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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-21055

TeleTech Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-1291044**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

9197 South Peoria Street
Englewood, Colorado 80112
(Address of principal executive offices)

Registrant's telephone number, including area code:
(303) 397-8100

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 par value per share
(Title of Class)

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

As of June 30, 2006, the last business day of the registrant's most recently completed second fiscal quarter, there were 68,824,244 shares of the registrant's common stock outstanding. The aggregate market value of the registrant's voting and non-voting common stock that was held by non-affiliates on such date was $381,931,678 based on the closing sale price of the registrant's common stock on such date as reported on the NASDAQ National Market.

As of February 1, 2007, there were 70,137,732 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of TeleTech Holdings, Inc.'s definitive proxy statement for its annual meeting of stockholders to be held on May 24, 2007, are incorporated by reference into Part III of this Form 10-K, as indicated.

PART I

This Form 10-K and the documents incorporated by reference herein contain “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on current expectations and projections. Statements that are not historical facts, including those about the beliefs and expectations of TeleTech Holdings, Inc., are forward-looking statements. These statements discuss potential risks and uncertainties and, therefore, actual results may differ materially. We have set forth, in Item 1A which covers Risk Factors and Item 7 which covers Management’s Discussion and Analysis of Financial Condition and Results of Operations, a detailed discussion of risks and uncertainties relating to our business. We caution investors not to place undue reliance on these forward-looking statements, as they are current as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except as required by law.

In various places throughout this Form 10-K we use certain non-GAAP (accounting principles generally accepted in the United States (“U.S.”) (“GAAP”)) financial measures when describing our performance. We believe such non-GAAP financial measures are informative to the users of our financial information. We discuss non-GAAP financial measures in Item 7 of this Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Presentation of Non-GAAP Measurements.”

ITEM 1. BUSINESS

Our Business

Our 25-year history has enabled us to become one of the largest global providers of onshore, offshore and work-from-home business process outsourcing (BPO) services with a customer management focus. We help Global 1000 companies enhance their strategic capabilities, improve quality and lower costs by designing, implementing and managing their critical front and back office processes. We provide a 24 x 7, 365 day fully integrated global solution that spans people, process, proprietary technology and infrastructure for clients and governments in the automotive, broadband, cable, financial services, healthcare, logistics, media and entertainment, retail, satellite, technology, travel, wireline and wireless industries. Our 47,000 employees provide services from 33,600 workstations across 88 Delivery Centers in 17 countries. We have approximately 135 global clients, many of who are in the Global 1000. The Global 1000 is a ranking of the world’s largest companies based on market capitalization. We perform services for many of our clients’ subsidiaries and support approximately 300 unique BPO programs.

We believe BPO is a key enabler of improved business performance as measured by a company’s ability to consistently outperform peers through business and economic cycles. We believe the benefits of BPO include renewed focus on core capabilities, faster time-to-market, streamlined processes, moving from a fixed to variable cost structure, access to global sourcing capabilities, and proprietary best operating practices and technology, all of which contribute to increased customer satisfaction and shareholder returns.

Industry studies indicate that companies with high customer satisfaction levels enjoy premium pricing in their industry, which we believe results in increased profitability and greater shareholder returns. Given the strong correlation between customer satisfaction and improved profitability, more and more companies are increasingly focused on selecting outsourcing partners, such as TeleTech, that can deliver strategic front and back office capabilities that improve the customer experience versus simply reducing costs.

Our Business History

We (“TeleTech,” “Management,” or “the Company”) were founded in 1982 and organized as a Delaware corporation on December 22, 1994 to continue the operations of our predecessor company. We

completed an initial public offering in 1996 and since that time our revenue has grown from $183 million to $1.2 billion in 2006, which is a compounded annual growth rate ("CAGR") of 21%.

The majority of our revenue, or 97%, comes from BPO services and is reported in our North American and International BPO segments. These services involve the transfer of our clients' front and back office business processes to our 88 Delivery Centers or our work-from-home associates. We also manage the operations of Delivery Centers for our clients. Front office services include helping clients acquire, grow, serve and retain their customers. Back office services include: managing clients critical processes such as products or service provisioning; lead generation, fulfillment and sales support; expense, loyalty, reward and supply chain management; claims, collections, loans, payment and warranty processing; Tier 1 through 3 technical support; retirement plan administration; data analysis, intelligence and market research; network management; and workforce recruiting, training and scheduling.

Our strategy is to sell our services to clients in G-20 countries while performing an increasing amount of the work in emerging markets where there is a growing pool of high quality, lower cost labor with strong multilingual skills. The G-20 represents 19 of the world's largest economies, together with the European Union.

Of the 17 countries we operate in, seven provide services, partially or entirely, for offshore clients including Argentina, Brazil, Canada, India, Malaysia, Mexico and the Philippines. The total workstations in these countries are 18,700, or 56% of our total delivery capacity. Many of our clients choose a blended strategy whereby they offshore work with us in four to five locations as well as utilize our work-from-home offering. We believe our ability to offer one of the most geographically diverse offshore footprints reduces clients' operational and delivery risk in the event of a service interruption due to environmental or political risks, in any of these locations.

Our offshore revenue is the fastest growing part of our business. In 2006, our offshore revenue grew 39% to $400 million and represented 33% of our total revenue. We believe this makes us one of the largest and most geographically diverse providers of BPO services. We are currently expanding into two new emerging markets and plan to selectively increase the number of offshore markets we operate in over time.

The other 10 countries in which we operate provide services for onshore clients including the U.S., Australia, China, England, Germany, New Zealand, Northern Ireland, Scotland, Singapore and Spain. A key part of our future strategy is to perform more services for these clients in offshore locations.

Historical Performance

As summarized below, following our initial public offering in 1996 we experienced double-digit revenue growth through 2000, undertook a business transformation strategy in late 2001 and began realizing the benefits of this transformation in 2004 and going forward.

From 1996 to 2000, our revenue grew at a CAGR of 48% from $183 million to $885 million, while diluted earnings per share grew at a CAGR of 54% from $0.15 to $0.85. Our growth during this period was primarily organic and attributable to strong demand for our services from both new and existing clients across an expanding array of industry verticals. Beginning in 1997, we were one of the first companies to provide BPO services to U.S. clients from Delivery Centers in Argentina, Canada and Mexico.

While revenue growth continued at a CAGR of 7% from $885 million in 2000 to $1.0 billion in 2002, we experienced net losses in 2001 which continued through 2003. This was due primarily to the global economic downturn, the dot-com bubble, the September 11, 2001 attacks and the business transformation we undertook to further strengthen TeleTech's industry position and future competitiveness. The business transformation redefined our delivery model, reduced our cost structure and improved our competitive and financial position by:

- Migrating from a decentralized holding company to a centralized operating company to enhance financial and operating disciplines;

- Centralizing our technology infrastructure and migrating to a 100% IP-based delivery platform;
- Standardizing our global operational processes and applications;
- Automating and virtualizing our human capital needs primarily around talent acquisition, training and performance optimization;
- Rationalizing certain underperforming operations and reducing our selling, general and administrative expenses;
- Rationalizing or improving pricing or performance on certain underperforming client programs;
- Investing in sales and client account management;
- Investing in innovative new solutions to diversify revenue into higher margin offerings, including professional services, learning services and hosted service offerings which is offered as TeleTech OnDemand™ and that we refer to as "OnDemand";
- Expanding delivery capabilities with expanded onshore, near-shore, offshore and work-from-home solutions;
- Reducing long-term debt by nearly $120 million from 2003 to 2004 with existing cash balances and borrowings under our revolving credit facility; and
- Approving and executing a stock repurchase program.

As a result of the above business transformation, we returned to profitability in 2004. From 2005 to 2006, our year-over-year revenue grew 11.5% from $1.1 billion to $1.2 billion and diluted earnings per share grew 92% from $0.38 to $0.73. Our 2006 operating margin more than doubled from 2.9% in 2005 to 6.0% in 2006 and we ended the fourth quarter of 2006 with an operating margin of 8.6% and a return on invested capital ("ROIC") of 21%. ROIC is defined as earnings before interest and taxes ("EBIT") divided by average shareholders' equity.

As of December 31, 2006, we had $60.5 million in cash and cash equivalents and a debt to equity ratio of 20%. We generated $29.2 million in free cash flow during 2006 and our cash flows from operations and borrowings under our revolving credit facility have enabled us to fund $66 million in capital expenditures. Approximately 70% of our capital expenditures were related to growth primarily in offshore markets with the remaining 30% used for the maintenance of our embedded infrastructure.

Our improved financial performance resulted from strong growth both with new and existing clients across an expanding array of industry verticals, a 39% growth rate in offshore revenue and our achievement of $90 million in cost improvements from mid-2003 through 2006.

On June 30, 2006, we acquired Direct Alliance Corporation ("DAC"), a provider of e-commerce, professional sales and account management solutions to Fortune 500 companies that sell into and maintains long-standing relationships with small and medium businesses. We acquired DAC for $46.4 million in cash and used borrowings under our revolving credit facility to finance the acquisition. DAC's annual revenues are approximately $68 million and they contributed $34.1 million in revenue to our consolidated results during the last six months of 2006. The acquisition was slightly accretive to our earnings during that period.

Since announcing our stock repurchase program in late 2001, the Board of Directors approved $165 million of share repurchases. Since inception of the plan through December 31, 2006, we repurchased 13.2 million shares of common stock, or approximately 18% of our shares outstanding during that period, for $115.7 million, leaving a remaining balance of $49.3 million for future share repurchases.

Our Future Growth Goals and Strategy

Our financial goals for 2007 are to reach a revenue run-rate of $1.5 billion, an operating margin of 10% and an earnings before interest, taxes, depreciation and amortization ("EBITDA") margin of 15% by the fourth quarter of 2007. We plan to achieve this by:

- Capitalizing on the favorable trends in the global outsourcing environment which include more companies:
  - Adopting or increasing BPO services;
  - Consolidating outsourcing providers with those that have a solid financial position, the capital resources to sustain a long-term relationship and that can provide globally diverse delivery capabilities across a broad range of solutions;
  - Modifying their approach to outsourcing based on total value delivered versus the lowest priced provider; and
  - Increasing their desire to better integrate front and back office processes.
- Deepening and broadening relationships with existing clients;
- Winning business with new clients and focusing on targeted high growth industry verticals;
- Continuing to diversify revenue into higher margin offerings such as professional services, talent acquisition, learning services and OnDemand;
- Increasing capacity utilization during peak and non-peak hours;
- Scaling our work-from-home initiative to increase operational flexibility; and
- Completing select acquisitions that extend our core BPO capabilities or vertical expertise.

Our Market Opportunity

The global BPO industry is large and growing. Based on industry reports, we estimate the total market opportunity for BPO services is more than $5 trillion.

The global BPO industry is large and growing. According to the International Data Corporation, the global BPO market was $385 billion in 2005 and is projected to grow to $618 billion in 2010, representing a 10% CAGR.

Our Business Description

We help Global 1000 clients improve front and back office business processes while increasing customer satisfaction. We manage our clients' outsourcing needs with the primary goal of delivering a high-quality customer experience while also reducing their total delivery costs.

Our solutions provide access to skilled people in 17 countries using standardized operating processes and a centralized delivery platform to:

- Design, implement and manage industry-specific end-to-end back office processes to achieve efficient and effective global service delivery for discrete or multiple back office requirements;
- Manage the customer lifecycle, from acquiring and on-boarding through support and retention;
- Support field sales teams and manage sales relationships with small and medium-sized businesses;
- Design, implement and manage e-commerce portals;
- Provide a suite of pre-integrated OnDemand customer management applications through a monthly license subscription;
- Offer infrastructure deployment, including the development of data and BPO Delivery Centers;

- License tools within our human capital suite including talent acquisition, learning services and performance optimization for use in clients' internal operations; and
- Offer professional consulting services in each of the above areas.

Our Competitive Strengths

Entering a business services outsourcing relationship is typically a long-term strategic commitment for companies. The outsourced processes are usually complex and require a high degree of customization and integration with a client's core operations. Accordingly, our clients tend to enter long-term contracts which provide us with a more predictable revenue stream. In addition, given the significant transition costs to exit the relationship, we have very high levels of client retention given our operational excellence and ability to meet our clients' outsourcing objectives. As a result, our client retention in both 2005 and 2006 was 93%.

Clients select us because of our:

- Industry reputation and our position as one of the largest industry providers with 25 years of expertise in delivering complex BPO solutions across targeted industries;
- Ability to scale infrastructure and employees worldwide using globally deployed best practices to ensure a consistent, high-quality service;
- Ability to optimize the performance of our workforce through proprietary hiring, training and performance optimization tools; and
- Commitment to continued product and services innovation to further the strategic capabilities of our clients.

We believe that technological excellence, best operating practices and innovative human capital strategies that can scale globally are key elements to our continued industry leadership as described more fully below.

Technological Excellence

Over the past five years, we have measurably transformed our technology platform by moving to a secure, private 100% internet protocol ("IP") based infrastructure. This transformation has enabled us to centralize and standardize our worldwide delivery capabilities resulting in improved quality of delivery for our clients along with lower capital and information technology ("IT") operating costs.

The foundation of this platform is our six IP hosting centers known as TeleTech GigaPOPs®, which are located on four continents. These centers provide a fully integrated suite of voice and data routing, work force management, quality monitoring, storage and business analytic capabilities. This enables 'anywhere to anywhere,' real-time processing of our clients' business needs from any location around the globe and is the foundation for new, innovative offerings including OnDemand, TeleTech@Home and our suite of human capital solutions. This hub and spoke model enables us to provide our services at the lowest cost while increasing scalability, reliability, redundancy, asset utilization and the diversity of our service offerings.

Prior to this technology transformation, each of our Delivery Centers had a significant investment in disparate hardware and software maintained by on-site IT staff, which was costly to operate and maintain and did not provide the level of reliability or failover we now provide.

To ensure high end-to-end security and reliability of this critical infrastructure, we monitor and manage the TeleTech GigaPOPs 24 x 7, 365 days per year from several strategically located state-of-the-art Global Command Centers.

Our technology innovations have resulted in the filing of more than a dozen intellectual property patents.

Globally Deployed Best Operating Practices

Globally deployed best operating practices assure that we can deliver a consistent, scalable, high-quality experience to our clients' customers from any of our 88 Delivery Centers or work-from-home associates around the world. Standardized processes include our approach to attracting, screening, hiring, training, scheduling, evaluating, coaching and maximizing associate performance to meet our clients' needs. We provide real-time reporting on performance across the globe to ensure consistency of delivery. In addition, this information provides valuable insight into what is driving customer inquiries enabling us to proactively recommend process changes to our clients to optimize their customer's experience.

Innovative Human Capital Strategies

To effectively manage and leverage our human capital requirements we have developed a proprietary suite of business processes, software tools and client engagement guidelines that work together to improve performance for our clients while enabling us to reduce time to hire, decrease attrition and improve time-to-service and quality of performance.

The three primary components of our human capital platform — Talent Acquisition, Learning Services and Performance Optimization — combine to form a powerful and flexible management system to streamline and standardize operations across our global Delivery Centers. These three components work to allow us to make better hires, improve training quality and provide real-time feedback and incentives for performance.

Several of our clients have expressed interest in licensing all or parts of the above components and over time this will be an additional opportunity for us to diversify our revenue into higher margin offerings.

Innovative New Revenue Opportunities

We continue to develop other new innovative services that leverage our investment in a centralized and standardized delivery platform to meet our clients' needs and we believe that these solutions will represent a growing percentage of our future revenue.

OnDemand

OnDemand delivers a fully-integrated suite of best-in-class customer management applications on a hosted (software as a service) basis, providing streamlined delivery center technology, knowledge and services. This allows our clients to empower their associates with the same technology and best practices we use internally, on a monthly subscription license model. With OnDemand, there is no need for our clients to license software, purchase on-premise hardware, or staff up to provide ongoing technology support.

Our OnDemand solutions are easy to implement and scale seamlessly to support business growth, encompassing the full breadth of customer management and BPO operations including: Interaction Routing, Self-Service, Employee Desktop Management, Business Intelligence and Performance Management. Because they are based on our rigorous first-hand use, our hosted services are proven, reliable, scalable and continually refined and expanded.

TeleTech@Home

Our dispersed workforce solution enables employees to work out of their home while accessing the same proprietary training, workflow, reporting and quality tools as our Delivery Center associates. TeleTech@Home associates are TeleTech employees — not independent contractors — providing a strong cultural fit, seamless workforce control and high levels of job satisfaction. Our TeleTech@Home solution utilizes our highly scalable and centralized technical architecture and enables secure access, monitoring and reporting for our Global 1000 clients.

Features of the new TeleTech@Home offering include:

- Outstanding quality, low churn, high call resolution and superior sales and customer care performance;

- Greater flexibility and scalability through the benefit of dispersed geography and proven processes;
- Ability to reach a new and talented employee pool that includes licensed and certified professionals in a variety of industries with multiple years of experience; and
- Access to a unique and flexible employee population that includes stay-at-home parents, workers with physical challenges that make office commuting undesirable, rural workers and workers in highly technical urban centers.

Clients

Our client concentration has decreased as we continue to grow, and in 2006 we had one client that represented more than 10% of total revenue. Sprint Nextel (we contract with IBM, who contracts with Sprint Nextel) represented 16% of total revenue in 2006. Our top five and 10 clients represented 42% and 61% of total revenue, respectively.

Certain of our communications clients, which represent approximately 30% of our total annual revenue, also provide us with telecommunication services. We believe each of these supplier contracts is negotiated on an arms-length basis and may be negotiated at different times and with different legal entities. Expenditures under these supplier contracts represent less than one percent of total costs.

Competition

We compete primarily with the in-house business processing operations of our current and potential clients. We also compete with certain companies that provide BPO services including: Accenture; Convergys Corporation; Computer Sciences Corporation; EDS; ExlService Holdings; IBM; People Support; SR.Teleperformance; Sykes Enterprises Incorporated and WNS Limited among others. We work with Accenture; Computer Sciences Corporation and IBM on a sub-contract basis and approximately 20% of our total revenue is generated from these system integrator relationships.

We compete primarily on the basis of our 25 years of experience, our global locations, our quality and scope of services, our speed and flexibility of implementation, our technological expertise, and our price and contractual terms. A number of competitors may have different capabilities and resources than ours. Additionally, niche providers or new entrants could capture a segment of the market by developing new systems or services that could impact our market potential.

Seasonality

Historically, we experience a seasonal revenue lift in the fourth quarter related to higher volumes from clients primarily in the healthcare, package delivery and retail industry as they have seasonality in their business. Also, our operating margins in the first quarter are typically lower due to higher payroll-related taxes with our global workforce.

As discussed below, we earned a significant amount of revenue during the third and fourth quarters of 2005 from a short-term U.S. Government program to provide disaster relief services related to hurricanes in the U.S.

Database Marketing and Consulting Segment

This segment represents 3% of total revenue and provides outsourced database and marketing services for automotive dealerships and manufacturers to generate and qualify leads, schedule, remind and follow up on customer service appointments. Other services include email campaign management, event marketing, Internet-based appointment setting, lead qualification and related customer acquisition and retention services utilizing email, direct mail and phone based services.

Markets and Clients

This segment provides services to automotive dealers and manufacturers in the U.S. and Canada and has contracts with approximately 2,400 automobile dealers representing 27 different automotive brand

names. Additionally, they provide services directly to automobile manufacturers primarily related to national sales and service promotions.

Competition

This segment competes with a variety of companies, including large national or multi-national companies and smaller regional or local companies. In addition, this segment competes with the in-house database marketing and consulting services of our automotive dealership clients.

Employees

As of December 31, 2006, TeleTech had approximately 47,000 employees in 17 countries. Approximately 83% of these employees held full-time positions and 76% were located outside of the U.S. Our employees in Spain are subject to a collective bargaining agreement mandated under national labor laws, which expired on December 31, 2006. A new collective bargaining agreement is currently being negotiated. The collective bargaining agreement in Spain covers approximately 3,300 employees. We have not experienced any significant work stoppages with our ongoing business. We believe that our relations with our employees and unions are satisfactory.

Patents and Trademarks

Our trademarks include, among others, TELETECH®, the TELETECH GLOBE Design, TELETECH GIGAPOP®, HIREPOINT®, EXPERT IN-SITE®, TELETECH GLOBAL VENTURES®, TOTAL DELIVERED VALUE® and YOUR CUSTOMER MANAGEMENT PARTNER®. We believe that several of our trademarks are of material importance. None of the material trademarks are of limited duration and we believe our intellectual property is adequately protected in customary fashion under applicable law. We have applied for, and will continue to apply for, in the U.S. and foreign countries, patents to protect the inventions and technologies developed by or for us. Fourteen provisional and utility patent applications for Company inventions (processes and technologies) are currently pending before the U.S. Patent and Trademark Office, with several more in progress and international filing rights reserved. While we currently utilize these processes and technologies in the conduct of our business, we do not believe our competitiveness and market share are dependent on the ultimate disposition of our patent applications.

Our Corporate Information

Our principal executive offices are located at 9197 South Peoria Street, Englewood, Colorado 80112 and the telephone number at that address is (303) 397-8100. Electronic copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and current Reports on Form 8-K are available free of charge by visiting the "Investors" section of our website at http://www.teletech.com. These reports are posted as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). In addition, we will provide electronic or paper copies of our SEC filings, free of charge, upon request.

ITEM 1A. RISK FACTORS

You should not construe the following cautionary statements as an exhaustive list. We cannot always predict what factors would cause actual results to differ materially from those indicated in our forward-looking statements. All cautionary statements should be read as being applicable to all forward-looking statements wherever they appear. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur.

Forward-looking information may prove to be inaccurate. Some of the information presented in this Annual Report on Form 10-K constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as "may," "will," "intend," "anticipate," "estimate," "expect," "continue," "believe," "plan," or the like, as well as all statements that are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ

materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations. Factors that could cause actual results to differ from expectations or have a material adverse effect upon our business are as follows.

Our Revenues are Generated from a Limited Number of Clients

We rely on strategic, long-term relationships with large, global companies in targeted industries. As a result, we derive a substantial portion of our revenue from relatively few clients. Additionally, client consolidations could result in a loss of clients. There can be no assurance that we will not become more dependent on a few significant clients, that we will be able to retain any of our largest clients, that the volumes or profit margins of our most significant programs will not be reduced, or that we would be able to replace such clients or programs with clients or programs that generate comparable revenue and profits.

Our Business May be Affected by the Success of Our Clients

In substantially all of our client programs, we generate revenue based, in large part, on the amount of time our associates devote to our clients' customers. Consequently, the amount of revenue generated from any particular client program is dependent upon consumers' interest in and use of our client's products and/or services. There can be no assurance that our clients will continue to market products and services or develop new products and services that require them to use our services.

Our Financial Results May be Adversely Impacted by the Global Economy

Our ability to enter into new multi-year contracts with large clients may be impacted by the general macroeconomic environment in which our clients and their customers operate. Weakening economic conditions, both global and local in nature, could result in increased sales cycles, delays in finalizing new business opportunities and slower growth and reduced revenue from existing contracts. An economic downturn could negatively impact the financial condition of our clients, thereby increasing our risk of not receiving payment for services. There can be no assurance that weakening economic conditions or acts of terrorism throughout the world will not adversely impact our results of operations and/or financial position.

Our Business is Subject to Federal, State and International Regulations

Changes in U.S. federal, state and international outsourcing requirements, restrictions and disclosures may affect the sale of our services, including expansion of overseas operations. In the U.S., some of our services must comply with various federal and state requirements and regulations regarding the method and practices of placing outbound telephone calls. There can be no assurance that changes in these regulations and requirements, or new restrictive regulations and requirements, will not slow growth of these services or require us to incur substantial costs.

Our Success is Subject to the Terms of Our Contracts

Most of our contracts do not ensure that we will generate a minimum level of revenue and the profitability of each client program may fluctuate, sometimes significantly, throughout the various stages of a program. Our objective is to sign multi-year contracts with our clients. However, our contracts generally enable the clients to terminate the contract or reduce customer interaction volumes. Our larger contracts generally require the client to pay a contractually agreed amount in the event of early termination. Additionally, certain contracts have performance-related bonus and/or penalty provisions, whereby the client may pay us a bonus or we may have to issue a credit based upon our ability to meet agreed upon performance metrics. There can be no assurance that we will be able to collect early termination fees, avoid performance penalties, or earn performance bonuses.

Our Business May be Affected by Our Ability to Obtain Financing

From time to time, we may need to obtain debt or equity financing for capital expenditures, for payment of existing obligations, or to replenish cash reserves. Additionally, our existing debt agreements require us to comply with certain financial covenants. There can be no assurance that we will be able to obtain debt

or equity financing, or that any such financing would be on terms acceptable to us. There can be no assurance that we will be able to meet the financial covenants under our debt agreements or, in the event of noncompliance, will be able to obtain waivers or amendments from the lenders.

