so that it becomes enforceable to the extent that it is consistent with the law as it shall be then applied.

10. The term "Company" includes Lionbridge Technologies, Inc., and all its subsidiaries, subdivisions or affiliated companies. The Company shall have the right to make over this Contract to its assigns and successors, and any agreement to the terms of this Contract shall apply to the benefit of said assigns and successors.

Drawn up in Nice, 2/24/97

The Director

SIGNED MYRIAM MARTIN-KAIL

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CONCUR

#### PROMISE OF SECRECY AND REGARDING INVENTIONS

By reason and as a condition of my being hired or of the continuation of my work at Lionbridge Technoligies (France) (called the "Company"), I agree to the following regarding the Company:

1. A no time during the period of my employment contract or after the expiration of it will I reveal to any person or entity a professional secret or confidential information regarding the organization, business or finances of the Company or of a third party towards which the Company has the obligation to keep secret (including but not limited to professional secrets or confidential information regarding inventions, products, concepts, methods, know-how, techniques, systems, processes, computer programs, intellectual property, client lists, projects, plans and proposals) except that which may be required in the normal course of the carrying out of my work as employee of the Company, and I will keep secret all questions which are entrusted to me and I will not use nor try to use this information in such a way as might prejudice or be conceived as prejudicing either directly or indirectly to the Company.

Further, I promise that during the period of my employment, I will not take nor use nor allow to be used notes, memos, reports, lists, registers, drawings, sketches, specifications, computer programs, data, documentation or other materials of whatever nature regarding a subject within the framework of the business of the Company or regarding one of its operations or business other than for the benefit of the Company. I promise further that after the termination of my job, I will not use nor allow to be used said notes, memos, reports, lists, registers, drawings, sketches, specifications, computer programs, data, documentation or other materials, it being agreed that all of

the above is and shall remain the exclusive property of the Company and that from the moment my jobs ceases, I shall hand over all of what is described above and any copies to the Company, at its headquarters.

2. If at any time during the course of my work, either alone or with others, I carry out, conceive, create, discover, invent or make usable any invention, modification, discovery, concept, development, improvement, process, computer program, copyright, documentation, formula, datum, technique, know-how, production secret, or intellectual property whatsoever or any rights in this (whether it may be patented or not, or whether or not a copyright, brand or other right may be applied for it) (hereafter designated as "Inventions") which (a) is connected to the business of the Company or of one of its products or services, developed, manufactured or sold by the Company, or which may be used in this context, (b) the result of work which was entrusted to me by the Company, or (c), is a result of the use of the premises or of the assets (tangible or intangible) belonging to, rented by or under contract to the Company, these Inventions and the benefits which result from them are and become immediately the sole and exclusive property of the Company and of its assigns, as work carried out under the framework of an employment contract or other and I shall declare immediately to the Company (or to any person designated by it) each of these Inventions, and, depending on whatever may be necessary to ensure copyrights for the Company for these Inventions, I hereby transfer all right (including but not limited to copyrights and commercial brands) which I may have or acquire and the resulting benefits and or rights for the Company and its assigns without additional remuneration and I shall communicate to the Company, without charge or delay and without communicating with a third party, all information available regarding such matters (with all the necessary plans and models).

During the period of my contract, and at any time thereafter, at the request and expense of the Company, I shall immediately sign and execute any documents, certificates or items the Company and its duly authorized agents may reasonably require:

(a) for registering, obtaining, inscribing and putting in the Company's name exclusively (unless instructed otherwise by the Company) certificates, copyrights, commercial brands and other similar protections in any country of the world, and, when they have been obtained or acquired, for their renewal or reinstatement;

(b) for defending in all judicial procedures, adverse claims or other procedures regarding registrations and all judicial procedures, adverse claims or others or requests at the expiration or such certificates, copyrights, commercial brands or other similar protection.

Should the Company not be able, after reasonable attempts, to obtain my signature on a request for a certificate, copyright or registration of a

commercial brand or other documents regarding the legal protection of an Invention, either because of my physical or mental condition, or for any other reason, I hereby irrevocably appoint the Company and its directors and duly authorized agents to act as my agents, to sign and dispose of, on my behalf, such requests or other documents and do all that is authorized in order to fulfil the directives and the issuing of certificates, copyrights or commercial bands or any other legal protection with the same legal force as if I had signed them myself.

3. I agree that any violation of this Contract by me will cause irreparable damage to the Company and should such a violation occur, the Company shall have, in addition to any legal reparations, the right to issue a formal demand for reparations in kind or another type of reparation in order to prevent me from not carrying out my obligations according to the terms of this Contract.

4. I understand that this Contract does not create any obligation for the Company or any other person or entity to ensure the continuance of my employment.

5. I declare that the Inventions identified in the pages to be attached to this Contract shall constitute all the Inventions not covered by patents and all the Inventions which may be covered by a copyright but not registered that I have made, conceived of or created before my employment in the Company, which Inventions are excluded from this Contract. I understand that it is only necessary to list the title and subject of said Inventions without further details.