Our Business May be Affected by Risks Associated with International Operations and Expansion

An important component of our growth strategy is continued international expansion. There are certain risks inherent with conducting international business including, but not limited to, management of personnel overseas, longer payment cycles, difficulties in accounts receivable collections, difficulties in complying with foreign laws, unexpected changes in regulatory requirements, political and social instability and potentially adverse tax consequences. Any one or more of these or other factors could have a material adverse effect on our international operations and, consequently, on our business, results of operations, or financial condition. There can be no assurance that we will be able to manage our international operations successfully.

Our Financial Results May be Impacted by Our Ability to Find New Locations

Our future success will be dependent upon being able to find cost effective locations in which to operate, both domestically and internationally. There is no assurance that we will be able to find cost effective locations, obtain favorable lease terms and build or retrofit facilities in a timely or economic manner.

Our Financial Results May be Adversely Affected by Increases in Business Costs

Some of our larger contracts allow us to increase our service fees if and to the extent certain cost or price indices increase. The majority of our expenses are payroll and payroll-related, which includes healthcare costs. Over the past several years, healthcare costs have increased at a rate much greater than that of general cost or price indices. Increases in our service fees that are based upon increases in cost or price indices may not fully compensate us for increases in labor and other costs incurred in providing services. There can be no assurance that we will be able to recover increases in our costs through increased service fees.

Our Financial Results Depend on Our Ability to Manage Capacity Utilization

Our profitability is influenced significantly by our Delivery Center capacity utilization. We attempt to maximize utilization. However, because the majority of our business is inbound from customer initiated encounters, we have significantly higher utilization during peak (weekday) periods than during off-peak (night and weekend) periods. We have experienced periods of idle capacity, particularly in our Multi-Client Delivery Centers. Historically, we experience idle peak period capacity upon opening a new Delivery Center or termination or completion of a large client program. On a quarterly basis, we assess the expected long-term capacity utilization of our Delivery Centers. We may consolidate or close under-performing Delivery Centers in order to maintain or improve targeted utilization and margins. In the event we close Delivery Centers in the future, we may be required to record restructuring or impairment charges, which could adversely impact our results of operations. There can be no assurance that we will be able to achieve or maintain optimal Delivery Center capacity utilization.

Our Business Operates in a Highly Competitive Market

The market in which we operate is fragmented and highly competitive and competition may intensify in the future. We compete with small firms offering specific applications, divisions of large entities, large independent firms and, most significantly, the in-house operations of clients or potential clients. A number of competitors may develop greater capabilities and resources than ours. Because our primary competitors are the in-house operations of existing or potential clients, our performance and growth could be adversely affected if our existing or potential clients decide to provide in-house business processing services for customer care they currently outsource, or retain or increase their in-house business processing services and product support capabilities. In addition, competitive pressures from current or future competitors also could cause our services to lose market acceptance or result in significant price erosion, which could have a material adverse effect upon our business, results of

operations and financial condition. There can be no assurance that additional competitors, some with greater resources than ours, will not enter our market.

Our Future Success Requires Continued Growth

Continued future growth will depend on a number of factors, including our ability to: (i) initiate, develop and maintain new client relationships; (ii) expand existing client programs; (iii) staff and equip suitable Delivery Center facilities in a timely manner; and (iv) develop new solutions and enhance existing solutions we provide to our clients. There can be no assurance that we will be able to effectively manage expanded operations or maintain our profitability.

Our Financial Results May be Affected by Rapidly Changing Technology

Our business is highly dependent on our computer and telecommunications equipment and software capabilities. Our failure to maintain our technological capabilities or to respond effectively to technological changes could have a material adverse effect on our business, results of operations, or financial condition. Our continued growth and future profitability will be highly dependent on a number of factors, including our ability to: (i) expand our existing solutions offerings; (ii) achieve cost efficiencies in our existing Delivery Center operations; and (iii) introduce new solutions that leverage and respond to changing technological developments. Our ability to effectively market and implement software solutions developed by our Database Marketing and Consulting segment, including recoverability of capitalized costs based on estimated future cash flows, is a factor in our future success. There can be no assurance that technologies or services developed by our competitors will not render our products or services non-competitive or obsolete, that we can successfully develop and market any new services or products, that any such new services or products will be commercially successful, or that the integration of new technological capabilities will achieve their intended cost reductions.

Our Success Depends on Key Personnel

Our success will depend upon our ability to recruit, hire and retain experienced executive personnel who can successfully execute our business plans. There can be no assurance that we will be able to hire, motivate and retain highly effective executive employees on economically feasible terms who can successfully execute our business plans.

Our Business is Dependent on Our Ability to Maintain Our Workforce

Our success is largely dependent on our ability to recruit, hire, train and retain qualified employees. Our industry is labor-intensive and experiences high employee turnover. A significant increase in the employee turnover rate could increase recruiting and training costs, thereby decreasing operating effectiveness and productivity. Also, if we obtain several significant new clients or implement several new, large-scale programs, we may need to recruit, hire and train qualified personnel at an accelerated rate. We may not be able to continue to hire, train and retain sufficient qualified personnel to adequately staff new BPO service programs. In addition, certain Delivery Centers are located in geographic areas with relatively low unemployment rates, which could make it more difficult and costly to hire qualified personnel. There can be no assurance that we will be able maintain our workforce at necessary levels.

Our Success May be Affected by Our Ability to Complete and Integrate Acquisitions and Joint Ventures

We may pursue strategic acquisitions of companies with services, technologies, industry specializations, or geographic coverage that extend or complement our existing business. We may face increased competition for acquisition opportunities, which may inhibit our ability to complete suitable acquisitions on favorable terms. We may pursue strategic alliances in the form of joint ventures and partnerships, which involve many of the same risks as acquisitions as well as additional risks associated with possible lack of control if we do not have a majority ownership position. There can be no assurance that we will be successful in integrating acquisitions or joint ventures into our existing businesses, or that any acquisition or joint venture will enhance our business, results of operations, or financial condition.

Our Business Depends on Uninterrupted Service to Clients

Our operations are dependent upon our ability to protect our computer and telecommunications equipment and software systems against damage or interruption from fire, power loss, cyber attacks, telecommunications interruption or failure, natural disaster and other similar events. Our operations may also be adversely affected by damage to our facilities resulting from fire, natural disaster, or other events. Additionally, severe weather can cause interruption in our ability to deliver our services, such as when our employees cannot attend work, resulting in a loss of revenue. In the event we experience a temporary or permanent interruption at one or more of our locations (including our corporate headquarters building), through the reasons noted above or otherwise, our business could be materially adversely affected and we may be required to pay contractual damages or face the loss of certain clients altogether. We maintain property and business interruption insurance. However, there can be no assurance that such insurance will adequately compensate us for any losses we may incur.

Our Financial Results May Experience Variability

We experience quarterly variations in operating results because of a variety of factors, many of which are outside our control. In addition, we make decisions regarding staffing levels, investments and other operating expenditures based on our revenue forecasts. If our revenue is below expectations in any given quarter, our operating results for that quarter could be materially adversely affected. There can be no assurance that future quarterly or annual operating results will reflect past operating results.

Our Financial Results May be Impacted by Foreign Currency Exchange Risk

We serve an increasing number of our clients from Delivery Centers in other countries including Argentina, Brazil, Canada, India, Malaysia, Mexico and the Philippines. Contracts with these clients are typically priced in the currency of the contracting subsidiary while the costs incurred to operate these Delivery Centers are denominated in the foreign currency of the operating subsidiary, thereby representing a foreign currency exchange risk to us.

Although we enter into financial hedge instruments for certain foreign currencies, we do not hedge 100% of these risks. If the functional currency of the contracting subsidiary weakens, the operating income of the operating subsidiary Delivery Centers, once translated into the functional currency of the operating subsidiary, decreases in comparison to prior years to the extent we have not hedged 100%.

In addition, if the U.S. dollar was to materially weaken against any of the functional currencies of our subsidiaries, our financial results may be adversely impacted. While our hedging strategy effectively offsets a portion of these foreign currency changes during 2006, there can be no assurance that we will continue to successfully hedge this foreign currency exchange risk or that the U.S. dollar will not materially weaken.

Our Financial Results May be Adversely Impacted by Our Database Marketing and Consulting Segment

Prior to 2005, our Database Marketing and Consulting segment had historically experienced high levels of profitability. During 2005 and 2006, the segment reported an operating loss. We have plans to return this segment to profitability. There can be no assurance that we will be successful in executing our plans to return this segment to prior levels of profitability. We have approximately $13.4 million of goodwill recorded for this segment whose ultimate recoverability is dependent upon the profitability of this segment. Our results of operations or financial condition may be adversely impacted if we are unable to return that segment to profitability.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Englewood, Colorado. In February 2003, we purchased our corporate headquarters building, including furniture and fixtures, for $38.3 million, which consists of approximately 264,000 square feet of office space.

As of December 31, 2006, excluding Delivery Centers we have exited, we operated 88 Delivery Centers that are classified as follows:

- *Multi-Client Center* — We lease space for these centers and serve multiple clients in each facility;
- *Dedicated Center* — We lease space for these centers and dedicate the entire facility to one client; and
- *Managed Center* — These facilities are leased or owned by our clients and we manage these sites on behalf of our clients in accordance with facility management contracts.

As of December 31, 2006, our Delivery Centers were located in the following countries:

	Multi-Client Centers	Managed Centers	Dedicated Centers	Total Number of Delivery Centers
Argentina	5	2	—	7
Australia	4	2	1	7
Brazil	2	3	—	5
Canada	4	1	7	12
China	1	1	—	2
England	—	1	—	1
Germany	—	1	—	1
India	2	—	—	2
Malaysia	1	—	—	1
Mexico	2	—	—	2
New Zealand	1	2	—	3
Northern Ireland	1	—	—	1
Philippines	8	—	—	8
Scotland	—	3	1	4
Singapore	1	1	—	2
Spain	5	4	—	9
United States	6	10	5	21
Total	43	31	14	88

Our Database Marketing and Consulting segment leases space for its corporate headquarters in San Diego, California.

The leases for our Delivery Centers have remaining terms ranging from approximately one to 14 years and generally contain renewal options. We believe that our existing Delivery Centers are suitable and adequate for our current operations and we have plans to build additional centers to accommodate future business.

ITEM 3. LEGAL PROCEEDINGS

From time to time we may be involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits have been provided for to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, it is our opinion, based on present information and advice received from counsel, that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on our Company.

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

No matters were submitted to a vote of our stockholders during the fourth quarter of our fiscal year ended December 31, 2006.

ITEM 4A. EXECUTIVE OFFICERS OF TELETECH HOLDINGS, INC.

Set forth below are the names, position and ages, as of December 31, 2006, of our executive officers:

Name	Position	Age	Date Position Assumed
Kenneth D. Tuchman(1)	Chairman and Chief Executive Officer	47	2001
James E. Barlett(2)	Vice Chairman	63	2001
Brian Delaney(3)	Executive Vice President of Global Service Delivery	49	2005
Kamalesh Dwivedi(4)	Executive Vice President and Chief Information Officer	51	2003
John Simon(5)	Executive Vice President of Global Human Capital	42	2001
Alan Schutzman(6)	Executive Vice President, General Counsel and Secretary	50	2006
John R. Troka, Jr.(7)	Vice President of Finance — Global Operations and Interim Chief Financial Officer	44	2006

There are no arrangements or understandings between any executive officer and another person pursuant to which such executive officer was selected as an officer.

(1) Mr. Tuchman founded TeleTech's predecessor company in 1982 and has served as the Chairman of the Board of Directors since TeleTech's formation in 1994. Mr. Tuchman served as the Company's President and Chief Executive Officer from the Company's inception until October 1999. In March 2001, Mr. Tuchman resumed the position of Chief Executive Officer. Mr. Tuchman is also a member of the Board of Directors for the Center for Learning and Leadership.

(2) Mr. Barlett was elected to the Board of Directors of TeleTech in February 2000 and has served as Vice Chairman of TeleTech since October 2001. Before joining TeleTech as Vice Chairman, Mr. Barlett served as the President and Chief Executive Officer of Galileo International, Inc. from 1994 to 2001, was elected Chairman in 1997 and served until 2001. Prior to joining Galileo International, Inc., Mr. Barlett served as Executive Vice President of Worldwide Operations and Systems for MasterCard International Corporation, where he was also a member of the MasterCard International Operations Committee. Previously, Mr. Barlett was Executive Vice President of Operations for NBD Bancorp, Vice Chairman of Cirrus, Inc. and a partner with Touche Ross and Co., currently known as Deloitte and Touche. Mr. Barlett also serves on the Board of Directors of Korn/Ferry International, Covansys Corporation and Celanese Corporation.

(3) Mr. Delaney joined TeleTech as Vice President of Technology in December, 2002 and moved into the Senior Vice President, North America Operations position in January, 2004. Since October, 2005, Mr. Delaney has been operating as the Executive Vice President of Global Service Delivery. Mr. Delaney is a member of the Board of Trustees for the National 4-H Council.

(4) Mr. Dwivedi joined TeleTech in August, 2003 as Executive Vice President and Chief Information Officer ("CIO"). Prior to joining TeleTech, Mr. Dwivedi was Vice President and CIO of ADC Telecommunications, a global manufacturer of broadband equipment to the telecom and cable industries. Prior to ADC, he was the CIO of Scientific-Atlanta, now a division of Cisco and a global manufacturer and supplier of integrated technology products in video, voice and data to telecom and cable industries.

(5) Mr. Simon joined TeleTech in 1999 and served as TeleTech's Associate General Counsel. In 2001 he became Senior Vice President of Global Human Capital. Mr. Simon also temporarily served as TeleTech's interim General Counsel. Beginning in October, 2005, Mr. Simon was promoted to Executive Vice President of Global Human Capital. Prior to joining TeleTech, Mr. Simon was a partner at the New York law firm Hallenbeck, Lascell, Norris and Heller. Mr. Simon's private law practice focused on litigating employment and commercial matters, as well as business counseling for institutional clients. Mr. Simon holds an undergraduate degree from Colorado College and a law degree from Georgetown University.

(6) Mr. Schutzman joined TeleTech in July 2006 as Executive Vice President, General Counsel and Secretary. From September 2003 through March 2006, Mr. Schutzman was Senior Vice President, General Counsel and Secretary of Concord Camera Corp. From January 2001 until September 2001, he served as Associate General Counsel of Jacuzzi Brands, Inc. ("Jacuzzi") and Vice President, Associate General Counsel and Assistant Secretary of Jacuzzi from September 2001 through September 2003. During the Fall 2005 Semester, Mr. Schutzman served as an Adjunct Professor of Law at the Shepard Broad Law Center, Nova Southeastern University, in Fort Lauderdale, Florida where he taught a corporate workshop on mergers and acquisitions.

(7) Mr. Troka was named TeleTech's Interim Chief Financial Officer in August 2006 and has served as TeleTech's Vice President of Global Finance since joining the company in 2002. Prior to joining TeleTech, Mr. Troka was Vice President of Finance for Qwest Communications, formerly known as US West Communications.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ National Market under the symbol "TTEC." The following table sets fourth the range of the high and low sales prices per share of the common stock for the quarters indicated as reported on the NASDAQ National Market:

	High	Low
First Quarter 2006	$ 13.01	$ 10.96
Second Quarter 2006	$ 13.79	$ 11.03
Third Quarter 2006	$ 15.95	$ 10.90
Fourth Quarter 2006	$ 23.97	$ 14.94
First Quarter 2005	$ 13.04	$ 9.08
Second Quarter 2005	$ 12.94	$ 7.34
Third Quarter 2005	$ 10.02	$ 7.67
Fourth Quarter 2005	$ 12.56	$ 9.83

As of February 1, 2007, there were 70,137,732 shares of common stock outstanding, held by stockholders of record.

We have never declared or paid any dividends on our common stock and we do not expect to do so in the foreseeable future.

Securities Authorized for Issuance Under Equity Plans

This item is discussed in Note 17 to the Consolidated Financial Statements.

Stock Repurchase Program

In November 2001, the Board of Directors ("Board") authorized a stock repurchase program to repurchase up to $5 million of our common stock. That plan was subsequently amended by the Board resulting in the authorized repurchase amount increasing to $165 million. During the three months ended December 31, 2006, we purchased 126,900 shares for $1.9 million. During the year ended December 31, 2006, we purchased 1.3 million shares for $16.6 million. From inception of the program through December 31, 2006, we have purchased 13.2 million shares for $115.7 million, leaving $49.3 million remaining under the repurchase program as of December 31, 2006. The program does not have an expiration date.

Following is a summary of issuer purchases of equity securities for the fourth quarter of 2006:

Period	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (000's)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (000's)
October 1, 2006 - October 31, 2006	126,900	$ 15.19	126,900	$ 49,341
November 1, 2006 - November 30, 2006	—	$ —	—	$ 49,341
December 1, 2006 - December 31, 2006	—	$ —	—	$ 49,341
	126,900	$ 15.19	126,900	$ 49,341

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and the related notes appearing elsewhere in this report.

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Statement of Operations Data					
Revenue	$ 1,211,297	$ 1,086,673	$ 1,052,690	$ 1,001,128	$ 1,016,935
Cost of services	(885,602)	(812,174)(8)	(774,521)	(764,687)	(769,700)
Depreciation and amortization	(51,429)	(53,317)	(59,378)	(58,596)	(57,725)
Other operating expenses	(201,421)(12)	(189,646)(9)	(170,323)(6)	(160,491)(4)	(187,511)(1)
Income from operations	72,845	31,536	48,468	17,354	1,999
Other income (expense)	(4,459)	680(10)	(14,263)(7)	(11,996)	(10,163)(2)
Provision for income taxes	(14,676)(13)	(2,516)(11)	(9,464)	(34,859)(5)	(1,538)
Minority Interest	(1,868)	(1,542)	(738)	(1,003)	1,361
Income (loss) before cumulative effect of a change in accounting principle	51,842	28,158	24,003	(30,504)	(8,341)
Cumulative effect of a change in accounting principle	—	—	—	—	(11,541)(3)
Net income (loss)	$ 51,842	$ 28,158	$ 24,003	$ (30,504)	$ (19,882)
Weighed average shares outstanding					
Basic	69,184	72,121	74,751	74,206	76,383
Diluted	70,615	73,631	76,109	74,206	76,383
Net income (loss) per share					
Basic	$ 0.75	$ 0.39	$ 0.32	$ (0.41)	$ (0.26)
Diluted	$ 0.73	$ 0.38	$ 0.32	$ (0.41)	$ (0.26)
Balance Sheet Data					
Total assets	$ 658,716	$ 522,172	$ 496,795	$ 554,816	$ 539,583
Total long-term liabilities	$ 107,417	$ 61,339	$ 166,378	$ 120,370	$ 88,148

(1) Includes the following items: a $32.8 million non-cash impairment loss related to property, plant and equipment in the U.S., Spain and Argentina; $6.3 million of restructuring charges related to the termination of approximately 400 employees; a $1.2 million loss on the closure of several Delivery Centers and a $1.9 million charge related to the early termination of a property lease.

(2) Includes a $2.3 million loss related to acquiring the remaining common stock of Enhansiv Holdings, Inc. ("EHI").

(3) Reflects the impairment of goodwill upon adoption of Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142").

(4) Includes the following items: $7.0 million charge related to the impairment of property and equipment in connection with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"); a $5.6 million charge related to a reduction in force and facility exit charges in connection with SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"); and a $1.9 million benefit related to revised estimates of restructuring charges.

(5) Includes a $30.9 million charge primarily for the write-off and impairment of deferred tax assets.

(6) Includes the following items: $2.6 million charge related to the impairment of property and equipment in connection with SFAS 144; a $2.1 million charge related to a reduction in workforce and facility exit charges under SFAS 146; and a $1.9 million reversal of part of the sales and use tax liability.

(7) Includes the following items: $7.6 million one-time charge related to restructuring of our long-term debt; and a $2.8 million one-time charge related to the termination of an interest rate swap agreement.

(8) Includes a $2.0 million benefit due to revised estimates of self-insurance accruals.

(9) Includes the following items: a $2.1 million charge related to the impairment of property and equipment in connection with SFAS 144; a $2.1 million charge related to reductions in force; a $2.0 million charge related to facility exit charges in connection with SFAS 146; a $0.6 million impairment loss related to a decision to exit a lease early and to discontinue use of certain software; a $1.0 million benefit due to revised estimates of self-insurance accrual; and a $0.5 million benefit related to revised estimates of restructuring and impairment charges.

(10) Includes a $1.0 million benefit due to a litigation settlement.

(11) Includes the following items: a $1.4 million benefit due to the reversal of income tax valuation allowance for Argentina; a $1.4 million benefit due to the reversal of income tax valuation allowance for Brazil; a $9.9 million benefit due to the reversal of U.S. income tax valuation allowance; and a $3.7 million charge related to the repatriation of foreign earnings under a Qualified Domestic Reinvestment Plan.

(12) Includes the following items: a $1.1 million charge related to reductions in force; a $0.8 million charge related to facility exit costs in connection with SFAS 146; $0.6 million charge related to the impairment of property and equipment in connection with SFAS 144; and a $3.6 million benefit due to revised estimates of self-insurance accruals.

(13) Includes the following items: a $4.5 million benefit due to the reversal of income tax valuation allowance for Spain; a $1.2 million benefit due to the reversal of income tax valuation allowance for Argentina; and a $3.3 million benefit due to the EHI loss carryforward.

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

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements that involve risks and uncertainties. The projections and statements contained in these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

All statements not based on historical fact are forward-looking statements that involve substantial risks and uncertainties. In accordance with the Private Securities Litigation Reform Act of 1995, following are important factors that could cause our actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to the following: our belief that we are continuing to see strong demand for our services and that sales cycles are shortening; risks associated with successfully integrating DAC which we acquired on June 30, 2006 and achieving anticipated future revenue growth, profitability and synergies; estimated revenue from new, renewed and expanded client business as volumes may not materialize as forecasted or be sufficient to achieve our Business Outlook; achieving continued profit improvement in our International BPO operations; the ability to close and ramp new business opportunities that are currently being pursued or that are in the final stages with existing and/or potential clients in order to achieve our Business Outlook; our ability to execute our growth plans, including sales of new products (such as OnDemand); our ability to achieve our year-end 2007 financial

goals, including those set forth in our Business Outlook; the possibility of our Database Marketing and Consulting segment not increasing revenue, lowering costs, or returning to profitability resulting in an impairment of its $13.4 million of goodwill; the possibility of lower revenue or price pressure from our clients experiencing a business downturn or merger in their business; greater than anticipated competition in the BPO services market, causing adverse pricing and more stringent contractual terms; risks associated with losing or not renewing client relationships, particularly large client agreements, or early termination of a client agreement; the risk of losing clients due to consolidation in the industries we serve; consumers' concerns or adverse publicity regarding our clients' products; our ability to find cost effective locations, obtain favorable lease terms and build or retrofit facilities in a timely and economic manner; risks associated with business interruption due to weather, pandemic, or terrorist-related events; risks associated with attracting and retaining cost-effective labor at our Delivery Centers; the possibility of additional asset impairments and restructuring charges; risks associated with changes in foreign currency exchange rates; economic or political changes affecting the countries in which we operate; changes in accounting policies and practices promulgated by standard setting bodies; and new legislation or government regulation that impacts the BPO and customer management industry.

Executive Overview

We serve our clients through two primary businesses, BPO and Database Marketing and Consulting. Our BPO business provides outsourced business process, customer management and marketing services for a variety of industries through Delivery Centers throughout the world and represents approximately 97% of total revenue. When we begin operations in a new country, we determine whether the country is intended to primarily serve U.S. based clients, in which case we include the country in our North American BPO segment, or if the country is intended to serve both domestic clients from that country and U.S. based clients, in which case we include the country in our International BPO segment. This is consistent with our management of the business, internal financial reporting structure and operating focus. Operations for each segment of our BPO business are conducted in the following countries:

North American BPO	International BPO
United States	Argentina
Canada	Australia
India	Brazil
Philippines	China
	England
	Germany
	Malaysia
	Mexico
	New Zealand
	Northern Ireland
	Scotland
	Singapore
	Spain

On June 30, 2006, we acquired 100 percent of the outstanding common shares of DAC. DAC is a provider of outsourced direct marketing services to third parties in the U.S. and its acquisition is consistent with our strategy to grow and focus on providing outsourced marketing, sales and BPO solutions to large multinational clients. DAC is included in our North American BPO segment. The acquisition of DAC contributed approximately $34.1 million of revenue and was slightly accretive to earnings during the last six months of 2006, which were the first six months of combined operations.

Database Marketing and Consulting provides outsourced database management, direct marketing and related customer acquisition and retention services for automobile dealerships and manufacturers.

See Note 3 to the Consolidated Financial Statements for additional discussion regarding our preparation of segment information.

BPO Services

The BPO business generates revenue based primarily on the amount of time our associates devote to a client's program. We primarily focus on large global corporations in the following industries; automotive, communications and media, financial services, healthcare, government, logistics, retail, technology and travel. Revenue is recognized as services are provided. The majority of our revenue is from multi-year contracts and we expect it will continue to be. However, we do provide certain client programs on a short-term basis.

We have historically experienced annual attrition of existing client programs of approximately 7% to 15% of our revenue. Attrition of existing client programs during 2006 was 7%, excluding the short-term contract with the U.S. Government during the third and fourth quarters of 2005. However, during 2005, we experienced net attrition of existing client programs of 3% (attrition of existing client programs was greater than the expansion of existing client programs) whereas during 2006, excluding the short-term contract with the U.S. Government, we experienced net growth of existing client programs of 11% as expansion of existing client programs exceeded attrition of existing client programs. We believe this trend is attributable to our investment in an account management and operations team focused on client service.

Our invoice terms with clients typically range from 30 to 60 days, with longer terms in Europe.

The BPO industry is highly competitive. We compete primarily with the in-house business processing operations of our current and potential clients. We also compete with certain companies that provide BPO on an outsourced basis. Our ability to sell our existing services or gain acceptance for new products or services is challenged by the competitive nature of the industry. There can be no assurance that we will be able to sell services to new clients, renew relationships with existing clients, or gain client acceptance of our new products.

We have improved our revenue and profitability in both the North American and the International BPO segments by:

- Selling new business to existing clients;
- Securing new clients;
- Continuing to focus sales efforts on large, complex, Multi-Center BPO opportunities;
- Differentiating our products and services from those of our competitors by developing and offering new solutions to clients;
- Exploring merger and acquisition opportunities;
- Expansion of off-shore capabilities to support client growth;
- Increasing sales to absorb unused capacity in existing global Delivery Centers;
- Reducing costs and continued focus on cost controls; and
- Managing the workforce in our Delivery Centers in a cost-effective manner.

Our ability to enter into new or renew multi-year contracts, particularly large complex opportunities, is dependent upon the macroeconomic environment in general and the specific industry environments in which our clients operate. A weakening of the U.S. or the global economy could lengthen sales cycles or cause delays in closing new business opportunities.

Our potential clients typically obtain bids from multiple vendors and evaluate many factors in selecting a service provider including, among other factors, the scope of services offered, the service record of the vendor and price. We generally price our bids with a long-term view of profitability and, accordingly, we consider all of our fixed and variable costs in developing our bids. We believe that our competitors, at times, may bid business based upon a short-term view, as opposed to our longer-term view, resulting in a lower price bid. While we believe our clients' perceptions of the value we provide results in our being

successful in certain competitive bid situations, there are often situations where a potential client may prefer a lower cost.

Our industry is labor-intensive and the majority of our operating costs relate to wages, employee benefits and employment taxes. An improvement in the local or global economies where our Delivery Centers are located could lead to increased labor-related costs. In addition, our industry experiences high personnel turnover and the length of training time required to implement new programs continues to increase due to increased complexities of our clients' businesses. This may create challenges if we obtain several significant new clients or implement several new, large-scale programs and need to recruit, hire and train qualified personnel at an accelerated rate.

As discussed above, our profitability is influenced, in part, by the number of new or expanded client programs. We defer revenue for the initial training that occurs upon commencement of a new client contract ("Start-Up Training") if that training is billed separately to the client. Accordingly, the corresponding training costs, consisting primarily of labor and related expenses, are also deferred. In these circumstances, both the training revenue and costs are amortized straight-line over the life of the contract. In situations where Start-Up Training is not billed separately, but rather included in the production rates paid by the client over the life of the contract, no deferral is necessary as the revenue is recognized over the life of the contract and the associated training expenses are expensed as incurred. For the year ended December 31, 2006, we incurred $0.4 million of training expenses for client programs for which we did not separately bill Start-Up Training.

The following summarizes the impact of the deferred Start-Up Training for the years ended December 31, 2006, 2005 and 2004 (amounts in thousands):

	Year Ended December 31,					
	2006		2005		2004	
	Revenue	Income from Operations	Revenue	Income from Operations	Revenue	Income from Operations
Amounts deferred due to new business	$ (9,432)	$ (5,224)	$ (6,583)	$ (3,371)	$ (3,139)	$ (1,858)
Amortization of prior period deferrals	5,418	2,785	1,921	839	3,154	1,714
Net increase (decrease) for the period	$ (4,014)	$ (2,439)	$ (4,662)	$ (2,532)	$ 15	$ (144)

As of December 31, 2006, we had $7.3 million of net deferred Start-Up Training that will be amortized straight-line over the remaining life of the corresponding client contracts (approximately 24 months).

We may have difficulties managing the timeliness of launching new or expanded client programs and the associated internal allocation of personnel and resources. This could cause a decline or delay in recognition of revenues and an increase in costs, either of which could adversely affect our operating results. In the event we do not successfully expand our capacity or launch new or expanded client programs, we may be unable to achieve the revenue and profitability targets set forth in the Business Outlook section below.

Quarterly, we review our capacity utilization and projected demand for future capacity. In conjunction with these reviews, we may decide to consolidate or close under-performing Delivery Centers, including those impacted by the loss of a major client program, in order to maintain or improve targeted utilization and margins. In addition, because clients may request that we serve their customers from International Delivery Centers with lower prevailing labor rates, in the future we may decide to close one or more of our Delivery Centers, even though it is generating positive cash flow, because we believe the future profits from conducting such work outside the current Delivery Center may more than compensate for the one-time charges related to closing the facility.

Our profitability is significantly influenced by our ability to increase capacity utilization in our Delivery Centers. We attempt to minimize the financial impact resulting from idle capacity when planning the development and opening of new Delivery Centers or the expansion of existing Delivery Centers. As such, management considers numerous factors that affect capacity utilization, including anticipated

expirations, reductions, terminations, or expansions of existing programs and the potential size and timing of new client contracts that we expect to obtain. We continue to win new business with both new and existing clients. As a result, we expanded our capacity in 2006 by approximately 7,000 workstations in Argentina, Canada and the Philippines.

To respond more rapidly to changing market demands, to implement new programs and to expand existing programs, we may be required to commit to additional capacity prior to the contracting of additional business, which may result in idle capacity. This is largely due to the significant time required to negotiate and execute a client contract as we concentrate our marketing efforts toward obtaining large, complex BPO programs.

We internally target capacity utilization in our Delivery Centers at 85% to 90% of our available workstations. As of December 31, 2006, the overall capacity utilization in our Multi-Client Centers was 80%. The table below presents workstation data for our multi-client centers as of December 31, 2006 and 2005. Dedicated and Managed Centers (10,355 workstations) are excluded from the workstation data as unused workstations in these facilities are not available for sale. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations. We may change the designation of shared or dedicated centers based on the normal changes in our business environment and client needs.

	December 31, 2006			December 31, 2005		
	Total Production Workstations	In Use	% In Use	Total Production Workstations	In Use	% In Use
North American BPO	13,137	10,362	79%	6,514	4,834	74%
International BPO	10,121	8,129	80%	9,447	6,695	71%
Total	23,258	18,491	80%	15,961	11,529	72%

As shown above, there was a significant increase in the total production workstations resulting from our growth plans (see discussion under BPO above), a corresponding increase in the number of production workstations in use and an increase in the utilization percentage.

Database Marketing and Consulting

The revenue from this segment is generated utilizing a database and contact system to promote the sales and service business of automobile dealership customers using targeted marketing solutions through the phone, mail, e-mail and the Web. As of December 31, 2006, our Database Marketing and Consulting segment had relationships with more than 2,400 automobile dealers representing 27 different automotive brand names. These contracts generally have terms ranging from month-to-month to 24 months. For a few major automotive manufacturers, the automotive manufacturer collects from the individual automobile dealers on our behalf. Our average collection period is 30 to 60 days. A combination of factors contributed to this segment generating a loss from operations of approximately $15.4 million after corporate allocations for the year ended December 31, 2006.

For 2006, we modified our agreement with Ford (whose dealers represented approximately 47% of the revenue of our Database Marketing and Consulting segment for the year ended December 31, 2006), to provide services to Ford's automotive dealerships on a preferred basis, rather than on an exclusive basis. The new agreement gives us flexibility to customize service offerings and the ability to contract directly with Ford's dealerships under our defined terms and conditions. Primarily due to Ford offering a competing product, our dealer attrition rate has exceeded our new account growth in 2006, resulting in a significant decrease in revenue from the prior year.

The clients of our Database Marketing and Consulting segment, as well as our joint venture with Ford, come from the automotive industry. The U.S. automotive industry is currently reporting declining earnings, which may result in client losses, lower volumes, or additional pricing pressures on our operations.

As we work to implement the plans outlined above to return this segment to profitability, we anticipate this segment will incur a loss from operations in the first quarter of 2007 in the range of $3.5 million to $4.5 million.

In 2007, we plan to continue our focus on the following to return this segment to profitability:

- Diversifying our client base by establishing relations with new automotive manufacturers and dealer groups;
- Reducing our client attrition rate by improving customer service and increasing customer contact; and
- Continuing to manage costs through operational efficiencies.

Overall

As shown in the “Results of Operations” we have improved income from operations for our North American and International BPO segments. The increases are attributable to a variety of factors such as expansion of work on certain client programs, our multi-phased cost reduction plan, transitioning work on certain client programs to lower cost operating centers, increased capacity utilization and improving individual client program profit margins and/or eliminating such programs.

As we pursue merger and acquisition opportunities, it is possible that the contemplated benefits of any future acquisitions may not materialize within the expected time periods or to the extent anticipated. Critical to the success of our acquisition strategy in the future is the orderly, effective integration of acquired businesses into our organization. If this integration is unsuccessful, our business may be adversely impacted. There is also the risk that our valuation assumptions and models for an acquisition may be overly optimistic or incorrect.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of its financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. Below is a discussion of the policies that we believe may involve a high degree of judgment and complexity.

Revenue Recognition

For each client arrangement, we determine whether evidence of an arrangement exists, delivery of our service has occurred, the fee is fixed or determinable and collection is probable. If all criteria are met, we recognize revenue at the time services are performed. If any of these criteria are not met, revenue recognition is deferred until such time as all of the criteria are met.

Our BPO segments recognize revenue under three models:

Production Rate — Revenue is recognized based on the billable time or transactions of each associate, as defined in the client contract. The rate per billable time or transaction is based on a predetermined contractual rate. This contractual rate can fluctuate based on our performance against certain pre-determined criteria related to quality and performance.

Performance-based — Under performance-based arrangements, we are paid by our clients based on achievement of certain levels of sales or other client-determined criteria specified in the client contract. We recognize performance-based revenue by measuring our actual results against the

performance criteria specified in the contracts. Amounts collected from clients prior to the performance of services are recorded as customer advances.

Hybrid — Under hybrid models we are paid a fixed fee or production element as well as a performance-based element.

Certain client programs provide for increases or decreases to monthly billings based upon whether we meet or exceed certain performance criteria as set forth in the contract. Increases or decreases to monthly billings arising from such contract terms are reflected in revenue as earned or incurred.

Our Database Marketing and Consulting segment recognizes revenue when services are rendered. Most agreements require the billing of predetermined monthly rates. Where the contractual billing periods do not coincide with the periods over which services are provided, we recognize revenue straight-line over the life of the contract (typically six to 24 months).

From time-to-time, we make certain expenditures related to acquiring contracts (recorded as contract acquisition costs in the accompanying Consolidated Balance Sheets). Those expenditures are capitalized and amortized in proportion to the initial expected future revenue from the contract, which in most cases results in straight-line amortization over the life of the contract. Amortization of these costs is recorded as a reduction of revenue.

Income Taxes

We account for income taxes in accordance with SFAS No. 109 “Accounting for Income Taxes” (“SFAS 109”), which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. When circumstances warrant, we assess the likelihood that our net deferred tax assets will more likely than not be recovered from future projected taxable income.

As required by SFAS 109, we continually review the likelihood that deferred tax assets will be realized in future tax periods under the more likely than not criteria. In making this judgment SFAS 109 requires that all available evidence, both positive and negative, should be considered to determine whether, based on the weight of that evidence, a valuation allowance is required. As of December 31, 2006, we had $56.8 million of deferred tax assets (after an $19.0 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of $49.7 million related to the U.S. and international tax jurisdictions whose recoverability is dependent upon future profitability.

In the future, our effective tax rate could be adversely affected by several factors, many of which are outside of our control. Our effective tax rate is affected by the proportion of revenues and income before taxes in the various domestic and international jurisdictions in which we operate. Further, we are subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate, as well as the requirements, pronouncements and rulings of certain tax, regulatory and accounting organizations. We estimate our annual effective tax rate each quarter based on a combination of actual and forecasted results of subsequent quarters. Consequently, significant changes in our actual quarterly or forecasted results may impact the effective tax rate for the current or future periods.

The Financial Accounting Standards Board (“FASB”) recently issued Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”), an interpretation of SFAS 109. FIN 48 will be effective for our 2007 fiscal year. See Note 1 and Note 10 to the Consolidated Financial Statements for a more complete description of the impact FIN 48 will have on our consolidated financial statements.

Allowance for Doubtful Accounts

We have established an allowance for doubtful accounts to reserve for uncollectible accounts receivable. Each quarter, management reviews the receivables on an account-by-account basis and assigns a

probability of collection. Management's judgment is used in assessing the probability of collection. Factors considered in making this judgment include, among other things, the age of the identified receivable, client financial condition, previous client payment history and any recent communications with the client.

Impairment of Long-Lived Assets

We evaluate the carrying value of our individual Delivery Centers in accordance with SFAS 144. SFAS 144 requires that a long-lived asset group be reviewed for impairment only when events or changes in circumstances indicate that the carrying amount of the long-lived asset group may not be recoverable. When the operating results of a Delivery Center have deteriorated to the point it is likely that losses will continue for the foreseeable future, or we expect that a Delivery Center will be closed or otherwise disposed of before the end of its estimated useful life, we select the Delivery Center for further review.

For Delivery Centers selected for further review, we estimate the probability-weighted future cash flows, using EBITDA (see "Presentation of Non-GAAP Measurements") as a surrogate for cash flows, resulting from operating the Delivery Center over its useful life. Significant judgment is involved in projecting future capacity utilization, pricing, labor costs and the estimated useful life of the Delivery Center. We do not subject to the same test Delivery Centers that have been operated for less than two years or those Delivery Centers that have been impaired within the past two years (the "Two Year Rule") because we believe sufficient time is necessary to establish a market presence and build a client base for such new or modified Delivery Centers in order to adequately assess recoverability. However, such Delivery Centers are nonetheless evaluated in case other factors would indicate an impairment had occurred. For impaired Delivery Centers, we write the assets down to their estimated fair market value. If the assumptions used in performing the impairment test prove insufficient, the fair market value estimate of the Delivery Centers may be significantly lower, thereby causing the carrying value to exceed fair market value and indicating an impairment had occurred.

The following table presents a sensitivity analysis of the impairment evaluation assuming that the future results were 10% less than the two-year forecasted EBITDA for all physical Delivery Centers containing Company assets (excluding India, which was impaired during 2006). As shown in the table below, the analysis indicates that an impairment of approximately $3.4 million (an increase of $0.4 million from the third quarter of 2006) would arise. However, for the Delivery Centers tested, the current probability-weighted projection scenarios indicated that impairment had not occurred as of December 31, 2006 (amounts in thousands, except number of Delivery Centers):

	Net Book Value	Number of Delivery Centers	Additional Impairment Under Sensitivity Test
Delivery Centers tested based on the Two Year Rule			
Positive cash flow in the period	$ 54,082	50	$ 681
Negative cash flow in the period	1,229	3	20
Subtotal	$ 55,311	53	$ 701
Delivery Centers not tested based on the Two Year Rule			
Positive cash flow in the period	$ 27,400	11	$ —
Negative cash flow in the period	9,519	5	2,733
Subtotal	$ 36,919	16	$ 2,733
Total			
Positive cash flow in the period	$ 81,482	61	$ 681
Negative cash flow in the period	10,748	8	2,753
Grand total	$ 92,230	69	$ 3,434

We also assess the realizable value of capitalized software development costs on a quarterly basis based upon current estimates of future cash flows from services utilizing the underlying software (principally utilized by our Database Marketing and Consulting segment). No impairment had occurred as of December 31, 2006.

Goodwill

Goodwill is tested for impairment at least annually at the segment level for the Database Marketing and Consulting segment (which consists of one subsidiary company) and for reporting units one level below the segment level for the other two segments in accordance with SFAS 142. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value. The impairment, if any, is measured based on the estimated fair value of the reporting unit. Fair value can be determined based on discounted cash flows, comparable sales, or valuations of other similar businesses. Our policy is to test goodwill for impairment in the fourth quarter of each year unless an indicator of impairment arises during a prior period.

The most significant assumptions used in these analyses are those made in estimating future cash flows. In estimating future cash flows, we generally use the financial assumptions in our internal forecasting model such as projected capacity utilization, projected changes in the prices we charge for our services and projected labor costs. We then use a discount rate we consider appropriate for the country where the business unit is providing services. If actual results are less than the assumptions used in performing the impairment test, the fair value of the reporting units may be significantly lower, causing the carrying value to exceed the fair value and indicating an impairment had occurred. Based on the analyses performed in the fourth quarter of 2006, there was no impairment to the December 31, 2006 goodwill balance of our North American and International BPO segments of $36.3 million and $8.6 million, respectively. If projected revenue used in the analysis of goodwill was 10% less than forecast (the projections assumed revenue growth rates ranging from 0% to 25% per annum over a three-year period), there would still be no impairment to goodwill.

Our Database Marketing and Consulting segment has experienced operating losses. We have plans to improve the future profitability of this segment. The goodwill for our Database Marketing and Consulting segment is $13.4 million as of December 31, 2006. As a result of this segment's financial performance in the year ended December 31, 2006, we updated our cash flow analyses (which assume annual revenue increases approximately 10 percent per annum, calculated on a smaller revenue base than our historical revenue base and following our planned efforts to sell business to non-Ford dealers). Our analyses indicated that an impairment in goodwill had not occurred as of December 1, 2006. In addition, we engaged an independent appraisal firm to assess the fair value of this segment. The independent firm also indicated that no impairment of goodwill had occurred as of December 1, 2006. However, a sensitivity analysis of the forecast indicated that, without considering corresponding reductions in future operating expenses that we would implement in the event of a further revenue decline, it would not take a material change in the revenue forecast for an impairment to arise.

Restructuring Liability

We routinely assess the profitability and utilization of our Delivery Centers and existing markets. In some cases, we have chosen to close under-performing Delivery Centers and complete reductions in workforce to enhance future profitability. We follow SFAS 146, which specifies that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than upon commitment to a plan.

A significant assumption used in determining the amount of the estimated liability for closing Delivery Centers is the estimated liability for future lease payments on vacant centers, which we determine based on a third-party broker's assessment of our ability to successfully negotiate early termination agreements with landlords and/or our ability to sublease the facility. If our assumptions regarding early termination and the timing and amounts of sublease payments prove to be inaccurate, we may be required to record additional losses, or conversely, a future gain.

Adoption of SFAS No. 123(R) and Equity-Based Compensation Expense

During the first quarter of 2006, we adopted SFAS No. 123 (revised 2004) “Share-Based Payment” (“SFAS 123(R)”) applying the modified prospective method. SFAS 123(R) requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the Consolidated Statement of Operations and Comprehensive Income based on the grant date fair value of the award. Prior to the adoption of SFAS 123(R), we accounted for equity-based awards under the intrinsic value method, which followed recognition and measurement principles of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations and equity-based compensation was included as pro-forma disclosure within the notes to the financial statements.

We did not modify the terms of any previously granted options in anticipation of the adoption of SFAS 123(R).

Income from Operations for the year ended December 31, 2006 was adversely affected by the impact of equity-based compensation due to the implementation of SFAS 123(R). For the year ended December 31, 2006, we recorded expense of $6.9 million for equity-based compensation. We expect that equity-based compensation expense for fiscal 2007 and 2008 from existing awards will be approximately $6.6 million and $5.8 million, respectively. However, any future significant awards granted or required changes in the estimated forfeiture rates may impact this estimate. See Note 17 to the Consolidated Financial Statements for additional information.

Contingencies

We record a liability in accordance with SFAS No. 5 “Accounting for Contingencies” for pending litigation and claims where losses are both probable and reasonably estimable. Each quarter, management, with the advice of legal counsel, reviews all litigation and claims on a case-by-case basis and assigns probability of loss and range of loss based upon the assessments of in-house counsel and outside counsel, as appropriate.

Explanation of Key Metrics and Other Items

Cost of Services

Cost of services principally include costs incurred in connection with our BPO operations and database marketing services, including direct labor, telecommunications, printing, postage, sales and use tax and certain fixed costs associated with Delivery Centers. In addition, cost of services includes income related to grants we may receive from time-to-time from local or state governments as an incentive to locate Delivery Centers in their jurisdictions which reduce the cost of services for those facilities.

Selling, General and Administrative

Selling, general and administrative expenses primarily include costs associated with administrative services such as sales, marketing, product development, legal settlements, legal, information systems (including core technology and telephony infrastructure) and accounting and finance. It also includes equity-based compensation expense, outside professional fees (i.e. legal and accounting services), building maintenance expense for non-Delivery Center facilities and other items associated with general business administration.

Restructuring Charges, Net

Restructuring charges, net primarily include costs incurred in conjunction with reductions in force or decisions to exit facilities, including termination benefits and lease liabilities, net of expected sublease rentals.

Interest Expense

Interest expense includes interest expense and amortization of debt issuance costs associated with our grants, debt and capitalized lease obligations.

Other Income

The main components of other income are miscellaneous receipts not directly related to our operating activities, such as foreign exchange transaction gains and corporate legal settlements.

Other Expenses

The main components of other expenses are expenditures not directly related to our operating activities, such as corporate legal settlements and foreign exchange transaction losses.

Presentation of Non-GAAP Measurements

Free Cash Flow

Free cash flow is a non-GAAP liquidity measurement. We believe that free cash flow is useful to our investors because it measures, during a given period, the amount of cash generated that is available for debt obligations and investments other than purchases of property, plant and equipment. Free cash flow is not a measure determined by GAAP and should not be considered a substitute for "income from operations," "net income," "net cash provided by operating activities," or any other measure determined in accordance with GAAP. We believe this non-GAAP liquidity measure is useful, in addition to the most directly comparable GAAP measure of "net cash provided by operating activities," because free cash flow includes investments in operational assets. Free cash flow does not represent residual cash available for discretionary expenditures, since it includes cash required for debt service. Free cash flow also excludes cash that may be necessary for acquisitions, investments and other needs that may arise.

The following table reconciles free cash flow to net cash provided by operating activities for our consolidated results (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Free cash flow	$ 29,206	$ 3,880	$ 71,004
Purchases of property, plant and equipment	65,528	37,606	41,677
Net cash provided by operating activities	$ 94,734	$ 41,486	$ 112,681

We discuss factors affecting free cash flow between periods in the "Liquidity and Capital Resources" section below.

EBIT and EBITDA

EBIT is defined as net income before interest and taxes. EBITDA is calculated by adding depreciation and amortization for the period to EBIT. EBIT and EBITDA are not defined GAAP measures and should not be considered alternatives to net income determined in accordance with GAAP as an indicator of operating performance, nor an alternative to cash flows from operating activities determined in accordance with GAAP as a measure of liquidity. Because others may not calculate EBIT and EBITDA in the same manner as TeleTech, the EBIT and EBITDA information presented below may not be comparable to similar presentations by others.

However, we believe that EBIT and EBITDA provide investors and Management with a valuable and alternative method for assessing our operating results. Management evaluates the performance of our subsidiaries and operating segments based on EBIT and believes that EBIT is useful to investors to demonstrate the operational profitability of our business segments by excluding interest and taxes, which are generally accounted for across the entire Company on a consolidated basis. EBIT is also one of the measures Management uses to determine resource allocations and incentive compensation. Further, we use EBITDA to evaluate the profitability and cash flow of our Delivery Centers when testing the impairment of long-lived assets.