I declare further that my carrying out of the entirety of the terms of this Contract as an employee of the Company does not violate nor will violate any promise to keep confidential the intellectual property received by me in secret before my employment contract with the Company. I have not concluded and I promise not to conclude any contract, either written or verbal, which violates this Contract.

Any renunciation by the Company to claim grounds for a violation of any provision of this Contract may not be interpreted as a renunciation regarding any future violation of this provision or of any other provision.

7. I agree by this Contract that any clause in it shall be treated as an independent clause and the inability to carry out one of the clauses will not prevent in any way the possibility of having any other clause in the Contract being carried out. Further, if one or more of the provisions contained in this Contract may for whatever reason be considered as excessively broad as regards its scope, activity or subject, such that it cannot be legally enforced, this provision shall be interpreted by the appropriate courts by limiting or circumscribing it, so that it becomes enforceable to the extent that it is consistent with the law as it shall be then applied.

8. My obligations in the terms of this Contract shall continue beyond the end of my employment, whatever the nature of this end, and they are incumbent on my heirs, executors, trustees and legal representatives.

9. The term "Company" includes Lionbridge Technologies, Inc., and all its subsidiaries, subdivisions or affiliated companies. The Company shall have the right to make over this Contract to its assigns and successors, and any agreement to the terms of this Contract shall apply to the benefit of said assigns and successors.

Issued in Nice, on 2/24/97

The Director

SIGNED: MYRIAM MARTIN-KAIL

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CONFIDENTIAL



AMENDED AND RESTATED PROMISSORY NOTE

\$8,000.000

Boston, Massachusetts  
As of May 20, 1999

FOR VALUE RECEIVED, the undersigned (the "Borrowers"), jointly and severally, absolutely and unconditionally promise to pay to the order of Silicon Valley Bank ("Payee") at the head office of Payee at 3003 Tasman Drive, Santa Clara, California 95054:

(a) on September 20, 1999, the principal amount of EIGHT MILLION DOLLARS (\$8,000,000) or, if less, the aggregate unpaid principal amount of Advances made by the Payee to the Borrowers pursuant to the Loan Agreement dated as of September 26, 1997, as amended May 21, 1998, February 25, 1999, and May 20, 1999 and as may be further amended or supplemented from time to time (the "Loan Agreement"), by and among the Borrowers and the Payee; and

(b) interest on the principal balance hereof from time to time outstanding from the date hereof through and including the date on which such principal amount is paid in full, at the times and at the rates provided in the Loan Agreement.

This Note constitutes an amendment and restatement in its entirety of the Amended and Restated Promissory Note payable to the Payee in the original principal amount of \$8,000,000 dated May 21, 1998, (the "Preceding Note") and is in substitution therefor and a replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Preceding Note or to release or terminate the security interest created by any Security Documents in favor of the Payee in respect of the obligations of the Borrowers, thereunder.

This Note evidences borrowings under, is subject to the terms and conditions of and has been issued by the Borrowers in accordance with the terms of, the Loan Agreement. The Payee and any holder hereof is entitled to the benefits and subject to the conditions of the Loan Agreement and may enforce the agreements of the Borrowers contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. This Note is secured by the Security Documents described in the Loan Agreement.

All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Loan Agreement.

This Note may be prepaid at any time, without premium or penalty, in whole or in part. Any prepayment of principal shall be accompanied by a payment of accrued interest in respect of the principal being prepaid.

If any Event of Default shall occur and be continuing, the Payee may declare any or all obligations or liabilities of the Borrowers to the Payee (including the unpaid principal hereunder

-2-

and any interest due thereon) immediately due and payable without presentment, demand, protest or notice.

The Borrowers and every endorser and guarantor of this Note or the obligation represented hereby waive presentment, demand, notice, protest and all other demands and notice in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

This Note shall be governed by, and construed in accordance with, the internal laws of The Commonwealth of Massachusetts, without regard to principles of conflicts of law. Each of the Borrowers hereby submits to the exclusive jurisdiction of the state and Federal courts located in The Commonwealth of Massachusetts and in the County of Santa Clara, State of California in connection with any suit under or in connection with this Note. The Borrowers irrevocably waive any objection which they may now or hereafter have to the laying of venue of any such action brought in the courts referred to in the preceding sentence and irrevocably waive and agree not to plead or claim in any such action that such action has been brought in an inconvenient forum. THE BORROWERS HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH BORROWER RECOGNIZES AND AGREES THAT THE FOREGOING WAIVE CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH BORROWER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

This Note shall be deemed to take effect as a sealed instrument under the laws of The Commonwealth of Massachusetts and for all purposes shall be construed in accordance with such laws (without regard to conflicts of laws rules).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Borrowers have caused this Note to be signed under seal by their duly authorized officers as of the day and year first above written.

BORROWERS:

LIONBRIDGE TECHNOLOGIES  
HOLDINGS B.V.

By: \_\_\_\_\_

Title: Managing Director

LIONBRIDGE TECHNOLOGIES B.V.