The following table reconciles net income to EBIT and EBITDA for our consolidated results (amounts in thousands):

	Years Ended December 31,		
	2006	2005	2004
Net income	$ 51,842	$ 28,158	$ 24,003
Interest income	(2,209)	(2,789)	(4,045)
Interest expense	5,943	3,510	8,542
Provision for income taxes	14,676	2,516	9,464
EBIT	70,252	31,395	37,964
Depreciation and amortization	51,429	53,317	59,378
EBITDA	$ 121,681	$ 84,712	$ 97,342

RESULTS OF OPERATIONS

Year Ended December 31, 2006 Compared to December 31, 2005

The following tables are presented to facilitate Management's Discussion and Analysis. The following table presents results of operations by segment for the years ended December 31, 2006 and 2005 (amounts in thousands):

	Year Ended December 31,					
	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
Revenue						
North American BPO	$ 814,963	67.3%	$ 678,803	62.5%	$ 136,160	20.1%
International BPO	356,106	29.4%	325,038	29.9%	31,068	9.6%
Database Marketing and Consulting	40,228	3.3%	82,832	7.6%	(42,604)	(51.4)%
	$ 1,211,297	100.0%	$ 1,086,673	100.0%	$ 124,624	11.5%
Cost of services						
North American BPO	$ 589,832	72.4%	$ 505,328	74.4%	$ 84,504	16.7%
International BPO	272,636	76.6%	262,273	80.7%	10,363	4.0%
Database Marketing and Consulting	23,134	57.5%	44,573	53.8%	(21,439)	(48.1)%
	$ 885,602	73.1%	$ 812,174	74.7%	$ 73,428	9.0%
Selling, general and administrative						
North American BPO	$ 111,569	13.7%	$ 82,834	12.2%	$ 28,735	34.7%
International BPO	62,784	17.6%	61,663	19.0%	1,121	1.8%
Database Marketing and Consulting	24,873	61.8%	37,765	45.6%	(12,892)	(34.1)%
	$ 199,226	16.4%	$ 182,262	16.8%	$ 16,964	9.3%
Depreciation and amortization						
North American BPO	$ 26,730	3.3%	$ 26,806	3.9%	$ (76)	(0.3)%
International BPO	17,205	4.8%	16,963	5.2%	242	1.4%
Database Marketing and Consulting	7,494	18.6%	9,548	11.5%	(2,054)	(21.5)%
	$ 51,429	4.2%	$ 53,317	4.9%	$ (1,888)	(3.5)%
Restructuring charges, net						
North American BPO	$ 103	0.0%	$ 1,160	0.2%	$ (1,057)	(91.1)%
International BPO	1,420	0.4%	1,242	0.4%	178	14.3%
Database Marketing and Consulting	107	0.3%	271	0.3%	(164)	(60.5)%
	$ 1,630	0.1%	$ 2,673	0.2%	$ (1,043)	(39.0)%
Impairment losses						
North American BPO	$ 87	0.0%	$ —	0.0%	87	0.0%
International BPO	478	0.1%	4,711	1.4%	(4,233)	(89.9)%
Database Marketing and Consulting	—	0.0%	—	0.0%	—	0.0%
	$ 565	0.0%	$ 4,711	0.4%	$ (4,146)	(88.0)%
Income (loss) from operations						
North American BPO	$ 86,642	10.6%	$ 62,675	9.2%	$ 23,967	38.2%
International BPO	1,583	0.4%	(21,814)	(6.7)%	23,397	(107.3)%
Database Marketing and Consulting	(15,380)	(38.2)%	(9,325)	(11.3)%	(6,055)	64.9%
	$ 72,845	6.0%	$ 31,536	2.9%	$ 41,309	131.0%
Other income (expense)	$ (4,459)	(0.4)%	$ 680	0.1%	$ (5,139)	(755.7)%
Provision for income taxes	$ (14,676)	(1.2)%	$ (2,516)	(0.2)%	$ (12,160)	483.3%

Revenue

Revenues for the North American BPO for 2006 compared to 2005 were $815.0 million and $678.8 million, respectively. The increase in revenue for the North American BPO between periods was due to new client programs, expansion of existing client programs and $34.1 million resulting from the acquisition of DAC. Further, the prior year included approximately $45.4 million of revenue related to a short-term government program that did not have 2006 revenues as previously disclosed.

Revenues for the International BPO for 2006 compared to 2005 were $356.1 million and $325.0 million, respectively. The increase in revenue for the International BPO between periods was due to new client programs and the expansion of existing client programs in Latin America and Europe.

Revenues for Database Marketing and Consulting for 2006 compared to 2005 were $40.2 million and $82.8 million, respectively. The decrease is due primarily to a net decrease in the customer base as previously discussed.

Cost of Services

Cost of services for the North American BPO for 2006 compared to 2005 were $589.8 million and $505.3 million, respectively. Cost of services as a percentage of revenue in the North American BPO decreased compared to the prior year due to the expansion of off-shore opportunities with a lower cost structure. In absolute dollars, the increase in cost of services corresponds to revenue growth from the implementation of new and expanded client programs and $19.5 million resulting from the acquisition of DAC.

Cost of services for the International BPO for 2006 compared to 2005 were $272.6 million and $262.3 million, respectively. Cost of services as a percentage of revenue in the International BPO decreased due to increased capacity utilization that resulted from the expansion of off-shore opportunities with a lower cost structure. In absolute dollars, the increase in cost of services corresponds to revenue growth from the implementation of new or expanded client programs.

Cost of services for Database Marketing and Consulting for 2006 compared to 2005 were $23.1 million and $44.6 million, respectively. The decrease from the prior year was primarily due to the decrease in revenue and cost reductions.

Selling, General and Administrative

Selling, general and administrative expenses for the North American BPO for 2006 compared to 2005 were $111.6 million and $82.8 million, respectively. The expenses increased in both absolute dollars and as a percentage of revenue primarily due to the stock option expense required by the adoption of SFAS 123(R) (see Note 17 to the Consolidated Financial Statements), the acquisition of DAC and increased allocation of corporate-level operating expenses.

Selling, general and administrative expenses for the International BPO for 2006 compared to 2005 were $62.8 million and $61.7 million, respectively. These expenses for the International BPO remained relatively constant in absolute dollars and as a percentage of revenue. The slight decrease as a percentage of revenue reflects reduced salaries and benefits expense resulting from headcount reductions in our operations in Europe and Asia Pacific.

Selling, general and administrative expenses for Database Marketing and Consulting for 2006 compared to 2005 were $24.9 million and $37.8 million, respectively. The decrease was primarily due to cost reductions and the lower allocation of corporate-level operating expenses.

Depreciation and Amortization

Depreciation and amortization expense on a consolidated basis for 2006 compared to 2005 were $51.4 million and $53.3 million, respectively. Depreciation and amortization expense in both the North American BPO and the International BPO remained relatively consistent with the prior year.

Depreciation and amortization expense in Database Marketing and Consulting decreased compared to the prior year due to assets, primarily software development costs, reaching the end of their depreciable lives.

Restructuring Charges, Net

During 2006, we recognized restructuring charges in the amount of $1.1 million related to reductions in force across all three segments and facility exit charges in the amount of $0.8 million related to the International BPO. This was offset by the reversal of $0.2 million in excess accruals across both the North American BPO and the International BPO as the actual costs incurred were less than the estimated accrual.

Impairment Losses

During 2006, we recognized impairment losses of $0.6 million related to the following items: (i) $0.4 million related to the reduction of the net book value of long-lived assets in New Zealand, Malaysia and India to their then estimated fair values; and (ii) $0.2 million for the difference between the estimated and the actual value received for assets in the closed South Korea Delivery Center.

Other Income (Expense)

For 2006, interest income decreased by $0.5 million due to less average daily cash and cash equivalent balances during the year. Interest expense increased by $2.4 million due to increased borrowings compared to the prior year due primarily to the acquisition of DAC. The remaining change is primarily the result of foreign currency transaction losses and unfavorable settlements of non-operating items.

Income Taxes

The effective tax rate (after minority interest) for 2006 was 22%. This compares to an effective tax rate (after minority interest) of 8% in 2005. As discussed in Note 10 to the Consolidated Financial Statements, in 2006 we reversed $5.6 million of the deferred tax valuation allowance during the year. In addition, we recorded new deferred tax assets of $3.3 million associated with loss carry forwards that due to a corporate restructuring, which are now available for use against future taxable income. Without these items, our effective tax rate (after minority interest) in 2006 would have been 36%. The effective tax rate (after minority interest) in 2005 included the reversal of $12.7 million of deferred tax valuation allowances and additional tax expenses (after minority interest) of $3.7 million related to our Domestic Reinvestment Plan. Without these items, our effective tax rate (after minority interest) in 2005 would have also been 38%.

We expect that our effective tax rate (after minority interest) in future periods will be approximately 35%.

Year Ended December 31, 2005 Compared to December 31, 2004

The following table presents results of operations by segment for the years ended December 31, 2005 and 2004 (amounts in thousands):

	Year Ended December 31,					
	2005	% of Revenue	2004	% of Revenue	$ Change	% Change
Revenue						
North American BPO	$ 678,803	62.5%	$ 638,359	60.7%	$ 40,444	6.3%
International BPO	325,038	29.9%	315,938	30.0%	9,100	2.9%
Database Marketing and Consulting	82,832	7.6%	98,393	9.3%	(15,561)	(15.8)%
	$ 1,086,673	100.0%	$ 1,052,690	100.0%	$ 33,983	3.2%
Cost of services						
North American BPO	$ 505,328	74.4%	$ 476,155	74.6%	$ 29,173	6.1%
International BPO	262,273	80.7%	255,681	80.9%	6,592	2.6%
Database Marketing and Consulting	44,573	53.8%	42,685	43.4%	1,888	4.4%
	$ 812,174	74.7%	$ 774,521	73.6%	$ 37,653	4.9%
Selling, general and administrative						
North American BPO	$ 82,834	12.2%	$ 70,849	11.1%	$ 11,985	16.9%
International BPO	61,663	19.0%	57,855	18.3%	3,808	6.6%
Database Marketing and Consulting	37,765	45.6%	36,926	37.5%	839	2.3%
	$ 182,262	16.8%	$ 165,630	15.7%	$ 16,632	10.0%
Depreciation and amortization						
North American BPO	$ 26,806	3.9%	$ 32,175	5.0%	$ (5,369)	(16.7)%
International BPO	16,963	5.2%	17,313	5.5%	(350)	(2.0)%
Database Marketing and Consulting	9,548	11.5%	9,890	10.1%	(342)	(3.5)%
	$ 53,317	4.9%	$ 59,378	5.6%	$ (6,061)	(10.2)%
Restructuring charges, net						
North American BPO	$ 1,160	0.2%	$ 600	0.1%	$ 560	93.3%
International BPO	1,242	0.4%	862	0.3%	380	44.1%
Database Marketing and Consulting	271	0.3%	590	0.6%	(319)	(54.1)%
	$ 2,673	0.2%	$ 2,052	0.2%	$ 621	30.3%
Impairment losses						
North American BPO	$ —	0.0%	$ —	0.0%	$ —	0.0%
International BPO	4,711	1.4%	2,641	0.8%	2,070	78.4%
Database Marketing and Consulting	—	0.0%	—	0.0%	—	0.0%
	$ 4,711	0.4%	$ 2,641	0.3%	$ 2,070	78.4%
Income (loss) from operations						
North American BPO	$ 62,675	9.2%	$ 58,580	9.2%	$ 4,095	7.0%
International BPO	(21,814)	(6.7)%	(18,414)	(5.8)%	(3,400)	18.5%
Database Marketing and Consulting	(9,325)	(11.3)%	8,302	8.4%	(17,627)	(212.3)%
	$ 31,536	2.9%	$ 48,468	4.6%	$ (16,932)	(34.9)%
Other income (expense)	$ 680	0.1%	$ (14,263)	(1.4)%	$ 14,943	(104.8)%
Provision for income taxes	$ (2,516)	(0.2)%	$ (9,464)	(0.9)%	$ 6,948	(73.4)%

Revenue

Revenues for the North American BPO for 2005 compared to 2004 were $678.8 million and $638.4 million, respectively. The increase in the North American BPO revenue between periods was driven primarily by the ramp up, during the third quarter that ended in the fourth quarter, of a short-term U.S. Government program to aid in hurricane relief efforts that generated $45 million in revenue during 2005. Revenue also increased as a result of net expansion of existing client programs, that was offset by declining Minimum Commitments.

Revenues for the International BPO for 2005 compared to 2004 were $325.0 million and $315.9 million, respectively. The increase was primarily due to growth in our operations in Latin America and favorable changes in foreign currency exchange rates. These were offset by the loss of certain client programs, primarily in Scotland.

Revenues for Database Marketing and Consulting for 2005 compared to 2004 were $82.8 million and $98.4 million, respectively. The decrease was primarily due to the decrease in their customer base.

Cost of Services

Cost of services for the North American BPO for 2005 compared 2004 were $505.3 million and $476.2 million, respectively. Cost of services as a percentage of revenue in the North American BPO was essentially flat compared to the prior year. In absolute dollars, cost of services increased as a result of the implementation of new programs, which was partially offset by the implementation of our plans to reduce costs and increase client profitability.

Cost of services for the International BPO for 2005 compared to 2004 were $262.3 million and $255.7 million, respectively. Cost of services as a percentage of revenue in the International BPO decreased slightly compared to the prior year due to our efforts to terminate and/or renegotiate unfavorable client contracts, which was offset by increased costs from new client programs in Latin America.

Cost of services for Database Marketing and Consulting for 2005 compared to 2004 were $44.6 million and $42.7 million, respectively. Cost of services as a percentage of revenue for Database Marketing and Consulting increased primarily due to lower revenue without a corresponding decrease in costs. In addition, costs increased when we transitioned certain back-office functions to lower cost locations.

Selling, General and Administrative

Selling, general and administrative expenses for the North American BPO for 2005 compared to 2004 were $82.8 million and $70.9 million, respectively. The increase as a percentage of revenue and in absolute dollars in the North American BPO was related to increased sales and marketing expenses, new product development and software maintenance.

Selling, general and administrative expenses for the International BPO for 2005 compared to 2004 were $61.7 million and $57.9 million, respectively. These expenses in the International BPO increased both as a percentage of revenue and in absolute dollars, as a result of changes in foreign currency exchange rates, a regional litigation settlement and increased salaries and benefits expense resulting from headcount additions. These were offset by our efforts to reduce costs.

Selling, general and administrative expenses for Database Marketing and Consulting for 2005 compared to 2004 were $37.8 million and $36.9 million, respectively. The increase as a percentage of Revenue and in absolute dollars in Database Marketing and Consulting was caused primarily by the decrease in revenue as costs for selling, general and administrative expenses are primarily fixed in nature.

Depreciation and Amortization

Depreciation and amortization expense for 2005 compared to 2004 on a consolidated basis were $53.3 million and $59.4 million, respectively.

Depreciation and amortization expense in the North American BPO decreased in absolute dollars between periods due to the closure of certain facilities. Depreciation and amortization expenses in the International BPO remained relatively unchanged. Depreciation and amortization expense in Database Marketing and Consulting also remained relatively unchanged, but increased as a percentage of revenue due to the decrease in revenue discussed above.

Restructuring Charges, Net

During 2005, we recognized restructuring charges in the amount of $2.1 million related to reductions in force across both BPO segments and facility exit charges in the amount of $0.7 million related to both BPO segments. This was offset by the reversal of $0.1 million in excess accruals in the North American BPO as the actual costs incurred were less than the estimated accrual.

Impairment Losses

During 2005, we recognized impairment losses in the amount of $4.7 million related to the following items: (i) $2.1 million change in the International BPO related to its decision to close the Glasgow, Scotland Delivery Center; (ii) $2.0 million charge in the International BPO related to the impairment of long-lived assets in its South Korea Delivery Center when we determined that we would no longer serve clients from, or market, that Delivery Center; and (iii) a $0.6 million impairment charge in the North American BPO related to its decision to exit a lease early and to discontinue use of certain software.

Other Income (Expense)

Other income (expense) for 2005 compared to 2004 increased from an expense of $14.3 million to income of $0.7 million, respectively. Interest income decreased $1.3 million due to less average daily cash and cash equivalents during the year. Interest expense decreased $5.0 million due to decreased borrowings resulting from the restructuring of our long-term debt. We also incurred debt restructuring charges of $10.4 million related to this restructuring. Included in the debt restructuring charge for 2004 is $7.6 million of one-time charges of which $6.4 million was a cash charge and the remaining $1.2 million was a non-cash charge to write-off previously capitalized debt issuance costs. Additionally, we recorded a one-time charge of $2.8 million related to the termination of an interest rate swap.

Income Taxes

The effective tax rate (after minority interest) for 2005 was 8%. This included the reversal of $12.7 million of deferred tax valuation allowances and additional tax expenses of $3.7 million related to our Domestic Reinvestment Plan. Without these items, our effective tax rate (after minority interest) in 2005 would have been 38%.

Liquidity and Capital Resources

Our primary sources of liquidity during 2006 were existing cash balances, cash generated from operations and borrowings under the Company's revolving line of credit. We expect that our future working capital, capital expenditures and debt service requirements will be satisfied primarily from existing cash balances and cash generated from operations. Our ability to generate positive future operating and net cash flows is dependent upon, among other things, our ability to sell new business, expand existing client relationships and efficiently manage our operating costs.

The amount of capital required in 2007 will also depend on our levels of investment in infrastructure necessary to maintain, upgrade, or replace existing assets. Our working capital and capital expenditure requirements could increase materially in the event of acquisitions or joint ventures, among other factors. These factors could require that we raise additional capital in the future.

The following discussion highlights our cash flow activities during the years ended December 31, 2006, 2005 and 2004.

Cash and Cash Equivalents

We consider all liquid investments purchased within 90 days of their maturity to be cash equivalents. Our cash and cash equivalents totaled $60.5 million and $32.5 million as of December 31, 2006 and 2005, respectively.

Cash Flows from Operating Activities

We reinvest our cash flows from operating activities in our business or in the purchases of treasury stock. For the years 2006, 2005 and 2004, we reported net cash flows provided by operating activities of $94.7 million, $41.5 million and $112.7 million, respectively. The increase from 2005 to 2006 resulted from increased net income as well as changes in working capital accounts. The decrease from 2004 to 2005 resulted from changes in working capital accounts, primarily due to increased accounts receivable. The increase in accounts receivable primarily resulted from the ramp-up of the short-term U.S. Government program discussed previously and other new or expanded clients that ramped in the fourth quarter of 2005.

Cash Flows from Investing Activities

We reinvest cash in our business primarily to grow our client base and to expand our infrastructure. For the years 2006, 2005 and 2004, we reported net cash flows used in investing activities of $113.0 million, $41.4 million and $42.1 million, respectively. The increase from 2005 to 2006 resulted from the acquisition of DAC and expanded capital expenditures for our embedded client base as well as new client contracts. The amount from 2004 to 2005 remained relatively consistent.

Cash Flows from Financing Activities

For the years 2006, 2005 and 2004, we reported net cash flows provided by (used in) financing activities of $43.7 million, ($36.1) million and ($123.0) million, respectively. The change from 2005 to 2006 resulted from a decrease in the purchase of treasury stock and increased exercises of stock options. The change from 2004 to 2005 relates primarily to the fact that in 2004 we restructured our debt and there was no such transaction in 2005.

Free Cash Flow

Free cash flow (see “Presentation of Non-GAAP Measurements” for definition of free cash flow) was $29.2 million, $3.9 million and $71.0 million for the years 2006, 2005 and 2004, respectively. The increase from 2005 to 2006 primarily resulted from higher cash flows from operations, which outpaced the increase in capital expenditures. The decrease from 2004 to 2005 resulted from lower cash flows from operations due to increased accounts receivable balances from the ramp up of the short-term government program discussed above.

Obligations and Future Capital Requirements

Future maturities of our outstanding debt and contractual obligations are summarized as follows:

	Less than 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Line of credit(1)	$ —	$ —	$ 65,000	$ —	$ 65,000
Grant advances(1)	—	—	—	7,451	7,451
Purchase obligations(2)	18,974	24,135	6,118	—	49,227
Operating lease commitments(2)	25,840	37,637	25,292	34,613	123,382
Total	$ 44,814	$ 61,772	$ 96,410	$ 42,064	$ 245,060

(1) Reflected in the accompanying Consolidated Balance Sheets

(2) Not reflected in the accompanying Consolidated Balance Sheets

Purchase Obligations

Occasionally we contract with certain of our communications clients (which currently represents approximately 30% of our annual revenue) to provide us with telecommunication services. We believe these contracts are negotiated on an arms-length basis and may be negotiated at different times and with different legal entities.

Future Capital Requirements

We expect total capital expenditures in 2007 to be approximately $60.0 million. 77% of the expected capital expenditures in 2007 are related to the opening and/or expansion of Delivery Centers and 23% relates to the maintenance capital required for existing assets and internal technology projects. The anticipated level of 2007 capital expenditures is primarily dependent upon new client contracts and the corresponding requirements for additional Delivery Center capacity as well as enhancements to our technological infrastructure.

We may consider restructurings, dispositions, mergers, acquisitions and other similar transactions. Such transactions could include the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption, or refinancing of indebtedness and could be material to the consolidated financial condition and consolidated results of our operations.

The launch of large client contracts may result in negative working capital because of the time period between incurring the costs for training and launching the program and the beginning of the accounts receivable collection process. As a result, periodically we may generate negative cash flows from operating activities.

Debt Instruments and Related Covenants

We discuss debt instruments and related covenants in Note 12 to the Consolidated Financial Statements.

Client Concentration

Our five largest clients accounted for 42%, 47% and 52% of our revenue for the years ended December 31, 2006, 2005 and 2004, respectively. In addition, these five clients accounted for an even greater proportional share of our consolidated earnings. The profitability of services provided to these clients varies greatly based upon the specific contract terms with any particular client. In addition, clients may adjust business volumes served by us based on their business requirements. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis. We believe the risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients. Although certain client contracts may be terminated for convenience by either party, this risk is mitigated, in part, by the service level disruptions that would arise for our clients.

The contracts with our five largest clients expire between 2009 and 2010. Additionally, a particular client can have multiple contracts with different expiration dates. We have historically renewed most of our contracts with our largest clients. However, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts.

Recently Issued Accounting Pronouncements

We discuss the potential impact of recent accounting pronouncements in Note 1 and Note 10 to the Consolidated Financial Statements.

Business Outlook

For 2007, we estimate that revenue will grow approximately 15 percent over 2006 as we focus on achieving our previously stated goal of reaching a $1.5 billion revenue run-rate by the fourth quarter 2007. Furthermore, we believe that fourth quarter 2007 operating margin will increase to 10 percent, excluding unusual charges, if any.

For 2008, we believe that revenue will grow between 12% and 15% and operating margin will improve by approximately 200 basis points over 2007.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our consolidated financial position, consolidated results of operations, or consolidated cash flows due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk in the areas of changes in U.S. interest rates, LIBOR and foreign currency exchange rates as measured against the U.S. dollar. These exposures are directly related to our normal operating and funding activities. As of December 31, 2006, we had entered into financial hedge instruments with several financial institutions to manage and reduce the impact of changes, principally the U.S./Canadian dollar exchange rates.

Interest Rate Risk

The interest rate on our Credit Facility is variable based upon the Prime Rate and LIBOR and, therefore, is affected by changes in market interest rates. As of December 31, 2006, there was a $65.0 million outstanding balance under the Credit Facility. If the Prime Rate or LIBOR increased 100 basis points, there would not be a material impact to our financial position or results of operations.

Foreign Currency Risk

We have operations in Argentina, Australia, Brazil, Canada, China, England, Germany, India, Malaysia, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, Singapore and Spain. The expenses from these operations and in some cases the revenue, are denominated in local currency, thereby creating exposures to changes in exchange rates. As a result, we may experience substantial foreign currency translation gains or losses due to the volatility of other currencies compared to the U.S. dollar, which may positively or negatively affect our results of operations attributed to these subsidiaries. For the years ended December 31, 2006 and 2005, revenue from non-U.S. countries represented 64% and 56% of our consolidated revenue, respectively.

A global business strategy for us is to serve certain clients from Delivery Centers located in other foreign countries, including Argentina, Brazil, Canada, India, Malaysia, Mexico and the Philippines, in order to leverage lower operating costs in these foreign countries. In order to mitigate the risk of these foreign currencies from strengthening against the functional currency of the contracting subsidiary, which thereby decreases the economic benefit of performing work in these countries, we may hedge a portion, though not 100%, of the foreign currency exposure related to client programs served from these foreign countries. While our hedging strategy can protect us from adverse changes in foreign currency rates in the short-term, an overall strengthening of the foreign currencies would adversely impact margins in the segments of the contracting subsidiary over the long-term.

The majority of this exposure is related to work performed from Delivery Centers located in Canada and the Philippines. During the years ended December 31, 2006, 2005 and 2004, the Canadian dollar appreciated against the U.S. dollar by 0.1%, 3.3% and 6.7%, respectively. We have contracted with several financial institutions on behalf of our Canadian subsidiary to acquire a total of $167.3 million Canadian dollars through June 2010 at a fixed price in U.S. dollars not to exceed $150.6 million. However, certain contracts, representing $27.6 million in Canadian dollars, give us the right (but not obligation) to purchase the Canadian dollars. If the Canadian dollar depreciates relative to the contracted exchange rate, we will elect to purchase the Canadian dollars at the then beneficial market exchange rate.

During the years ended December 31, 2006 and 2005, the Philippine peso appreciated against the U.S. dollar by 7.5% and 5.9%, respectively, and during the year ended December 31, 2004, the Philippine peso depreciated by 1.4%. We have contracted with several financial institutions on behalf of our Philippine subsidiary to acquire a total of 2.6 billion Philippine pesos through October 2008 at a fixed price of $50.5 million U.S. dollars.

As of December 31, 2006, we had total derivative assets and (liabilities) associated with foreign exchange contracts of $3.5 million and ($6.5) million, respectively. The Canadian dollar derivative assets

and (liabilities) represented $0.9 million and ($6.5) million, respectively of the consolidated balance. Further, 77% of the asset value and 49% of the liability balance, settles within the next twelve months. The Philippine peso derivative assets represented $2.1 million of the consolidated balance. Further, 89% of the asset value settles within the next twelve months. If the U.S./Canadian dollar or U.S. dollar/Philippine peso exchange rate were to increase or decrease by 10% from current period-end levels, we would incur a material gain or loss on the contracts. However, any gain or loss would be mitigated by corresponding gains or losses in our underlying exposures.

Other than the transactions hedged as discussed above and in Note 9 to the Consolidated Financial Statements, the majority of the transactions of our U.S. and foreign operations are denominated in the respective local currency while some transactions are denominated in other currencies. For example, the intercompany transactions that are expected to be settled are denominated in the local currency of the billing subsidiary. Since the accounting records of our foreign operations are kept in the respective local currency, any transactions denominated in other currencies are accounted for in the respective local currency at the time of the transaction. Upon settlement of such a transaction, any foreign currency gain or loss results in an adjustment to income. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant as we endeavor to settle these accounts on a timely basis.

Fair Value of Debt and Equity Securities

We did not have any investments in debt or equity securities as of December 31, 2006.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are located beginning on page F-1 of this report and incorporated herein by reference.

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

We have had no changes in or disagreements with our independent auditors regarding accounting or financial disclosure matters.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our disclosure controls and procedures have also been designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Evaluation of Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report on management’s assessment of the design and effectiveness of its internal control over financial reporting as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2006. Our independent registered public accounting firm also audited and reported on management’s assessment of the effectiveness of internal control over financial reporting. Management’s report and the independent registered public accounting firm’s attestation report are included under the captions entitled “Management’s Report on Internal Control Over Financial Reporting” and “Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting” in Item 15 of this Annual Report on Form 10-K and are incorporated herein by reference.

Based on their evaluation as of December 31, 2006, our principal executive officer and principal financial officer of the Company have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter of 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning our executive officers is set forth in Item 4A of this Annual Report on Form 10-K under the caption “Executive Officers of TeleTech Holdings, Inc.”

Information with respect to our directors is incorporated herein by reference to the information “Election of Directors” in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2007 Annual Meeting of Stockholders (the “Proxy Statement”).

ITEM 11. EXECUTIVE COMPENSATION

We hereby incorporate by reference the information to appear under the caption “Executive Officers — Executive Compensation” in our definitive Proxy Statement for our 2007 Annual Meeting of Stockholders, provided, however, that neither the Report of the Compensation Committee on Executive Compensation nor the Performance Graph set forth therein shall be incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We hereby incorporate by reference the information to appear under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our definitive Proxy Statement for our 2007 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We hereby incorporate by reference the information to appear under the captions “Certain Relationships and Related Party Transactions” in our definitive Proxy Statement for our 2007 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

We hereby incorporate by reference the information to appear under the caption “Independent Audit Fees” in our definitive Proxy Statement for our 2007 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. *Consolidated Financial Statements*

   The Index to Consolidated Financial Statements is set forth on page F-1 of this report.

2. *Financial Statement Schedules*

   All schedules for TeleTech have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information is included in the respective Consolidated Financial Statements or notes thereto.

3. *Exhibits*

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of TeleTech (incorporated by reference to Exhibit 3.1 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
3.2	Amended and Restated Bylaws of TeleTech (incorporated by reference to Exhibit 3.2 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
10.1†	TeleTech Holdings, Inc. Stock Plan, as amended and restated (incorporated by reference to Exhibit 10.7 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
10.2†	TeleTech Holdings, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to TeleTech's Form S-8 Registration Statement (Registration No. 333-69668) filed on September 19, 2001)
10.3†	TeleTech Holdings, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (incorporated by reference to Exhibit 99.1 to TeleTech's Form S-8 Registration Statement (Registration No. 333-96617) filed on July 17, 2002)
10.4†	Newgen Results Corporation 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Newgen Results Corporation's Form S-1 Registration Statement (Registration No. 333-62703) filed on September 2, 1998)
10.5†	Newgen Results Corporation 1998 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Newgen Results Corporation's Form S-1 Registration Statement (Registration No. 333-62703) filed on September 2, 1998)
10.6	Form of Client Services Agreement, 1996 version (incorporated by reference to Exhibit 10.12 to TeleTech's Amendment No. 1 to Form S-1 Registration Statement (Registration No. 333-04097) filed on June 5, 1996)
10.7	Agreement for Customer Interaction Center Management Between United Parcel General Services Co. and TeleTech (incorporated by reference to Exhibit 10.13 to TeleTech's Amendment No. 4 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 30, 1996)
10.8	Client Services Agreement dated May 1, 1997, between TeleTech Customer Care Management (Telecommunications), Inc. and GTE Card Services Incorporated d/b/a GTE Solutions (incorporated by reference to Exhibit 10.12 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1997)
10.9	Operating Agreement for Ford Tel II, LLC effective February 24, 2000 by and among Ford Motor Company and TeleTech Holdings, Inc. (incorporated by reference to Exhibit 10.25 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)
10.10	Credit Agreement dated as of October 29, 2002 among TeleTech, Bank of America, N.A. and the other Lenders party thereto (incorporated by reference to Exhibit 10.10 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)

Exhibit No.	Description
10.11	Amended and Restated Lease and Deed of Trust Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.31 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
10.12	Amended and Restated Participation Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.32 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
10.13	Private Placement of Senior Notes pursuant to Note Purchase Agreement dated October 30, 2001 (incorporated by reference to Exhibit 10.73 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.14†	Employment Agreement dated May 15, 2001 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.64 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.15†	Stock Option Agreement dated August 16, 2000 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.53 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.16†	Non-Qualified Stock Option Agreement dated October 27, 1999 between Michael E. Foss and TeleTech (incorporated by reference to Exhibit 10.26 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)
10.17†	Promissory Note dated November 28, 2000 by Sean Erickson for the benefit of TeleTech (incorporated by reference to Exhibit 10.62 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.18†	Promissory Note dated March 28, 2001 by Sean Erickson for the benefit of TeleTech
10.19†	Employment Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.66 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.20†	Stock Option Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.70 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.21†	Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.71 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.22†	Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.72 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.23†	Employment Agreement dated October 15, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.68 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.24†	Stock Option Agreement dated October 1, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.69 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.25†	Letter Agreement dated January 11, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.54 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.26†	Stock Option Agreement dated January 29, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.55 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.27†	Letter Agreement dated January 26, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.56 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.28†	Stock Option Agreement dated March 5, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.57 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)

Exhibit No.	Description
10.29	First Amendment to Note Purchase Agreement dated as of February 1, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto (incorporated by reference to Exhibit 10.29 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.30	Second Amendment to Note Purchase Agreement dated as of August 1, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto (incorporated by reference to Exhibit 10.30 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.31	Third Amendment to Note Purchase Agreement dated as of September 30, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto (incorporated by reference to Exhibit 10.31 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.32	First Amendment to Credit Agreement dated as of February 10, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.32 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.33	Second Amendment to Credit Agreement dated as of June 30, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.33 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.34	Third Amendment to Credit Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.34 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.35	Intercreditor and Collateral Agency Agreement dated as of October 24, 2003 among various creditors of TeleTech Holdings, Inc. and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.35 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.36	Pledge Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., each subsidiary of TeleTech Holdings, Inc. party thereto and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.36 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.37	Security Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., each subsidiary of TeleTech Holdings, Inc. party thereto and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.37 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.38*	Stock Purchase Agreement among TeleTech Holdings, Inc., Insight Enterprises, Inc. and Direct Alliance Corporation dated June 14, 2006
10.39*	Amended and Restated Credit Agreement among TeleTech Holdings, Inc. as Borrower, The Lenders named herein, as lenders and Keybank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent dated as of September 28, 2006
10.40*	First Amendment to the Amended and Restated Credit Agreement among TeleTech Holdings, Inc. as Borrower, the Lenders named herein, as Lenders and Keybank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent dated as of October 24, 2006
21.1*	List of subsidiaries
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Rule 13a-14(a) Certification of CEO of TeleTech
31.2*	Rule 13a-14(a) Certification of CFO of TeleTech
32*	Written Statement of Chief Executive Officer and Interim Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

* Filed herewith.

† Management contract or compensatory plan or arrangement filed pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized on February 7, 2007.

TELETECH HOLDINGS, INC.

By: /s/ KENNETH D. TUCHMAN
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 7, 2007, by the following persons on behalf of the registrant and in the capacities indicated:

Signature	Title
/s/ KENNETH D. TUCHMAN Kenneth D. Tuchman	PRINCIPAL EXECUTIVE OFFICER Chief Executive Officer and Chairman of the Board
/s/ JOHN R. TROKA, JR. John R. Troka, Jr.	PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER Vice President Finance — Global Operations and Interim Chief Financial Officer
/s/ JAMES E. BARLETT James E. Barlett	DIRECTOR
/s/ WILLIAM A. LINNENBRINGER William A. Linnenbringer	DIRECTOR
/s/ RUTH C. LIPPER Ruth C. Lipper	DIRECTOR
/s/ SHRIKANT MEHTA Shrikant Mehta	DIRECTOR
/s/ SHIRLEY YOUNG Shirley Young	DIRECTOR

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF TELETECH HOLDINGS, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the
Board of Directors of TeleTech Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of TeleTech Holdings, Inc. and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of TeleTech Holdings, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TeleTech Holdings, Inc. and subsidiaries as of December 31, 2006 and 2005 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in fiscal year 2006, Teletech Holdings, inc. changed its method for stock-based compensation in accordance with the guidance provided in Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of TeleTech Holdings, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 7, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado
February 7, 2007

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

/s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chief Executive Officer

February 7, 2007

/s/ JOHN R. TROKA, JR.
John R. Troka, Jr.
Interim Chief Financial Officer

February 7, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Stockholders and the
Board of Directors of TeleTech Holdings, Inc.:

We have audited management's assessment, included in the section entitled Management's Report on Internal Control over Financial Reporting, that TeleTech Holdings, Inc. (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). TeleTech Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that TeleTech Holdings, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, TeleTech Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TeleTech Holdings, Inc. and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006 and our report dated February 7, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Denver, Colorado
February 7, 2007

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Amounts in thousands except share amounts)

	December 31, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 60,484	$ 32,505
Accounts receivable, net	237,353	207,090
Prepaids and other current assets	34,552	29,004
Deferred tax assets, net	12,212	12,990
Income taxes receivable	16,543	16,298
Total current assets	361,144	297,887
Long-term assets		
Property, plant and equipment, net	156,047	133,635
Goodwill	58,234	32,077
Contract acquisition costs, net	9,674	12,874
Deferred tax assets, net	44,585	30,621
Other long-term assets	29,032	15,078
Total long-term assets	297,572	224,285
Total assets	$ 658,716	$ 522,172
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 30,738	$ 30,096
Accrued employee compensation and benefits	76,071	59,196
Other accrued expenses	39,165	40,583
Income taxes payable	26,211	17,398
Deferred tax liabilities	309	2,556
Other short-term liabilities	9,521	11,086
Total current liabilities	182,015	160,915
Long-term liabilities		
Line of credit	65,000	26,700
Grant advances	8,000	6,476
Deferred tax liabilities	6,741	6,821
Other long-term liabilities	27,676	21,342
Total long-term liabilities	107,417	61,339
Total liabilities	289,432	222,254
Minority interest	5,877	6,544
Commitments and contingencies		
Stockholders' equity		
Common stock; $.01 par value; 150,000,000 shares authorized; 70,103,437 and 69,162,448 shares outstanding as of December 31, 2006 and 2005, respectively	701	694
Preferred stock; $0.01 par; 10,000,000 shares authorized; zero shares outstanding as of December 31, 2006 and 2005	—	—
Additional paid-in capital	162,519	146,367
Accumulated other comprehensive income	5,730	3,698
Retained earnings	194,457	142,615
Total stockholders' equity	363,407	293,374
Total liabilities and stockholders' equity	$ 658,716	$ 522,172

The accompanying notes are an integral part of these consolidated financial statements.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
(Amounts in thousands except per share amounts)

	Year Ended December 31,		
	2006	2005	2004
Revenue	$ 1,211,297	$ 1,086,673	$ 1,052,690
Operating expenses			
Cost of services	885,602	812,174	774,521
Selling, general and administrative	199,226	182,262	165,630
Depreciation and amortization	51,429	53,317	59,378
Restructuring charges, net	1,630	2,673	2,052
Impairment losses	565	4,711	2,641
Total operating expenses	1,138,452	1,055,137	1,004,222
Income from operations	72,845	31,536	48,468
Other income (expense)			
Interest income	2,209	2,789	4,045
Interest expense	(5,943)	(3,510)	(8,542)
Debt restructuring charges	—	—	(10,402)
Other, net	(725)	1,401	636
Total other income (expense)	(4,459)	680	(14,263)
Income before income taxes and minority interest	68,386	32,216	34,205
Provision for income taxes	(14,676)	(2,516)	(9,464)
Income before minority interest	53,710	29,700	24,741
Minority interest	(1,868)	(1,542)	(738)
Net income	$ 51,842	$ 28,158	$ 24,003
Other comprehensive income (loss)			
Foreign currency translation adjustments	7,433	3,152	6,893
Derivatives valuation, net of tax	(5,401)	(2,703)	3,064
Total other comprehensive income (loss)	2,032	449	9,957
Comprehensive income	$ 53,874	$ 28,607	$ 33,960
Weighted average shares outstanding			
Basic	69,184	72,121	74,751
Diluted	70,615	73,631	76,109
Net income per share			
Basic	$ 0.75	$ 0.39	$ 0.32
Diluted	$ 0.73	$ 0.38	$ 0.32

The accompanying notes are an integral part of these consolidated financial statements.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(Amounts in thousands except share amounts)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Stock Purchase Warrants	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2003	75,008	$ 750	—	$ —	$ 195,916	$ 5,100	$ (6,708)	$ 90,454	$ 285,512
Net income	—	—	—	—	—	—	—	24,003	24,003
Foreign currency translation adjustments	—	—	—	—	—	—	6,893	—	6,893
Derivatives valuation, net of tax	—	—	—	—	—	—	3,064	—	3,064
Purchases through employee stock purchase plan	90	1	—	—	464	—	—	—	465
Exercise of stock options	688	7	—	—	5,123	—	—	—	5,130
Excess tax benefit from exercise of stock options	—	—	—	—	1,877	—	—	—	1,877
Purchases of common stock	(854)	(8)	—	—	(5,601)	—	—	—	(5,609)
Amortization of deferred compensation	—	—	—	—	490	—	—	—	490
Other	—	—	—	—	720	—	—	—	720
Balance as of December 31, 2004	74,932	750	—	—	198,989	5,100	3,249	114,457	322,545
Net income	—	—	—	—	—	—	—	28,158	28,158
Foreign currency translation adjustments	—	—	—	—	—	—	3,152	—	3,152
Derivatives valuation, net of tax	—	—	—	—	—	—	(2,703)	—	(2,703)
Purchases through employee stock purchase plan	65	1	—	—	536	—	—	—	537
Exercise of stock options	1,269	10	—	—	7,377	—	—	—	7,387
Excess tax benefit from exercise of stock options	—	—	—	—	2,763	—	—	—	2,763
Purchases of common stock	(7,104)	(67)	—	—	(67,774)	—	—	—	(67,841)
Expiration of stock purchase warrants	—	—	—	—	5,100	(5,100)	—	—	—
Amortization of deferred compensation	—	—	—	—	74	—	—	—	74
Other	—	—	—	—	(698)	—	—	—	(698)
Balance as of December 31, 2005	69,162	694	—	—	146,367	—	3,698	142,615	293,374
Net income	—	—	—	—	—	—	—	51,842	51,842
Foreign currency translation adjustments		—	—	—	—	—	7,433	—	7,433
Derivatives valuation, net of tax	—	—	—	—	—	—	(5,401)	—	(5,401)
Exercise of stock options	2,231	20	—	—	19,414	—	—	—	19,434
Excess tax benefit from exercise of stock options	—	—	—	—	6,385	—	—	—	6,385
Compensation expense from stock options	—	—	—	—	6,916	—	—	—	6,916
Purchases of common stock	(1,290)	(13)	—	—	(16,563)	—	—	—	(16,576)
Balance as of December 31, 2006	70,103	$ 701	—	$ —	$ 162,519	$ —	$ 5,730	$ 194,457	$ 363,407

The accompanying notes are an integral part of these consolidated financial statements.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Amounts in thousands)

	December 31,		
	2006	2005	2004
Cash flows from operating activities			
Net income	$ 51,842	$ 28,158	$ 24,003
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	51,429	53,317	59,378
Amortization of contract acquisition costs	3,392	3,890	4,631
Provision for doubtful accounts	2,723	(153)	2,526
Loss (gain) on disposal of assets	232	(271)	546
Impairment losses	565	4,711	2,641
Deferred income taxes	(10,526)	(23,003)	(1,698)
Minority interest	1,868	1,542	738
Excess tax benefit from exercise of stock options	—	2,763	1,877
Compensation expense from stock options	6,916	—	—
Other	—	(131)	308
Changes in assets and liabilities:			
Accounts receivable	(19,098)	(58,310)	(2,386)
Prepaids and other assets	(11,589)	1,222	2,083
Accounts payable and other accrued expenses	15,347	22,253	25,265
Other liabilities	1,633	5,498	(7,231)
Net cash provided by operating activities	94,734	41,486	112,681
Cash flows from investing activities			
Acquisition of a business, net of cash acquired of $0.5 million	(45,802)	—	—
Purchases of property, plant and equipment	(65,528)	(37,606)	(41,677)
Payment for contract acquisition costs	(173)	(2,160)	—
Purchases of intangible assets	(1,510)	(1,587)	—
Other	—	—	(424)
Net cash used in investing activities	(113,013)	(41,353)	(42,101)
Cash flows from financing activities			
Proceeds from lines of credit	$ 468,400	412,500	145,900
Payments on lines of credit	(430,100)	(385,800)	(184,900)
Payments on long-term debt and capital lease obligations	(332)	(155)	(75,358)
Payments of debt refinancing fees	(923)	—	(1,000)
Payment on grant advances	—	—	(5,780)
Payments from minority shareholder	—	640	1,742
Payments to minority shareholder	(2,594)	(3,354)	(3,600)
Payments from employee stock purchase plan	—	537	465
Proceeds from exercise of stock options	19,430	7,387	5,130
Excess tax benefit from exercise of stock options	6,385	—	—
Purchases of treasury stock	(16,576)	(67,841)	(5,609)
Net cash provided by (used in) financing activities	43,690	(36,086)	(123,010)
Effect of exchange rate changes on cash and cash equivalents	2,568	(6,608)	(14,159)
Increase (decrease) in cash and cash equivalents	27,979	(42,561)	(66,589)
Cash and cash equivalents, beginning of year	32,505	75,066	141,655
Cash and cash equivalents, end of year	$ 60,484	$ 32,505	$ 75,066
Supplemental disclosures			
Cash paid for interest	$ 4,089	$ 733	$ 9,757
Cash paid for income taxes	$ 8,746	$ 22,071	$ 10,525

The accompanying notes are an integral part of these consolidated financial statements.

(1) OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

TeleTech Holdings, Inc. ("TeleTech" or "the Company") serves its clients through two primary businesses: (i) Business Process Outsourcing ("BPO"), which provides outsourced business process, customer management and marketing services for a variety of industries via operations in the United States ("U.S."), Argentina, Australia, Brazil, Canada, China, England, Germany, India, Malaysia, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, Singapore and Spain; and (ii) Database Marketing and Consulting, which provides outsourced database management, direct marketing and related customer acquisition and retention services for automotive dealerships and manufacturers in North America.

Basis of Presentation

The consolidated financial statements are comprised of the accounts of TeleTech, its wholly owned subsidiaries and its majority owned subsidiaries Percepta, LLC and TeleTech Services (India) Limited. All intercompany balances and transactions have been eliminated in consolidation. Certain amounts in 2005 and 2004 have been reclassified in the consolidated financial statements to conform to the 2006 presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S.") requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's use of accounting estimates is primarily in the areas of (i) forecasting future taxable income for determining whether deferred tax valuation allowances are necessary; (ii) providing for self-insurance reserves, litigation reserves and restructuring reserves; (iii) estimating future estimated cash flows for evaluating the carrying value of long-lived assets including goodwill; and (iv) assessing recoverability of accounts receivable and providing for allowance for doubtful accounts.

Concentration of Credit Risk

The Company is exposed to credit risk in the normal course of business, primarily related to accounts receivable and derivative instruments. Historically, the losses related to credit risk have been immaterial. The Company regularly monitors its credit risk to mitigate the possibility of current and future exposures resulting in a loss. The Company evaluates the creditworthiness of its clients prior to entering into an agreement to provide services and on an on-going basis as part of the processes for revenue recognition and accounts receivable. The Company does not believe it is exposed to more than a nominal amount of credit risk in its derivative hedging activities, as the counter parties are established, well-capitalized financial institutions.

Fair Value of Financial Instruments

Fair values of cash equivalents and current accounts receivable and payable approximate the carrying amounts because of their short-term nature. Long-term debt carried on the Company's Consolidated Balance Sheets as of December 31, 2006 and 2005 has a carrying value that approximates its estimated fair value.

Cash and Cash Equivalents

The Company considers all cash and investments with an original maturity of 90 days or less to be cash equivalents.

Derivatives

The Company uses forward and option contracts to manage risks generally associated with foreign exchange rate volatility. The Company enters into foreign exchange forward and option contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. These transactions are designated as cash flow hedges in accordance with the criteria established in Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133").

SFAS 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded in the Company's Consolidated Balance Sheets as either an asset or liability measured at its fair value, with changes in the fair value of qualifying hedges recorded in Accumulated Other Comprehensive Income, a component of Stockholders' Equity. SFAS 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133 also requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. Based on the criteria established by SFAS 133, all of the Company's cash flow hedge contracts are deemed effective. The settlement of these derivatives will result in reclassifications from Accumulated Other Comprehensive Income to earnings in the period during which the hedged transactions affect earnings.

While the Company expects that its derivative instruments will continue to meet the conditions for hedge accounting, if the hedges did not qualify as highly effective or if the Company did not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected currently in earnings.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Additions, improvements and major renewals are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Amounts paid for software licenses and third-party-packaged software are capitalized.

Depreciation and amortization are computed on the straight-line method based on the following estimated useful lives:

Building	25 years
Computer equipment and software	3 to 5 years
Telephone equipment	4 to 7 years
Furniture and fixtures	5 to 7 years
Leasehold improvements	3 to 15 years
Other	3 to 7 years

The Company depreciates assets acquired under capital leases and leasehold improvements associated with operating leases over the shorter of the expected useful life or the initial term of the leases.

During the year, the Company evaluates the carrying value of its Delivery Centers in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") to assess whether future operating results are sufficient to recover the carrying costs of these long-lived assets. The Company believes a sufficient period of time, generally two years, is required to establish market presence and build a client base for new or revalued centers in order to access recoverability.

The Company evaluates all centers quarterly, even those in operation less than two years, for other factors which could impact their recoverability. When the operating results of a Delivery Center have

reasonably progressed to a point making it likely that the site will continue to sustain losses in the future, or there is a current expectation that a Delivery Center will be closed or otherwise disposed of before the end of its previously estimated useful life, the Company selects the Delivery Center for further review. For Delivery Centers selected for further review, the Company estimates the future estimated
probability-weighted cash flows from operating the Delivery Centers over their useful lives. Significant judgment is involved in projecting future capacity utilization, pricing, labor costs and the estimated useful lives. For impaired Delivery Centers, the Company writes the assets down to their estimated fair market value.

Software Development Costs

The Company accounts for software development costs in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1 “Accounting for the Cost of Computer Software Developed or Obtained for Internal Use,” which requires that certain costs related to the development or purchase of internal-use software be capitalized. These costs are amortized over the expected useful life of the software. The Company assesses the recoverability of its capitalized software costs, on a quarterly basis, based upon analyses of expected future cash flows of services utilizing the software. Capitalized software costs are included in Property, Plant and Equipment, Net in the accompanying Consolidated Balance Sheets.

Goodwill

Goodwill represents the excess of acquisition costs over the fair value of the net assets acquired in business combinations. Goodwill is tested for impairment at least annually at the reporting units one level below the segment level for the Company in accordance with SFAS No. 142 “Goodwill and Other Intangible Assets” (“SFAS 142”). Impairment, if any, is measured based on the estimated fair value of the reporting unit. The Company determines fair value based on discounted estimated future probability-weighted cash flows although other methods are allowable. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value. The Company’s policy is to test goodwill for impairment in the fourth quarter of each year unless circumstances indicate an impairment may exist during an intervening period.