By: \_\_\_\_\_

Title: Managing Director

Dated as of July 16, 1999

Lionbridge Technologies, Inc.  
950 Winter Street, #4300  
Waltham, Massachusetts 02154

Attention: Stephen J. Lifshatz

Re: Loan Document Modification Agreement Number 4 to that Loan Agreement dated September 26, 1997, as so amended on May 21, 1998, February 25, 1999, and May 20, 1999 (as the same may hereafter be further amended, modified supplemented, extended or restated from time to time, the "CREDIT AGREEMENT")

Ladies and Gentlemen:

Reference is hereby made to Loan Document Modification Agreement Number 3, dated as of May 20, 1999 ("AMENDMENT NO. 3"). In such Amendment No. 3, the parties inadvertently failed to change the Credit Agreement to reflect a change in the Revolving Maturity Date. Although the change in the Revolving Maturity Date was accurately reflected in the Amended and Restated Promissory Note, the parties also wish to make such change in the Credit Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the same respective meanings as set forth in the Credit Agreement.

We hereby agree, therefore, to change the definition of Revolving Maturity Date in Section 1.1 of the Credit Agreement to mean "September 20, 1999".

The amendment set forth above (a) does not constitute a waiver or modification of any term, condition or covenant of the Credit Agreement or any other Loan Document, other than as expressly set forth herein, and (b) shall not prejudice any rights which the Bank may now or hereafter have under or in connection with the Credit Agreement, as modified hereby, or the other Loan Documents.

This Loan Document Modification Agreement Number 4 ("AMENDMENT NO. 4") may be signed in one or more counterparts each of which taken together shall constitute one and the same instrument.

THIS AMENDMENT NO. 4 SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

By your signature below, you are hereby agreeing to and accepting the

terms of this Amendment No. 4. If you are in agreement with the foregoing, please sign and return the enclosed copy of this Amendment No. 4 no later than July \_\_\_\_, 1999.

Sincerely,

SILICON VALLEY EAST, a Division  
of Silicon Valley Bank

By: /s/ Andrew H. Tsao

-----  
Name: Andrew H. Tsao  
Title: Vice President

SILICON VALLEY BANK

By: /s/ Michelle D. Giannini

-----  
Name: Michelle D. Giannini  
Title: Assistant Vice President  
(signed in Santa Clara, CA)

The undersigned has reviewed and accepts and agrees to the terms of the foregoing:

PARENT GUARANTOR:  
LIONBRIDGE AMERICA, INC.

By: /s/ Rory J. Cowan

-----  
Name: Rory J. Cowan  
Title: President

BORROWERS:  
LIONBRIDGE TECHNOLOGIES HOLDINGS B.V.

By: /s/ Rory J. Cowan

-----  
Name: Rory J. Cowan  
Title: President

LIONBRIDGE TECHNOLOGIES B.V.

By: /s/ Rory J. Cowan

-----  
Name: Rory J. Cowan  
Title: President

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-1 of our report dated March 4, 1999 relating to the consolidated financial statements of Lionbridge Technologies, Inc., and our report dated November 7, 1997 relating to the combined financial statements of The Localization Businesses of Stream International Holdings, Inc. in Ireland, The Netherlands and France, which appear in such Registration Statement. We also consent to the references to us under the headings "Experts" and "Selected Consolidated Financial Data" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

July 27, 1999

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Amendment No. 1 to the Registration Statement on Form S-1 of our report dated June 16, 1999 relating to the financial statements of VeriTest, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Woodland Hills, California  
July 27, 1999

<TABLE> <S> <C>

<ARTICLE> 5

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This schedule contains summary financial information extracted from Amendment No. 1 to S-1 and is qualified in its entirety by reference to such financial statements.

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<MULTIPLIER> 1,000

<CURRENCY> U.S. DOLLARS

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<DEPRECIATION>	(1,230)	(2,749)
<TOTAL-ASSETS>	22,402	28,107
<CURRENT-LIABILITIES>	20,505	18,226
<BONDS>	0	0
<PREFERRED-MANDATORY>	15,418	15,949
<PREFERRED>	0	0
<COMMON>	20	24
<OTHER-SE>	(13,541)	(17,056)
<TOTAL-LIABILITY-AND-EQUITY>	22,402	28,107
<SALES>	0	0
<TOTAL-REVENUES>	38,412	23,783
<CGS>	0	0
<TOTAL-COSTS>	41,816	27,925
<OTHER-EXPENSES>	(49)	320
<LOSS-PROVISION>	207	45
<INTEREST-EXPENSE>	648	4,988
<INCOME-PRETAX>	(4,003)	(9,450)
<INCOME-TAX>	259	315
<INCOME-CONTINUING>	(4,262)	(9,765)
<DISCONTINUED>	0	0
<EXTRAORDINARY>	0	0
<CHANGES>	0	0



<NET-INCOME>	(4,262)	(9,765)
<EPS-BASIC>	(2.99)	(4.64)
<EPS-DILUTED>	(2.99)	(4.64)

</TABLE>