Contract Acquisition Costs

Amounts paid to or on behalf of clients to obtain long-term contracts are capitalized and amortized in proportion to the initial expected future revenue from the contract, which in most cases results in
straight-line amortization over the life of the contract. These costs are recorded as a reduction to Revenue in accordance with Emerging Issues Task Force (“EITF”) No. 01-09 “Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor’s Products.” On a quarterly basis, the Company evaluates the recoverability of these costs based upon evaluations of the individual underlying client contracts’ estimated future cash flows.

Other Intangible Assets

The Company accounts for other intangible assets, which include trademarks, customer relationships and non-compete agreements in accordance with SFAS 142. Definite life intangible assets are amortized on a straight-line basis over the length of the contract or benefit period, which generally ranges from two to 10 years. Impairment, if any, is determined based upon management reviews whereby, estimated undiscounted future cash flows associated with these assets or operations are compared with their carrying value to determine if a write-down to fair value (normally measured by the expected present value technique) is required. Other intangible assets are included in Other Long-term Assets in the accompanying Consolidated Balance Sheets.

Self Insurance Liabilities

The Company self-insures for certain levels of workers' compensation, employee health insurance and general liability insurance. The Company records estimated liabilities for these insurance lines based upon analyses of historical claims experience performed by independent actuaries. The most significant assumption the Company makes in estimating these liabilities is that future claims experience will emerge in a similar pattern with historical claims experience. The liabilities related to workers' compensation and employee health insurance are included in Accrued Employee Compensation and Benefits in the accompanying Consolidated Balance Sheets. The liability for other general liability insurance is included in Other Accrued Expenses in the accompanying Consolidated Balance Sheets

Restructuring Liabilities

SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") specifies that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, instead of upon commitment to a plan. Management assesses the profitability and utilization of the Company's Delivery Centers on a quarterly basis and in some cases, management has chosen to close under-performing Delivery Centers and complete reductions in force to enhance future profitability.

A significant assumption used in determining the amount of estimated liability for closing Delivery Centers is the estimated liability for future lease payments on vacant centers, which the Company determines based on a third-party broker's assessment of the Company's ability to successfully negotiate early termination agreements with landlords and/or to sublease the facility. If the assumptions regarding early termination and the timing and amounts of sublease payments prove to be inaccurate, the Company may be required to record additional losses, or conversely, a future gain, in its Consolidated Statements of Operations and Comprehensive Income. The accrual for Restructuring Liabilities is included in Other Accrued Expenses in the accompanying Consolidated Balance Sheets.

Grant Advances

From time to time, the Company has received grants from local or state governments as an incentive to locate Delivery Centers in their jurisdictions. The Company's policy is to account for grant monies received in advance as a liability and recognize them as income over the life of the grant after it has met the grant conditions set forth in the agreement.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes" ("SFAS 109"), which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Gross deferred tax assets may then be reduced by a valuation allowance for amounts that do not satisfy the realization criteria of SFAS 109.

The Company provides for U.S. income taxes expense on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered permanently reinvested outside the U.S.

Stock Option Accounting

On January 1, 2006, the Company adopted ("SFAS") No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123(R)"), applying the modified prospective method. SFAS 123(R) requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the

Consolidated Statements of Operations and Comprehensive Income and Comprehensive Income at the fair value of the award on the grant date. Under the modified prospective method, the Company is required to record equity-based compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards outstanding as of the date of adoption. The fair values of all stock options granted by the Company are determined using the Black-Scholes-Merton model ("B-S-M Model").

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries, whose functional currency is not the U.S. dollar, are translated at the exchange rates in effect on the last day of the period and income and expenses are translated at the weighted average exchange rate during the reporting period. The net effect of translation gains and losses are recorded in Accumulated Other Comprehensive Income in the accompanying Consolidated Balance Sheets, which is a separate component of Stockholders' Equity. Foreign currency transaction gains and losses are included in Other Income (Expense) in the accompanying Consolidated Statements of Operations and Comprehensive Income. Intercompany loans are generally treated as permanently invested as settlement is not planned or anticipated in the foreseeable future. Accordingly, such foreign currency transactions are recorded in Accumulated Other Comprehensive Income.

Revenue Recognition

The Company recognizes revenue at the time services are performed. The Company's BPO business recognizes revenue as follows:

Production Rate — Revenue is recognized based on the billable hours or minutes of each agent, as defined in the client contract. The rate per billable hour or minute is based on a predetermined contractual rate. This contractual rate can fluctuate based on the Company's performance against certain pre-determined criteria related to quality and performance.

Performance-based — Under performance-based arrangements, the Company is paid by its clients based on achievement of certain levels of sales or other client-determined criteria specified in the client contract. The Company recognizes performance-based revenue by measuring its actual results against the performance criteria specified in the contracts. Amounts collected from clients prior to the performance of services are recorded as deferred revenue.

Hybrid — Under hybrid models the Company is paid a fixed fee or production element as well as a performance-based element.

Certain client programs provide for adjustments to monthly billings based upon whether the Company meets or exceeds certain performance criteria as set forth in the contract. Increases or decreases to monthly billings arising from such contract terms are reflected in Revenue in the accompanying Consolidated Statements of Operations and Comprehensive Income, as earned or incurred.

In addition, the Company's Database and Marketing Segment enters into certain client contracts in which the contractual billing periods do not coincide with the periods over which the services are provided. In those instances, the Company recognizes Revenue straight-line over the life of the contract.

Start-Up Training Revenue and Costs

The Company follows EITF No. 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"), which provides guidance on how to account for multiple element contracts. The Company has determined that EITF 00-21 requires the deferral of revenue for the initial training that occurs upon commencement of a new client contract if that training is billed separately to a client. Accordingly, the

corresponding training costs, consisting primarily of labor and related expenses, are also deferred. In these circumstances, both the training revenue and costs are amortized straight-line over the life of the client contract as a component of Revenue and Cost of Services, respectively, in the accompanying Consolidated Statements of Operations and Comprehensive Income. In situations where these initial training costs are not billed separately, but rather included in the hourly service rates paid by the client over the life of the contract, no deferral is necessary as the revenue is being recognized over the life of the contract and the associated training expenses are expensed as incurred.

The deferred Start-Up Training Revenue is recorded as a component of Other Short-term Liabilities or Other Long-term liabilities in the accompanying Consolidated Balance Sheets based upon the remaining term of the underlying client contracts.

The deferred Start-Up Training Costs are recorded as a component of Prepaids and Other Current Assets or Other Long-term Assets in the accompanying Consolidated Balance Sheets based upon the remaining term of the underlying client contracts.

Deferred Revenue

The Company records amounts billed and received, but not earned, as deferred revenue. These amounts are recorded as a component of Other Short-term Liabilities or Other Long-term Liabilities based on their maturity in the accompanying Consolidated Balance Sheets.

Operating Leases

The Company has negotiated certain rent holidays, landlord/tenant incentives and escalations in the base price of the rent payments over the term of their operating leases. In accordance with SFAS No. 13 “Accounting for Leases,” Financial Accounting Standards Board (“FASB”) Technical Bulletin 88-1 “Issues Relating to Accounting for Leases,” and FASB Technical Bulletin 85-3 “Accounting for Operating Leases with Scheduled Rent Increases,” the Company recognizes rent holidays and rent escalations on a straight-line basis over the lease term. The landlord/tenant incentives are recorded as deferred rent and amortized on a straight line over the lease term. Deferred rent liabilities are included in Other Long-term Liabilities in the accompanying Consolidated Balance Sheets.

Net Income Per Share

Basic Net Income per Share is computed by dividing the Company’s Consolidated Net Income by the weighted average number of common shares outstanding. The impact of any potentially dilutive securities is excluded. Diluted Net Income per Share is computed by dividing the Company’s Consolidated Net Income by the weighted average number of shares including dilutive potential common shares outstanding during the period.

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48 “Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 is effective as of the beginning of the first annual period beginning after December 15, 2006. FIN 48 defines the threshold for recognizing the tax benefits of a tax return filing position in the financial statements as “more-likely-than-not” to be sustained by the taxing authority. This is different than the accounting practice currently followed by the Company, which is to recognize the best estimate of the impact of a tax position only when the position is “probable” of being sustained on audit based solely on the technical merits of the position. The term “probable” is consistent with the use of the term in SFAS No. 5 “Accounting for Contingencies,” to mean that “the future event or events are likely to occur.” See Note 10 for further discussion on the Company’s review of this recently issued pronouncement.

(2) ACQUISITIONS

On June 30, 2006, the Company acquired 100 percent of the outstanding common shares of Direct Alliance Corporation ("DAC") from Insight Enterprises, Inc. (NASDAQ: NSIT). DAC is a provider of outsourced direct marketing services to third parties in the U.S. and its acquisition is consistent with the Company's strategy to grow and to focus on providing outsourced marketing, sales and BPO solutions to large multinational clients. DAC is included in the Company's North American BPO segment.

The preliminary total purchase price of $46.4 million in cash was funded utilizing the Company's Credit Facility. The purchase agreement provides for the seller to (i) receive a future payment of up to $11.0 million based upon the earnings of DAC for the last six months of 2006 exceeding specified amounts and (ii) pay the Company up to $5.0 million in the event certain clients of DAC do not renew, on substantially similar terms, their service agreement with DAC as set forth in the purchase agreement. DAC did not meet the base targets for 2006 and therefore no adjustment to the purchase price was made for the first item. In addition, a contract with an existing client has not been finalized and therefore no adjustment to the purchase price has been made for the second item.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed was based upon the Company's intention to make a 338 election for income tax reporting for the acquisition of DAC and was as follows (amounts in thousands):

Current assets	$ 14,548
Property, plant and equipment	4,410
Intangible assets	9,100
Goodwill	24,438
Total assets acquired	52,496
Current liabilities	(6,123)
Total liabilities assumed	(6,123)
Net assets acquired	$ 46,373

The Company acquired identifiable intangible assets as a result of the acquisition of DAC. The intangible assets acquired, excluding costs in excess of net assets acquired, are preliminarily classified and valued as follows (amounts in thousands):

	Value	Amortization Period
Trade name	$ 1,800	None; indefinite life
Customer relationships	7,300	10 years
Total	$ 9,100	

These amounts are included as components of Other Intangible Assets discussed in Note 8.

The following table presents the pro-forma combined results of operations assuming (i) DAC's historical unaudited financial results; (ii) the DAC acquisition closed on January 1, 2005; (iii) pro-forma amortization expense of the intangible assets and (iv) pro-forma interest expense assuming the Company utilized its Credit Facility to finance the acquisition (amounts in thousands):

	(Unaudited) Year Ended December 31,	
	2006	2005
Revenue	$ 1,245,392	$ 1,164,116
Income from operations	$ 73,506	$ 39,237
Net income	$ 52,432	$ 31,623
Weighted average shares outstanding		
Basic	69,184	72,121
Diluted	70,615	73,631
Net income per share		
Basic	$ 0.76	$ 0.44
Diluted	$ 0.74	$ 0.43

The pro-forma results above are not necessarily indicative of the operating results that would have actually occurred if the acquisition had been in effect on the date indicated, nor are they necessarily indicative of future results of the combined companies.

(3) SEGMENT INFORMATION

The Company serves its clients through two primary businesses, BPO and Database Marketing and Consulting. In previous filings the North American BPO segment was referred to as "North American Customer Management" and the International BPO segment was referred to as "International Customer Management."

BPO provides business process, customer management and marketing services for a variety of industries via Delivery Centers throughout the world. When the Company begins operations in a new country, it determines whether the country is intended to primarily serve U.S. based clients, in which case the country is included in the North American BPO segment, or if the country is intended to serve both domestic clients from that country and U.S. based clients, in which case the country is included in the International BPO segment. This is consistent with the Company's management of the business, internal financial reporting structure and operating focus. Operations for each segment of BPO are conducted in the following countries:

North American BPO	International BPO
United States	Argentina
Canada	Australia
India	Brazil
Philippines	China
	England
	Germany
	Malaysia
	Mexico
	New Zealand
	Northern Ireland
	Scotland
	Singapore
	Spain

The Database Marketing and Consulting segment, which consists of one of the Company's subsidiaries, provides outsourced database management, direct marketing and related customer acquisitions and retention services for automobile dealerships and manufacturers in North America.

The Company allocates to each segment its portion of corporate-level operating expenses. All intercompany transactions between the reported segments for the periods presented have been eliminated.

It is a significant Company strategy to garner additional business through the lower cost opportunities offered by certain foreign countries. Accordingly, the Company contracts with certain clients in one country to provide services from Delivery Centers in other foreign countries including Argentina, Brazil, Canada, India, Mexico, Malaysia and the Philippines. Under this arrangement, the contracting subsidiary invoices and collects from their local client, while also entering into a contract with the foreign operating subsidiary to reimburse the foreign subsidiary for its costs plus a reasonable profit. This reimbursement is reflected as revenue by the foreign subsidiary. As a result, a portion of the revenue from these client contracts is recorded by the contracting subsidiary, while a portion is recorded by the foreign operating subsidiary. For U.S. clients served from Canada, India and the Philippines, which represents the majority of these arrangements, all the revenue remains within the North American BPO segment. For U.S. clients served from Argentina and Mexico, a portion of the revenue is reflected in the International BPO segment. For European and Asia Pacific clients served from the Philippines, a portion of the revenue is reflected in the North American BPO segment. For the years ended December 31, 2006, 2005 and 2004, approximately $7.4 million, $2.2 million and $2.9 million, respectively, of income from operations in the International BPO segment was generated from these arrangements. For the years ended December 31, 2006, 2005 and 2004, approximately $0.2 million, $0.0 million and $0.0 million, respectively, of income from operations in the North American BPO segment was generated from these arrangements.

The following tables present certain financial data by segment (amounts in thousands):

	As of and for the Year Ended December 31,		
	2006	2005	2004
Revenue			
North American BPO	$ 814,963	$ 678,803	$ 638,359
International BPO	356,106	325,038	315,938
Database Marketing and Consulting	40,228	82,832	98,393
Total	$ 1,211,297	$ 1,086,673	$ 1,052,690
Depreciation and amortization			
North American BPO	$ 26,730	$ 26,806	$ 32,175
International BPO	17,205	16,963	17,313
Database Marketing and Consulting	7,494	9,548	9,890
Total	$ 51,429	$ 53,317	$ 59,378
Income from operations			
North American BPO	$ 86,642	$ 62,675	$ 58,580
International BPO	1,583	(21,814)	(18,414)
Database Marketing and Consulting	(15,380)	(9,325)	8,302
Total	$ 72,845	$ 31,536	$ 48,468
Capital expenditures			
North American BPO	$ 45,777	$ 22,046	$ 20,072
International BPO	18,149	12,201	17,741
Database Marketing and Consulting	1,602	3,359	3,864
Total	$ 65,528	$ 37,606	$ 41,677
Assets			
North American BPO	$ 382,034	$ 278,221	$ 240,925
International BPO	243,374	196,294	196,207
Database Marketing and Consulting	33,308	47,657	59,663
Total	$ 658,716	$ 522,172	$ 496,795
Goodwill, net			
North American BPO	$ 36,261	$ 11,446	$ 11,446
International BPO	8,612	7,270	5,806
Database Marketing and Consulting	13,361	13,361	13,361
Total	$ 58,234	$ 32,077	$ 30,613

The following tables present certain financial data based upon the geographic location where the services are provided or the assets are physically located (amounts in thousands):

	As of and for the Year Ended December 31,		
	2006	2005	2004
Revenue			
United States	$ 442,363	$ 471,645	$ 486,216
Asia Pacific	250,032	185,511	169,162
Canada	205,692	199,947	186,486
Europe	141,550	123,042	119,091
Latin America	171,660	106,528	91,735
Total	$ 1,211,297	$ 1,086,673	$ 1,052,690
Property, plant and equipment, gross			
United States	$ 261,415	$ 247,008	$ 231,728
Asia Pacific	86,948	65,687	56,971
Canada	57,579	56,701	52,833
Europe	15,615	24,879	23,363
Latin America	66,863	51,825	41,198
Total	$ 488,420	$ 446,100	$ 406,093
Other long-term assets			
United States	$ 18,138	$ 5,496	$ 7,023
Asia Pacific	2,515	1,673	136
Canada	4,612	3,864	138
Europe	873	3,410	2,001
Latin America	2,894	635	3,672
Total	$ 29,032	$ 15,078	$ 12,970

(4) ACCOUNTS RECEIVABLE AND SIGNIFICANT CLIENTS

Accounts Receivable, Net

Accounts Receivable, Net in the accompanying Consolidated Balance Sheets consists of the following (amounts in thousands):

	December 31,	
	2006	2005
Accounts receivable	$ 242,073	$ 210,512
Less: Allowance for doubtful accounts	(4,720)	(3,422)
Accounts receivable, net	$ 237,353	$ 207,090

Activity in the Company's Allowance for Doubtful Accounts consists of the following (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Balance, beginning of year	$ 3,422	$ 3,997	$ 4,702
Provision for doubtful accounts	2,723	(153)	2,526
Deductions for uncollectible receivables written-off	(1,425)	(422)	(3,231)
Balance, end of year	$ 4,720	$ 3,422	$ 3,997

Significant Clients

The Company had one client that contributed in excess of 10% of total revenue for the year ended December 31, 2006, which operates in the communications industry. The Company had two clients that contributed in excess of 10% of total revenue for the years ended December 31, 2005 and 2004, both of which operated in the communications industry. The revenue from these clients as a percentage of total revenue was as follows:

	Year Ended December 31,		
	2006	2005	2004
Client A	16%	17%	18%
Client B	7%	10%	13%

Accounts receivable from these clients was as follows (amounts in thousands):

	December 31,	
	2006	2005
Client A	$ 30,862	$ 34,657
Client B	$ 10,731	$ 18,488

The loss of one or more of its significant clients could have a material adverse effect on the Company's business, operating results, or financial condition. The Company does not require collateral from its clients. To limit the Company's credit risk, management performs ongoing credit evaluations of its clients and maintains allowances for uncollectible accounts. Although the Company is impacted by economic conditions in the communications and media, automotive, financial services and government services industries, management does not believe significant credit risk exists as of December 31, 2006.

(5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (amounts in thousands):

	December 31, 2006	December 31, 2005
Land and buildings	$ 31,530	$ 30,158
Computer equipment and software	230,493	217,655
Telephone equipment	59,800	55,961
Furniture and fixtures	51,782	54,337
Leasehold improvements	107,953	84,893
Construction-in-progress	6,672	1,890
Other	190	1,206
Property, plant and equipment, gross	488,420	446,100
Less: Accumulated depreciation and amortization	(332,373)	(312,465)
Property, plant and equipment, net	$ 156,047	$ 133,635

Depreciation and amortization expense for property, plant and equipment was $50.3 million, $53.6 million and $59.4 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In addition, the Company had $4.8 million and $7.0 million of unamortized Software Development Costs as of December 31, 2006 and 2005, respectively. Amortization expense for Software Development Costs was $4.5 million, $6.2 million and $6.6 million for the years ended December 31, 2006, 2005 and 2004, respectively, which is included in the depreciation and amortization expense for property, plant and equipment discussed above.

(6) GOODWILL

Goodwill consisted of the following (amounts in thousands):

	December 31, 2005	Additions	Foreign Currency Impact	December 31, 2006
North American BPO	$ 11,446	$ 24,804	$ 11	$ 36,261
International BPO	7,270	1,144	198	8,612
Database Marketing and Consulting	13,361	—	—	13,361
Total	$ 32,077	$ 25,948	$ 209	$ 58,234

(7) CONTRACT ACQUISITION COSTS

Contract acquisition costs, net consisted of the following (amounts in thousands):

	December 31, 2006	December 31, 2005
North American BPO	$ 23,811	$ 23,811
Database Marketing and Consulting	2,160	2,160
Contract acquisition costs, gross	25,971	25,971
Less: Accumulated amortization	(16,297)	(13,097)
Contract acquisition costs, net	$ 9,674	$ 12,874

Amortization expense related to contract acquisition costs was $3.4 million, $3.9 million and $4.6 million for the years ended December 31, 2006, 2005 and 2004, respectively and is recorded as a reduction to Revenue in the accompanying Consolidated Statements of Operations and Comprehensive Income.

Expected future amortization of contract acquisition costs is as follows (amounts in thousands):

2007	$ 2,690
2008	2,107
2009	2,107
2010	1,403
2011	1,262
Thereafter	105
Total	$ 9,674

(8) OTHER INTANGIBLE ASSETS

Other intangible assets, net consisted of the following amounts by segment (amounts in thousands):

	December 31, 2006	December 31, 2005
North American BPO	$ 9,100	$ 376
International BPO	4,504	4,107
Database Marketing and Consulting	120	120
Other intangible assets, gross	13,724	4,603
Less: Accumulated amortization	(2,904)	(1,940)
Other intangible assets, net	$ 10,820	$ 2,663

The detail of the balance between assets with indefinite lives and those with definite lives are as follows (amounts in thousands):

	December 31, 2006	December 31, 2005
Other intangible assets with indefinite lives	$ 1,800	$ —
Other intangible assets with definite lives, net	9,020	2,663
Other intangible assets, net	$ 10,820	$ 2,663

Amortization expense related to other intangible assets was $1.2 million, $1.0 million and $0.6 million for the years ended December 31, 2006, 2005 and 2004, respectively and is recorded as a component of depreciation and amortization in the accompany consolidated statements of operations and comprehensive income.

Expected future amortization of Other Intangible Assets is as follows (amounts in thousands):

2007	$ 1,524
2008	1,504
2009	1,246
2010	730
2011	730
Thereafter	3,286
Total	$ 9,020

(9) DERIVATIVES

The Company conducts a significant portion of its business in currencies other than the U.S. dollar, the currency in which the consolidated financial statements are reported. Correspondingly, the Company's operating results could be adversely affected by foreign currency exchange rate volatility relative to the U.S. dollar. The Company's subsidiaries in Argentina, Canada, Mexico and the Philippines use the local currency as their functional currency in addition to paying labor and other operating costs. Conversely, revenue for these foreign subsidiaries is derived principally from client contracts that are invoiced and collected in U.S. dollars. To hedge against the risk of a weaker U.S. dollar, the Company's U.S. entity has contracted on behalf of its foreign subsidiaries with several financial institutions to acquire (utilizing forward, non-deliverable forward and/or option contracts) the functional currency of the foreign subsidiary at a fixed U.S. dollar exchange rate at specific dates in the future. The Company pays up-front premiums to obtain option hedge instruments.

While the Company has implemented certain strategies to mitigate risks related to the impact of fluctuations in currency exchange rates, it cannot ensure that it will not recognize gains or losses from international transactions, as this is part of transacting business in an international environment. Not every exposure is or can be hedged and, where hedges are put in place based on expected foreign exchange exposure, they are based on forecasts which may vary or which may later prove to be inaccurate. Failure to successfully hedge or anticipate currency risks properly could adversely affect the Company's operating results.

As of December 31, 2006, the notional amount of these derivative instruments is summarized as follows (amounts in thousands):

	Local Currency Amount	U.S. Dollar Amount	Dates Contracts are Through
Canadian Dollar	167,300	$ 150,601	June 2010
Philippine Peso	2,580,000	50,466	October 2008
Argentine Peso	53,000	16,694	October 2008
Mexican Peso	33,000	3,010	June 2007
		$ 220,771	

These derivatives, including option premiums, are classified as Prepaids and Other Current Assets of $2.9 million and $6.8 million; Other Long-term Assets of $0.6 million and $0.6 million; Accrued Expenses of $3.2 million and $0.0 million and Other Long-term Liabilities of $3.3 million and $0.0 million as of December 31, 2006 and 2005, respectively.

The Company recorded deferred tax assets (liabilities) of $1.5 million and ($1.9) million related to these derivatives as of December 31, 2006 and 2005, respectively. A total of ($2.4) million and $3.0 million of

deferred (losses) gains, net of tax, on derivative instruments as of December 31, 2006 and 2005, respectively, were recorded in Accumulated Other Comprehensive Income in the accompanying Consolidated Balance Sheets.

During the years ended December 31, 2006, 2005 and 2004, the Company recorded gains of $6.3 million, $5.7 million and $7.6 million, respectively, for settled hedge contracts and the related premiums. These are reflected in Revenue in the accompanying Consolidated Statements of Operations and Comprehensive Income.

The Company also entered into a foreign exchange forward contract to reduce the short-term effect of foreign currency fluctuations related to a $19.2 million intercompany note payable from its Canadian subsidiary to a U.S. subsidiary. The gains and losses on this foreign exchange contract offset the transaction gains and losses on this foreign currency obligation. These gains and losses are recognized in earnings as the Company elected not to classify the hedge for hedge accounting treatment. The value of this contract was $0.3 million and $0.1 million as of December 31, 2006 and 2005, respectively and is recorded as a component of Prepaids and Other Current Assets in the accompanying Consolidated Balance Sheets.

(10) INCOME TAXES

The sources of pre-tax accounting income, after accounting for minority interest earnings, are as follows (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Domestic	$ 22,628	$ 19,453	$ 12,811
Foreign	43,890	11,221	20,656
Total	$ 66,518	$ 30,674	$ 33,467

The components of the Company's provision for income taxes are as follows (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Current provision (benefit)			
Federal	$ 11,046	$ 18,154	$ 11,899
State	1,336	2,075	1,547
Foreign	12,820	5,290	(2,284)
Total current provision (benefit)	25,202	25,519	11,162
Deferred benefit			
Federal	(4,950)	(19,097)	(489)
State	(434)	(2,182)	(64)
Foreign	(5,142)	(1,724)	(1,145)
Total deferred benefit	(10,526)	(23,003)	(1,698)
Total provision for income taxes	$ 14,676	$ 2,516	$ 9,464

The following reconciles the Company's effective tax rate (after minority interest) to the federal statutory rate (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Income tax per U.S. federal statutory rate (35%)	$ 23,281	$ 10,736	$ 11,713
State income taxes, net of federal deduction	275	1,046	963
Change in U.S., Spain, Brazil and Argentina valuation allowances	(5,639)	(12,165)	(4,678)
Benefit of not recording deferred tax expense due to valuation allowance	—	—	(5,076)
Foreign income taxed at different rates than the U.S.	(4,064)	(1,317)	(1,061)
Record increase to deferred tax assets due to implementation of tax planning strategies	(3,300)	—	—
Losses in international markets without tax benefits	836	2,546	2,484
Permanent difference related to foreign exchange gains	404	(3,855)	3,116
Tax cost of Domestic Reinvestment Plan	—	3,695	—
Other permanent differences	334	4,076	2,126
Other	2,549	(2,246)	(123)
Income tax per effective tax rate	$ 14,676	$ 2,516	$ 9,464

The Company's deferred income tax assets and liabilities are summarized as follows (amounts in thousands):

	December 31, 2006	December 31, 2005
Deferred tax assets, gross		
Accrued workers compensation, deferred compensation and employee benefits	$ 6,647	$ 5,284
Allowance for doubtful accounts, insurance and other accruals	6,985	7,618
Depreciation and amortization	24,202	15,542
Amortization of deferred rent liabilities	2,357	2,005
Net operating losses	21,179	10,961
Customer acquisition and deferred revenue accruals	4,238	2,969
Federal and state tax credits	1,986	2,228
Unrealized losses on derivatives	1,518	—
Other	6,655	7,576
Total deferred tax assets, gross	75,767	54,183
Valuation allowances	(18,970)	(10,572)
Total deferred tax assets, net	56,797	43,611
Deferred tax liabilities		
Long-term lease obligations	(1,848)	—
Unrealized gains on derivatives	—	(1,859)
Capitalized software	(1,974)	(2,647)
Contract acquisition costs	(1,933)	(2,362)
Other	(1,295)	(2,509)
Total deferred tax liabilities	(7,050)	(9,377)
Net deferred tax assets	$ 49,747	$ 34,234

As required by SFAS 109, the Company periodically reviews the likelihood that deferred tax assets will be realized in future tax periods under the "more-likely-than-not" criteria. In making this judgment, SFAS 109 requires that all available evidence, both positive and negative, should be considered to determine whether, based on the weight of that evidence, a valuation allowance is required.

The net change in valuation allowance for the year is an increase of $8.4 million. In 2006, as the Company was able to estimate its deferred tax assets in the United Kingdom, the Company recorded a deferred tax asset, and established an offsetting valuation allowance of $15.3 million, for a net impact of zero. In addition, the Company recorded $0.8 million for deferred tax assets in India, which do not meet the "more likely than not" criteria of FAS 109. Also during the fourth quarter, due to a increased profitability in Argentina leading to a change in judgment concerning the recoverability of deferred tax assets in Argentina, the Company reversed the remaining $0.5 million of its deferred tax valuation allowance in that jurisdiction. For similar reasons, the Company reached the decision during the second quarter of 2006, that it was appropriate to reverse $0.7 million of the valuation allowance in Argentina and $4.5 million of valuation allowance for Spain. This change in judgment occurring during the second and fourth quarters of 2006 was due to what management considered sufficient positive evidence suggesting that there will be sufficient taxable income in future periods to realize deferred tax assets in those jurisdictions. The factors leading to this change in judgment included (i) renewal or signing of new multi-year contracts

during the fourth quarter that will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures, (ii) a positive and sustainable trend in earnings and three cumulative years of book and taxable income exclusive of the circumstances that created the losses in prior year and (iii) evidence that the loss in prior year was an aberration rather than a continuing condition (e.g., a large client initially not providing contractual volumes for a Dedicated Delivery Center). The remaining decrease of $2.0 million is the result of numerous items including the expiration of tax loss and tax credit carryforwards and the reconciliation of actual results to accounting estimates.

As of December 31, 2006 the Company has approximately $32.0 million of net deferred tax assets in the U.S. and $17.7 million of net deferred tax assets related to certain international locations whose recoverability is dependent upon their future profitability. As of December 31, 2006 the deferred tax valuation allowance is $19.0 million and relates primarily to tax loss carry forwards and other deferred tax assets in the U.K. and India and state tax credits which do not meet the “more-likely-than-not” standard under SFAS 109. The utilization of these state tax credits are subject to numerous factors including various expiration dates, generation of future taxable income over extended periods of time and state income tax apportionment factors which are subject to change.

As required by SFAS 109, when there is a change in judgment concerning the recovery of deferred tax assets in future periods, the valuation allowance is reversed into earnings during the quarter in which the change in judgment occurred.

As of December 31, 2006, after consideration of all tax loss and tax credit carry back opportunities, the Company had net foreign tax loss carry forwards expiring as follows (amounts in thousands):

2007	$ 2,712
2008-2012	5,938
2016	—
2017	8,710
2018	720
2020	3,710
2021	5,719
No expiration	35,149
Total	$ 62,658

As of December 31, 2006, domestically, the Company has $9.4 million of federal tax loss carryforwards and state tax credit carryforwards of $2.0 million that if unused will expire between 2007 and 2013.

As of December 31, 2006 the cumulative amount of foreign earnings considered permanently invested and not repatriated was $52.3 million. If these earnings become taxable in the U.S., some portion of them would be subject to incremental U.S. income tax expense and foreign withholding tax expense.

The Company has been granted “Tax Holidays” as an incentive to attract foreign investment by the governments of the Philippines and India. Generally, a Tax Holiday is an agreement between the Company and a foreign government under which the Company receives certain tax benefits in that country, such as exemption from taxation on profits derived from export related activities. In the Philippines, the Company has been granted three separate agreements for a five year period, expiring at various times during 2009 and 2010. Also, the Company’s joint venture in India is party to a five-year agreement granting a Tax Holiday expiring in 2009. The aggregate effect on income tax expense in 2006 as a result of these agreements was approximately $2.8 million.

In June 2006, the Financial Accounting Standards Board issued FIN 48. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognizing, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006.

The Company will adopt FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 will be recorded as a change to opening retained earnings in the first quarter of 2007. The Company expects that the adoption of FIN 48 will not have a significant impact on the Company's consolidated financial position, results of operations and effective tax rate. The Company will record an adjustment to reduce opening retained earnings by up to $4.0 million.

(11) RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

Restructuring Charges

A rollforward of the activity in the Company's restructuring accruals for the years ended December 31, 2006 and 2005 follows:

	Closure of Delivery Centers	Reduction in Force	Total
Balance as of December 31, 2004	$ 599	$ 233	$ 832
Expense	682	2,139	2,821
Payments	(193)	(1,145)	(1,338)
Reversal of unused balances	—	(148)	(148)
Balance as of December 31, 2005	1,088	1,079	2,167
Expense	801	1,057	1,858
Payments	(747)	(1,772)	(2,519)
Reversal of unused balances	(55)	(173)	(228)
Balance as of December 31, 2006	$ 1,087	$ 191	$ 1,278

During the year ended December 31, 2006, the Company recognized restructuring charges in the amount of $1.1 million related to reductions in force across all three segments and facility exit charges in the amount of $0.8 million related to its International BPO segment. This was offset by the reversal of $0.2 million in excess accruals across both BPO segments as the actual costs incurred were less than the estimated accrual.

During the year ended December 31, 2005, the Company recognized restructuring charges in the amount of $2.1 million related to reductions in force across both BPO segments and facility exit charges in the amount of $0.7 million related to both BPO segments. This was offset by the reversal of $0.1 million in the North American BPO as the actual costs incurred were less than the estimated accrual.

Impairment Losses

During the year ended December 31, 2006, the Company recognized impairment losses of $0.6 million related to the following items: (i) $0.4 million related to the reduction of the net book value of long-lived assets in New Zealand, Malaysia and India to their then estimated fair values; and (ii) $0.2 million for the difference between the estimated and the actual value received for assets in the closed South Korea Delivery Center.

During the year ended December 31, 2005, the Company recognized impairment losses in the amount of $4.7 million related to the following items: (i) $2.1 million change in the International BPO related to its decision to close the Glasgow, Scotland Delivery Center; (ii) $2.0 million charge in the International BPO related to the impairment of long-lived assets in its South Korea Delivery Center when the Company determined that it would no longer serve clients from, or market, that Delivery Center; and (iii) a $0.6 million impairment charge in the North American BPO related to its decision to exit a lease early and to discontinue use of certain software.

(12) INDEBTEDNESS

During the third quarter 2006, the Company refinanced its credit facility ("Credit Facility") with a syndication of banks. This Credit Facility permits the Company to borrow up to $150 million, with an option to increase the borrowing limit to a maximum of $225 million (subject to approval by the lenders) at any time up to 90 days prior to maturity of the Credit Facility on September 27, 2011. The Company may request a one year extension of the maturity date, subject to unanimous approval by the lenders. The Credit Facility is secured by the majority of the Company's domestic accounts receivable and a pledge of 65% of the capital stock of specified material foreign subsidiaries. The Company's domestic subsidiaries are guarantors under the Credit Facility.

In the fourth quarter of 2006, the Company exercised its option to increase the borrowing limit of the Credit Facility to $180 million. The Credit Facility, which includes customary financial covenants, may be used for general corporate purposes, including working capital, purchases of treasury stock and acquisition financing. As of December 31, 2006, the Company was in compliance with all financial covenants. The Credit Facility accrues interest at a rate based on either (1) the Prime Rate, defined as the higher of the lender's prime rate or the Federal Funds Rate plus 0.50%, or (2) the London Interbank Offered Rate ("LIBOR") plus an applicable credit spread, at the Company's option. The interest rate will vary based on the Company's leverage ratio as defined in the Credit Facility. As of December 31, 2006, interest accrued at the weighted-average rate of approximately 5.925%. In addition, the Company is obligated to pay commitment fees on the unused portion of the Credit Facility, at a rate of 0.125% per annum. As of December 31, 2006 and 2005, the Company had outstanding borrowings under the Credit Facility of $65.0 million and $26.7 million, respectively. The Company's borrowing capacity is reduced by the letters of credit issued under the Credit Facility. The unused commitment under the Credit Facility was $104.2 million as of December 31, 2006.

(13) GRANT ADVANCES

During the ordinary course of business, the Company receives grants from certain regional authorities in areas where the Company has Delivery Centers. These grants contain provisions whereby they are earned when the Company achieves certain milestones, the majority of which relate to the hiring and retaining of employees and certain capital expenditures. The Company records liabilities for funds it has received but for which it has not earned. The liability recorded at December 31, 2006 and 2005 was $8.0 million and $6.5 million, respectively and relates primarily to one grant in the International BPO. This amount is due in 2012 if the terms of the grant have not been met.

(14) START-UP TRAINING REVENUE AND COSTS

Start-Up Training Deferred Revenue in the accompanying Consolidated Balance Sheets consist of the following (amounts in thousands):

	December 31,	
	2006	2005
Deferred start-up revenue — current	$ 6,616	$ 4,852
Deferred start-up revenue — long-term	5,936	3,660
Total deferred start-up revenue	$ 12,552	$ 8,512

The Company recognized Start-Up Training Revenue as follows (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Balance, beginning of year	$ 8,512	$ 3,451	$ 3,867
Net deferred revenue recognized:			
Amounts deferred due to new business	9,432	6,583	3,139
Amortization of prior period deferrals	(5,418)	(1,921)	(3,154)
Total net deferred revenue recognized	4,014	4,662	(15)
Foreign currency impact	26	399	(401)
Balance, end of year	$ 12,552	$ 8,512	$ 3,451

Start-Up Training Deferred Costs in the accompanying Consolidated Balance Sheets consist of the following (amounts in thousands):

	December 31,	
	2006	2005
Deferred start-up costs — current	$ 2,865	$ 2,502
Deferred start-up costs — long-term	2,344	1,133
Total deferred start-up costs	$ 5,209	$ 3,635

The Company recognized Start-Up Training Costs as follows (amounts in thousands):

	Year Ended December 31,		
	2006	2005	2004
Balance, beginning of year	$ 3,635	$ 1,306	$ 1,545
Net deferred costs recognized:			
Amounts deferred due to new business	4,208	3,212	1,281
Amortization of prior period deferrals	(2,633)	(1,082)	(1,440)
Total net deferred costs recognized	1,575	2,130	(159)
Foreign currency impact	(1)	199	(80)
Balance, end of year	$ 5,209	$ 3,635	$ 1,306

(15) COMMITMENTS AND CONTINGENCIES

Leases

The Company has various operating leases for equipment, Delivery Centers and office space, which generally contain renewal options. Rent expense under operating leases was approximately $45.3 million, $39.8 million and $38.2 million for the years ended December 31, 2006, 2005 and 2004, respectively.

The future minimum rental payments required under non-cancelable operating leases as of December 31, 2006 are as follows (amounts in thousands):

2007	$ 25,840
2008	20,858
2009	16,779
2010	14,399
2011	10,893
Thereafter	34,613
Total	$ 123,382

In addition, the Company records operating lease expenses on a straight-line basis over the life of the lease as described in Note 1. The deferred lease liability as of December 31, 2006 and 2005 was $8.4 million and $7.8 million, respectively and is included in Other Long-Term Liabilities in the accompanying Consolidated Balance Sheets.

Letters of Credit

As of December 31, 2006 outstanding letters of credit and other performance guarantees totaled approximately $14.0 million, which primarily guarantee workers' compensation, other insurance related obligations and facility leases.

Guarantees

The Company's Credit Facility is guaranteed by all of the Company's domestic subsidiaries.

Ford Agreement

Under an agreement with Ford, the Company has the right to require Ford to purchase its interest in the operations providing BPO services to Ford at fair market value at any time after December 31, 2004. Ford also has the right to require the Company to sell its interest at fair market value at any time after December 31, 2004. The Company does not intend to require Ford to purchase its interest and we have not received any notice from Ford indicating an interest on their part to purchase the Company's interest.

Legal Proceedings

From time to time, the Company may be involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits have been provided for to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is management's opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on the Company.

(16) NET INCOME PER SHARE

The following table sets fourth the computation of basic and diluted net income per share for the periods indicated:

	Year Ended December 31,		
	2006	2005	2004
Shares used in basic earnings per share calculation	69,184	72,121	74,751
Effects of dilutive securities:			
Stock options	1,431	1,510	1,358
Total effects of dilutive securities	1,431	1,510	1,358
Shares used in dilutive earnings per share calculation	70,615	73,631	76,109

For the years ended December 31, 2006, 2005 and 2004, 0.5 million, 3.2 million and 3.6 million, respectively, of options to purchase shares of common stock were outstanding but not included in the computation of diluted net income per share because the effect would have been anti-dilutive. The Company has also excluded the impact of outstanding warrants, as the impact would be anti-dilutive for all periods presented.

(17) EMPLOYEE COMPENSATION PLANS

Employee Benefit Plan

The Company has two 401(k) profit-sharing plans that allow participation by employees who have completed six months of service, as defined and are 21 years of age or older. Participants may defer up to 15% of their gross pay up to a maximum limit determined by U.S. federal law. Participants are also eligible for a matching contribution, at the Company's discretion, of 50% of the first 6% of compensation a participant contributes to the plan. Participants vest in matching contributions over a four-year period. Company matching contributions to the 401(k) plans totaled $1.2 million, $1.1 million and $1.2 million for the years ended December 31, 2006, 2005 and 2004, respectively

Employee Stock Purchase Plan

In July 1996, the Company adopted an employee stock purchase plan (the "ESPP"). Pursuant to the ESPP, as amended, an aggregate of 1,000,000 shares of common stock of the Company were available for issuance under the ESPP. Employees were eligible to participate in the ESPP after three months of service. In May 2004, the Company amended the ESPP to increase the number of shares available for issuance under the ESPP to 2,500,000 shares. The price per share purchased in any offering period is equal to the lesser of 85% of the fair market value of the common stock on the first day of the offering period or on the purchase date. The offering periods have a term of six months. In 2005, the Company elected to terminate the ESPP effective October 15, 2005. Stock purchased under the plan for the years ended December 31, 2005 and 2004 were $0.5 million and $0.5 million, respectively.

Stock Compensation Plans

Overview

In February 1999, the Company adopted the TeleTech Holdings, Inc. 1999 Stock Option and Incentive Plan (the "1999 Option Plan"). The purpose of the 1999 Option Plan is to enable the Company to continue to (a) attract and retain high quality directors, officers, employees and potential employees, consultants, and independent contractors of the Company or any of its subsidiaries; (b) motivate such persons to promote the long-term success of the business of the Company and its subsidiaries; and (c) induce employees of companies that are acquired by TeleTech to accept employment with TeleTech following

such an acquisition. The 1999 Option Plan supplements the 1995 Option Plan. An aggregate of 14 million shares of common stock has been reserved for issuance under the 1999 Option Plan, which permits the award of incentive stock options, non-qualified stock options, stock appreciation rights, and shares of restricted common stock. As previously discussed, the 1999 Option Plan also provides annual stock option grants to Directors. Outstanding options generally vest over a period of four to five years and are exercisable for ten years from the date of grant. The 1999 Option Plan had 3.6 million shares available for grant as of December 31, 2006.

Accounting for Stock Options

On January 1, 2006, the Company adopted SFAS 123(R), applying the modified prospective method. SFAS 123(R) requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the Consolidated Statements of Operations and Comprehensive Income at the fair value of the award on the grant date. Under the modified prospective method, the Company is required to record equity-based compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards outstanding as of the date of adoption. The fair values of all stock options granted by the Company were determined using the Black-Scholes-Merton ("B-S-M") Model.

The fair values of the options granted to the Company's employees were estimated on the date of grant using the B-S-M Model. The following table provides the range of assumptions used for stock options granted:

	Years Ended December 31,		
	2006	2005	2004
Risk-free interest rate	4.50% - 5.50%	3.65% - 4.51%	2.72% - 3.98%
Expected life in years	3.8 - 4.8	4.1 - 4.7	5.3 - 5.5
Expected volatility	53.67% - 58.87%	74.66% - 76.25%	77.97% - 79.72%
Dividend yield	0.00%	0.00%	0.00%
Weighted-average volatility	57.40%	75.36%	78.79%
Weighted-average fair value	$6.31	$6.06	$5.44

The Company's computation of expected volatility for the year ended December 31, 2006 is based on historical volatility. Our computation of expected life is based on historical exercise patterns. Our dividend yield is 0.0%, since we have no history of paying dividends and currently have no plans to do so. Our risk-free interest rate is the U.S. Treasury bill rate for the period equal to the expected term based on the U.S. Treasury note strip principal rates as reported in well-known and widely used financial sources.

A summary of option activity under the Plans as of December 31, 2006 and for the years ended December 31, 2006, 2005 and 2004 are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term Years	Aggregate Intrinsic Value (000's)
Outstanding as of December 31, 2003	9,792,564	$ 11.00		
Grants	3,004,000	$ 8.11		
Exercises	(686,979)	$ 6.56		
Cancellations/expirations	(2,347,444)	$ 12.38		
Outstanding as of December 31, 2004	9,762,141	$ 10.08		
Grants	2,214,500	$ 10.04		
Exercises	(1,270,734)	$ 6.11		
Cancellations/expirations	(2,180,376)	$ 11.65		
Outstanding as of December 31, 2005	8,525,531	$ 10.26		
Grants	1,596,450	$ 12.93		
Exercises	(2,282,648)	$ 8.36		
Cancellations/expirations	(804,695)	$ 11.99		
Outstanding as of December 31, 2006	7,034,638	$ 11.28	7.1	$ 79,342
Vested and exercisable as of December 31, 2006	3,171,006	$ 12.22	5.3	$ 38,735

A summary of the status of the Company's unvested shares as of December 31, 2006 and for the years ended December 31, 2006, 2005 and 2004 are as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2004	4,518,269	$ 5.44
Granted	2,214,500	$ 5.76
Vested	(1,277,810)	$ 5.12
Forfeited	(1,296,914)	$ 5.72
Unvested as of December 31, 2005	4,158,045	$ 5.62
Granted	1,596,450	$ 6.31
Vested	(1,296,708)	$ 4.50
Forfeited	(594,155)	$ 5.75
Unvested as of December 31, 2006	3,863,632	$ 6.26

As of December 31, 2006, there was approximately $18.5 million of total unrecognized compensation cost (including the impact of expected forfeitures as required under SFAS 123(R)) related to unvested share-based compensation arrangements granted under the Plans that the Company had not recorded. That cost is expected to be recognized over the weighted-average period of four years (the Company recognizes compensation expense straight-line over the vesting term of the option grant). The total fair

value of shares vested (excluding expected forfeitures) during the year ended December 31, 2006 was $5.8 million.

Cash received from option exercises under all share-based payment arrangements for the years ended December 31, 2006, 2005 and 2004 was $19.4 million, $7.4 million and $5.1 million, respectively.

As a result of adopting SFAS 123(R) on January 1, 2006, the Company's income before income taxes and net income for the year ended December 31, 2006 are $6.9 million and $4.1 million lower, respectively, than if it had continued to account for share-based compensation under Accounting Principles Board Opinion ("APB") No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). Basic and diluted earnings per share for the year ended December 31, 2006 are each $0.06 lower, respectively, than if the Company had continued to account for share-based compensation under APB 25. The compensation cost that has been charged against income for the Plans is included in Selling, General and Administrative in the accompanying Consolidated Statements of Operations and Comprehensive Income.

The following table illustrates the effect on net income and earnings per share for the years ended December 31, 2005 and 2004, if the Company had applied the fair value recognition provisions of SFAS 123(R) to stock-based employee compensation (amounts in thousands except per share amounts):

	December 31,	
	2005	2004
Net income as reported	$ 28,158	$ 24,003
Add (deduct): Stock-based employee compensation expense included in reported net income, net of related tax effects	(439)	321
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(4,032)	(5,665)
Pro-forma net income	$ 23,687	$ 18,659
Weighted average shares outstanding as reported		
Basic	72,121	74,751
Diluted	73,631	76,109
Net income per share as reported		
Basic	$ 0.39	$ 0.32
Diluted	$ 0.38	$ 0.32
Pro-forma net income per share		
Basic	$ 0.33	$ 0.25
Diluted	$ 0.32	$ 0.25

Restricted Stock Grant

Effective January 22, 2007, the Compensation Committee of the Company granted an aggregate of approximately 1.5 million restricted stock units ("RSUs") to members of the Company's management team. The grants replace the Company's January 2005 Long Term Incentive Plan and are intended to provide management with additional incentives to promote the success of the Company's business,

thereby aligning their interests with the interests of the Company's stockholders. Two-thirds of the RSUs granted vest pro rata over three years based solely on the Company exceeding specified operating income performance targets in each of the years 2007, 2008 and 2009. If the performance target for a particular year is not met, the RSUs scheduled to vest in that year are cancelled. The remaining one-third of the RSUs vest pro-rata over five years based on the individual recipient's continued employment with the Company. Settlement of the RSUs shall be made in shares of the Company's common stock by delivery of one share of common stock for each RSU then being settled.

(18) RELATED PARTY TRANSACTIONS

The Company has entered into agreements under which Avion, LLC ("Avion") and AirMax, LLC ("AirMax") provide certain aviation flight services as requested by the Company. Such services include the use of an aircraft and flight crew. Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company, has a direct 100% beneficial ownership interest in Avion and an indirect interest in AirMax. During 2006, 2005 and 2004, the Company paid an aggregate of $0.9 million, $0.9 million and $0.6 million, respectively, to Avion for services provided to the Company. Mr. Tuchman also purchases services from AirMax and from time to time provides short-term loans to AirMax. During 2006, 2005 and 2004 the Company paid to AirMax an aggregate of $1.1 million, $1.1 million and $0.7 million, respectively, for services provided to the Company. The Audit Committee of the Board of Directors reviews these transactions annually and believes that the fees charged by Avion and AirMax are at fair market value.

During 2006, 2005 and 2004, the Company utilized the services of Korn Ferry International ("KFY") for executive search projects. James Barlett, Vice Chairman and a director of the Company is a director of KFY. During the years ended December 31, 2006, 2005 and 2004, the Company paid $0.1 million, $0.0 million and $0.2 million, respectively, to KFY for executive search services.

During 2006, the Company purchased a hosted sales force automation tool from Salesforce.com. Shirley Young, a director of the Company is a director of Salesforce.com. During the years ended December 31, 2006, 2005 and 2004, the Company paid $0.4 million, $0.5 million and $0.0 million, respectively to Salesforce.com.

(19) OTHER FINANCIAL INFORMATION

Self-insurance Liabilities

Self-insurance liabilities of the Company were as follows (amounts in thousands):

	December 31, 2006	December 31, 2005
Workers' compensation	$ 4,243	$ 5,988
Employee health insurance	1,466	1,378
Other general liability insurance	549	1,327
Total self-insurance liabilities	$ 6,258	$ 8,693

Accumulated Other Comprehensive Income

As of December 31, 2006, Accumulated Other Comprehensive Income consists of $8.1 million and ($2.4) million of foreign currency translation adjustments and derivatives valuation, respectively. As of December 31, 2005, Accumulated Comprehensive Income consists of $0.7 million and $3.0 million of foreign currency translation adjustments and derivatives valuation, respectively.

(20) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present certain quarterly financial data for the year ended December 31, 2006 (amounts in thousands except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 283,422	$ 287,334	$ 303,804	$ 336,737
Gross profit	$ 70,120	$ 73,557	$ 84,060	$ 97,958
Income from operations	$ 9,980	$ 12,650	$ 21,349	$ 28,866
Net income	$ 5,388	$ 12,244	$ 12,779	$ 21,431
Weighted average shares outstanding				
Basic	68,928	68,925	69,085	69,798
Diluted	70,344	69,974	70,366	71,777
Net income per share				
Basic	$ 0.08	$ 0.18	$ 0.18	$ 0.31
Diluted	$ 0.08	$ 0.17	$ 0.18	$ 0.30

The following tables present certain quarterly financial data for the year ended December 31, 2005 (amounts in thousands except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 254,326	$ 253,933	$ 274,259	$ 304,155
Gross profit	$ 63,591	$ 66,961	$ 71,958	$ 71,989
Income from operations	$ 4,366	$ 4,642	$ 12,120	$ 10,408
Net income	$ 2,741	$ 3,712	$ 11,620	$ 10,085
Weighted average shares outstanding				
Basic	74,179	73,008	71,650	69,646
Diluted	76,720	74,501	72,591	70,711
Net income per share				
Basic	$ 0.04	$ 0.05	$ 0.16	$ 0.14
Diluted	$ 0.04	$ 0.05	$ 0.16	$ 0.14

The following tables present certain quarterly financial data for the year ended December 31, 2004 (amounts in thousands except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 267,998	$ 265,531	$ 258,347	$ 260,814
Gross profit	$ 64,267	$ 70,857	$ 69,539	$ 73,506
Income from operations	$ 6,077	$ 14,911	$ 12,217	$ 15,263
Net income	$ 1,401	$ 2,390	$ 10,557	$ 9,655
Weighted average shares outstanding				
Basic	75,069	74,519	74,612	74,804
Diluted	76,524	75,260	75,944	76,709
Net income per share				
Basic	$ 0.02	$ 0.03	$ 0.14	$ 0.13
Diluted	$ 0.02	$ 0.03	$ 0.14	$ 0.13

It is noted that Net Income per Share may not add exactly to annual totals due to rounding.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of TeleTech (incorporated by reference to Exhibit 3.1 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
3.2	Amended and Restated Bylaws of TeleTech (incorporated by reference to Exhibit 3.2 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
10.1†	TeleTech Holdings, Inc. Stock Plan, as amended and restated (incorporated by reference to Exhibit 10.7 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
10.2†	TeleTech Holdings, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to TeleTech's Form S-8 Registration Statement (Registration No. 333-69668) filed on September 19, 2001)
10.3†	TeleTech Holdings, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (incorporated by reference to Exhibit 99.1 to TeleTech's Form S-8 Registration Statement (Registration No. 333-96617) filed on July 17, 2002)
10.4†	Newgen Results Corporation 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Newgen Results Corporation's Form S-1 Registration Statement (Registration No. 333-62703) filed on September 2, 1998)
10.5†	Newgen Results Corporation 1998 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Newgen Results Corporation's Form S-1 Registration Statement (Registration No. 333-62703) filed on September 2, 1998)
10.6	Form of Client Services Agreement, 1996 version (incorporated by reference to Exhibit 10.12 to TeleTech's Amendment No. 1 to Form S-1 Registration Statement (Registration No. 333-04097) filed on June 5, 1996)
10.7	Agreement for Customer Interaction Center Management Between United Parcel General Services Co. and TeleTech (incorporated by reference to Exhibit 10.13 to TeleTech's Amendment No. 4 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 30, 1996)
10.8	Client Services Agreement dated May 1, 1997, between TeleTech Customer Care Management (Telecommunications), Inc. and GTE Card Services Incorporated d/b/a GTE Solutions (incorporated by reference to Exhibit 10.12 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1997)
10.9	Operating Agreement for Ford Tel II,LLC effective February 24, 2000 by and among Ford Motor Company and TeleTech Holdings, Inc. (incorporated by reference to Exhibit 10.25 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)
10.10	Credit Agreement dated as of October 29, 2002 among TeleTech, Bank of America, N.A. and the other Lenders party thereto (incorporated by reference to Exhibit 10.10 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.11	Amended and Restated Lease and Deed of Trust Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.31 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
10.12	Amended and Restated Participation Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.32 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
10.13	Private Placement of Senior Notes pursuant to Note Purchase Agreement dated October 30, 2001 (incorporated by reference to Exhibit 10.73 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.14†	Employment Agreement dated May 15, 2001 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.64 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.15†	Stock Option Agreement dated August 16, 2000 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.53 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)

Exhibit No.	Description
10.16†	Non-Qualified Stock Option Agreement dated October 27, 1999 between Michael E. Foss and TeleTech (incorporated by reference to Exhibit 10.26 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)
10.17†	Promissory Note dated November 28, 2000 by Sean Erickson for the benefit of TeleTech (incorporated by reference to Exhibit 10.62 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.18†	Promissory Note dated March 28, 2001 by Sean Erickson for the benefit of TeleTech
10.19†	Employment Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.66 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.20†	Stock Option Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.70 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.21†	Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.71 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.22†	Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.72 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.23†	Employment Agreement dated October 15, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.68 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.24†	Stock Option Agreement dated October 1, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.69 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.25†	Letter Agreement dated January 11, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.54 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.26†	Stock Option Agreement dated January 29, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.55 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.27†	Letter Agreement dated January 26, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.56 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.28†	Stock Option Agreement dated March 5, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.57 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.29	First Amendment to Note Purchase Agreement dated as of February 1, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto (incorporated by reference to Exhibit 10.29 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.30	Second Amendment to Note Purchase Agreement dated as of August 1, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto (incorporated by reference to Exhibit 10.30 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.31	Third Amendment to Note Purchase Agreement dated as of September 30, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto (incorporated by reference to Exhibit 10.31 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.32	First Amendment to Credit Agreement dated as of February 10, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.32 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)

Exhibit No.	Description
10.33	Second Amendment to Credit Agreement dated as of June 30, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.33 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.34	Third Amendment to Credit Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.34 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.35	Inter-creditor and Collateral Agency Agreement dated as of October 24, 2003 among various creditors of TeleTech Holdings, Inc. and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.35 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.36	Pledge Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., each subsidiary of TeleTech Holdings, Inc. party thereto and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.36 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.37	Security Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., each subsidiary of TeleTech Holdings, Inc. party thereto and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.37 to TeleTechs Form 10K filed on March 8, 2004 (Commission File No. 0-210055)
10.38*	Stock Purchase Agreement among TeleTech Holdings, Inc., Insight Enterprises, Inc. and Direct Alliance Corporation dated June 14, 2006
10.39*	Amended and Restated Credit Agreement among TeleTech Holdings, Inc. as Borrower, The Lenders named herein, as lenders and Keybank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent dated as of September 28, 2006
10.40*	First Amendment to the Amended and Restated Credit Agreement among TeleTech Holdings, Inc. as Borrower, the Lenders named herein, as Lenders and Keybank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent dated as of October 24, 2006
21.1*	List of subsidiaries
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Rule 13a-14(a) Certification of CEO of TeleTech
31.2*	Rule 13a-14(a) Certification of CFO of TeleTech
32*	Written Statement of Chief Executive Officer and Acting Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

* Filed herewith.

† Management contract or compensatory plan or arrangement filed pursuant to Item 15(b) of this report.

Exhibit 10.38

Execution Copy

STOCK PURCHASE AGREEMENT

among

TeleTech Holdings, Inc.,

Insight Enterprises, Inc.

and

Direct Alliance Corporation

Dated as of June 14, 2006

TABLE OF CONTENTS

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is entered into as of June ___, 2006, by and among TELETECH HOLDINGS, INC., a Delaware corporation ("Purchaser"), INSIGHT ENTERPRISES, INC., a Delaware corporation ("Seller"), and DIRECT ALLIANCE CORPORATION, an Arizona corporation (the "Company").

RECITALS

A. The Company operates as a business process outsourcing provider (the "Business");

B. Seller is the legal and beneficial owner all of the issued and outstanding capital stock of the Company; and

C. Purchaser wishes to purchase, and Seller desires to sell, 100% of the outstanding capital stock of the Company on the terms set forth in this Agreement.

AGREEMENT

Purchaser, Seller and the Company, intending to be legally bound, agree as follows:

Section 1. DEFINITIONS. For purposes of this Agreement (including the Disclosure Schedule):

"**AAA**" shall have the meaning specified in Section 13.9(a).

"**Affiliate**" means with respect to a specified Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such specified Person, and for such purposes the terms "controls," "controlled by" and "common control" shall mean the direct or indirect ownership of more than 50% of the voting rights in a Person; provided that in applying this definition each party's ownership of shares in the Company shall be disregarded.

"**Agreement**" shall have the meaning specified in the Preamble.

"**Bonus Payment**" shall have the meaning specified in Section 2.5.

"**Business**" shall have the meaning specified in Recital A.

"**Clawback**" shall have the meaning specified in Section 2.4(c).

"**Client Information**" shall have the meaning specified in Section 4.11.

"**Closing**" shall have the meaning specified in Section 3.

"**Closing Date**" means the time and date as of which the Closing actually takes place as described in Section 3.

"**Closing Working Capital**" shall have the meaning specified in Section 2.3(b)(vi).

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

"**Company**" shall have the meaning specified in the Preamble.

"**Company's Registered Intellectual Property Rights**" shall have the meaning specified in Section 4.12.

"**Competing Transaction**" means any business combination or recapitalization involving the Company or any acquisition or purchase of all or a significant portion of the assets of, or any material equity interest in, the Company or any other similar transaction with respect to the Company involving any Person or entity other than Purchaser or its Affiliates as contemplated under this Agreement.

"**Competitive Business**" shall have the meaning specified in Section 8.3(b).

"**Confidential Information**" shall have the meaning specified in the definition of "Intellectual Property."

"**Contract**" means any contract, lease, license, purchase order, sales order or other agreement or binding commitment.

"**Copyrights**" shall have the meaning specified in the definition of "Intellectual Property Rights."

"**Credit Agreement**" shall mean (1) the Revolving Credit Agreement, dated December 31, 2002, by and between Insight Enterprises, Inc., the financial institutions party thereto, and JP Morgan Chase Bank, as a successor to Bank One NA, as lender, as amended, and (2) Agreement For Inventory Financing, dated October 31, 2003, by and among IBM Credit LLC, Insight Direct USA, Inc., Insight Public Sector, Inc. and Direct Alliance Corporation, as amended.

"**Debt**" of any Person means, without duplication: (i) all obligations of such Person for borrowed money; (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services; (iii) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (iv) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Person; (v) all obligations with respect to any hedging agreements; (vi) all payment obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of Guarantee; (vii) all liabilities classified as non-current liabilities in accordance with GAAP as of the Closing Date; (viii) all Debt referred to in clauses (i) through (vii) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Encumbrances upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; and (ix) all Guarantees by such Person of the Debt of others. The Debt of any Person shall include the Debt of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Debt provide that such Person is not liable therefor.

"**Disclosure Schedule**" or "**Schedule**" means the disclosure schedules attached to this Agreement.

"**Dividend**" means the Intercompany Receivable, any excess cash over the Working Capital Floor and the Excluded Real Property.

"**Domain Name Rights**" shall have the meaning specified in the definition of "Intellectual Property Rights."

"**Draft Working Capital Closing Statement**" shall have the meaning specified in Section 2.3(b)(i).

"**Employee Plan**" means any plan, program, policy, practice, contract, agreement or other arrangement providing for compensation, severance, termination pay, deferred compensation, performance awards, stock or stock-related awards, fringe benefits or other employee benefits or remuneration of any kind, whether written or unwritten or otherwise, funded or unfunded, including without limitation, each "employee benefit plan," within the meaning of Section 3(3) of ERISA which is or has been maintained, contributed to, or required to be contributed to, by the Company or any Affiliate for the benefit of any employee of the Company, or with respect to which the Company or any Affiliate has or may have any liability or obligation.

"**Encumbrance**" means any lien, charge, security interest, mortgage, pledge, preemptive right, right of first offer or refusal or other encumbrance of any nature whatsoever (but excluding licenses of and other agreements related to Intellectual Property which are not intended to secure an obligation).

"**Environmental Laws"** means any applicable laws or any agreement with any Governmental Authority or other third party governing (i) pollution, contamination, wetlands, waste or restoration or protection of the environment or natural resources or the effect of the environment on employee health and safety or (ii) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance.

"**Environmental Permits**" means all final and enforceable permits, licenses, franchises, certificates, approvals and similar authorizations of a Governmental Authority required by Environmental Laws and applicable to the business of the Company as currently conducted.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any other Person or entity under common control with the Company within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder.

"**Equipment**" shall have the meaning specified in Section 4.11.

"**Excluded Assets**" means the following assets:

(a) the Excluded Real Property;

(b) the Intercompany Receivable; and

(c) the Plan.

"**Excluded Real Property**" means the property listed in Schedule 1.2 including all buildings and parking structures.

"Financial Statements" means the internal financial statements of the Company for the fiscal year ended December 31, 2005, and for the monthly periods from January 1, 2006 through the last month ending prior to the Closing Date, prepared in accordance with GAAP and certified by the Company's Chief Financial Officer or most senior financial officer.

"**GAAP**" means generally accepted accounting principles in effect in the United States, consistently applied.

"**Governmental Authority**" means any (i) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature, or any political subdivision thereof, (ii) federal, state, local, municipal, foreign or other government or (iii) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, body or other entity and any court, arbitrator or other tribunal).

"**Gross Profit**" means an amount calculated, in accordance with GAAP and consistent with the methodology used in the Company's December 31, 2005 financial statements, as follows (with the following capitalized terms referring to line items used in the Company's December 31, 2005 financial statements): Net Sales less the sum of, Product Costs, COS Returns Reserve, Supplier Discounts, Other Inventory Costs, Inventory Provision, Service Cost, Freight In, Shipping Expense, Packaging and Other Costs.

"**Gross Profit Achievement**" shall have the meaning specified in Section 2.5(a).

"**Guarantee**" of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation (the "primary obligation") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such guaranteeing Person, direct or indirect contingent or otherwise, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt or other obligation of the payment thereof, (iii) to maintain Working Capital, equity capital, net worth or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation or (iv) as an account party in respect of any letter of credit or letter of guarantee issued to support such Debt or obligation; provided, however, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"**Hazardous Substance**" means any substance regulated as hazardous, toxic or radioactive under any applicable Environmental Law, including petroleum and any derivative or by-products thereof.

"**IBM Clawback**" shall have the meaning specified in Section 2.4(b).

"**IBM Contract**" means the Program Services Agreement Number 4900RL1367, between the Company and International Business Machines Corporation, effective as of October 1, 2000, as amended through Amendment Number Six, effective June 9, 2006.

"**Indemnified Party**" shall have the meaning specified in Section 11.3(a).

"**Indemnifying Party**" shall have the meaning specified in Section 11.3(a).

"**Independent Accounting Firm**" shall have the meaning specified in Section 2.3(b)(iv).

"**Intellectual Property**" means all intellectual property, regardless of form, including without limitation: (i) published and unpublished works of authorship, including without limitation audiovisual works, collective works, computer programs, compilations, databases, derivative works, literary works, maskworks, and sound recordings ("Works of Authorship"); (ii) inventions and discoveries, including without limitation articles of manufacture, business methods, compositions of matter, improvements, machines, methods, and processes and new uses for any of the preceding items ("Inventions"); (iii) words, names, symbols, devices, designs, and other designations, and combinations of the preceding items, used to identify or distinguish a business, good, group, product, or service or to indicate a form of certification, including without limitation logos, product designs, and product features ("Trademarks"); and (iv) confidential information that is not generally known or readily ascertainable through proper means, whether tangible or intangible, including without limitation confidential algorithms, customer lists, ideas, designs, formulas, know-how, methods, processes, programs, prototypes, systems, and techniques ("Confidential Information").

"**Intellectual Property Rights**" means all rights in, arising out of, or associated with Intellectual Property in any jurisdiction, including, without limitation, such: (i) rights in, arising out of, or associated with Works of Authorship, including without limitation rights in maskworks and databases and rights granted under the Copyright Act ("Copyrights"), but excluding "off-the-shelf" or standard desktop software; (ii) rights in, arising out of, or associated with Inventions, including without limitation rights granted under the Patent Act ("Patent Rights"); (iii) rights in, arising out of, or associated with Trademarks, including without limitation rights granted under the Lanham Act ("Trademark Rights"); (iv) rights in, arising out of, or associated with Confidential Information, including without limitation rights granted under the Uniform Trade Secrets Act ("Trade Secret Rights"); and (v) rights in, arising out of, or associated with domain names ("Domain Name Rights").

"**Intercompany Receivable**" means the receivable on the balance sheet between Seller and the Company under the item entitled "Accounts receivable – Intercompany."

"**Inventions**" shall have the meaning specified in the definition of "Intellectual Property."

"**Knowledge**" means, when used in connection with the representations and warranties and covenants herein, the actual knowledge of Evan Braun, David Canham, Richard Fennessy, Ian Gilyeat, Hugh Jones, James Kebert, Stanley Laybourne or Darren Skarecky.

"**Lenovo Clawback**" shall have the meaning specified in Section 2.4(a).

"**Lenovo Contract**" means Program Services Agreement Number 4905AD0002 and United States Participation Agreement Number 4905AD0003, between the Company and Lenovo (Singapore) Pte. Ltd., effective as of March 28, 2005.

"**Licenses and Permits**" shall have the meaning specified in Section 4.10.

"**Losses**" means any and all damages, costs, liabilities, losses, judgments, penalties, fines, expenses or other costs, including reasonable attorney's fees, expert fees and costs of investigation suffered by an Indemnified Party.

"**Marketplace**" shall have the meaning specified in Section 4.2.

"**Material Adverse Effect**" means a material adverse effect on either the assets, operations, or financial condition (including, but not limited to, operating results) of the Company, or Seller's or the Company's ability to consummate the transactions contemplated hereby, other than as a result of anything disclosed in the Disclosure Schedule or any change, effect, event or occurrence relating to (i) the economy or securities markets of the United States or any other region in general, (ii) this Agreement or the transactions contemplated hereby or the announcement thereof, (iii) the business process outsourcing industry in general, and not specifically relating to the Company or Seller or (iv) a reduction in the trading price or volume of Seller's common stock.

"**Multiemployer Plan**" means any Pension Plan which is a "multiemployer plan," as defined in Section 3(37) of ERISA.

"**Non-Compete Period**" shall have the meaning specified in Section 8.3(b).

"**Non-Solicitation Period**" shall have the meaning specified in Section 8.3(a).

"**Notice of Claim**" shall have the meaning specified in Section 11.3(b).

"**Patent Rights**" shall have the meaning specified in the definition of "Intellectual Property Rights."

"**Pension Plan**" means each Employee Plans which is an "employee pension benefit plan," within the meaning of Section 3(2) of ERISA.

"**Permitted Liens**" means (i) Encumbrances and other exceptions to title that are disclosed in Schedule 1.3 and (ii) liens for Taxes, fees, levies, duties or other governmental charges of any kind which are not yet delinquent or are being contested in good faith by appropriate proceedings which suspend the collection thereof and for which appropriate reserves have been established in accordance with GAAP.

"**Person**" means any individual, corporation, association, general partnership, limited partnership, venture, trust, association, firm, organization, company, business, entity, union, society, government (or political subdivision thereof) or governmental agency, authority, instrumentality or any successors or permitted assigns thereof.

"**Plan**" means the Company's 2000 Long Term Incentive Plan.

"**Premises**" means the building(s) covered by the lease agreement attached hereto as Exhibit A.

"**Purchase Price**" shall have the meaning specified in Section 2.2.

"**Purchaser**" shall have the meaning specified in the Preamble.

"**Purchaser's Deductible**" shall have the meaning specified in Section 11.1(d)(i).

"**Quarles & Brady Claim**" means Insight Enterprises, Inc. v. Quarles, Brady, Streich Lang LLP, No. CV2005-013074, filed in the Superior Court of Arizona, Maricopa County and any other investigations, litigation or proceedings against the Company that arises out of the same issues or operative facts.

"**Registered Intellectual Property Rights**" means all Intellectual Property Rights that are the subject of an application, certificate, filing, registration, or other document issued by, filed with, or recorded by, any state, government, or other public legal authority in any jurisdiction, including without limitation all applications, reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations, and continuations-in-part associated with Patent Rights.

"**Returns**" shall have the meaning specified in Section 4.15(a).

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Seller**" shall have the meaning specified in the Preamble.

"**Seller's Deductible**" shall have the meaning specified in Section 11.2(b)(i).

"**Seller's Report**" shall have the meaning specified in Section 2.3(b)(ii).

"**Stock**" shall have the meaning specified in Section 2.1.

"**Survival Period**" shall have the meaning specified in Section 13.1.

"**Tax**" means (i) any and all U.S. federal, state, local and non-U.S. taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes, together with all interest, penalties, fines and additions imposed with respect to such amounts, (ii) any liability for the payment of any amounts of the type described in Section

4.15(a) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period (including any arrangement for group or consortium relief or similar arrangement), and (iii) any liability for the payment of any amounts of the type described in Sections 4.15(a) or 4.15(b) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor or transferor entity.

"**Third Party Claim**" shall have the meaning specified in Section 11.3(b).

"**Toshiba Contract**" means the Program Services Agreement between the Company and Toshiba America Information Systems, Inc., effective September 1, 2005, as amended.

"**Trademarks**" shall have the meaning specified in the definition of "Intellectual Property."

"**Trademark Rights**" shall have the meaning specified in the definition of "Intellectual Property Rights."

"**Trade Secret Rights**" shall have the meaning specified in the definition of "Intellectual Property Rights."

"**Working Capital**" means current assets, excluding accounts receivable unpaid more than 75 calendar days after the invoice date or the stated due date, whichever is later, minus current liabilities, as determined in accordance with GAAP and consistent with past practices.

"**Working Capital Closing Statement**" shall have the meaning specified in Section 2.3(b)(v).

"**Working Capital Floor**" shall have the meaning specified in Section 2.3(a).

"**Working Capital Shortfall**" shall have the meaning specified in Section 2.3(b)(vi).

"**Working Capital Surplus**" shall have the meaning specified in Section 2.3(b)(vi).

"**Works of Authorship**" shall have the meaning specified in the definition of "Intellectual Property."

Section 2. SALE AND PURCHASE OF STOCK

2.1 Sale and Purchase of Stock. At the Closing, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, a total of 30,000,000 shares of common stock, $0.01 par value, of the Company, representing 100% of the issued and outstanding capital stock of the Company (the "Stock"), free and clear of all Encumbrances, except for any Encumbrances created by this Agreement and Encumbrances arising under the Securities Act or any applicable state securities laws, and in accordance with this Agreement.

2.2 Purchase Price. As consideration for the sale and purchase of the Stock and subject to the Clawback and Working Capital Adjustment, at the Closing, Purchaser shall pay to Seller an aggregate amount of $46,500,000 in cash (the "Purchase Price"). The Purchase Price shall be payable on the Closing Date by wire transfer.

2.3 Working Capital.

(a) Seller shall be required to deliver the Company on the Closing Date with Working Capital equal to $7,960,000 (the "Working Capital Floor"). The parties acknowledge that insufficient information will be available on the Closing Date to determine the actual Working Capital on such date, and accordingly, Seller shall deliver to Purchaser no later than two business days prior to the Closing Date a good faith estimate of Working Capital as of the Closing Date together with appropriate supporting documentation. If the Company is delivered on the Closing Date with such estimated Working Capital below the Working Capital Floor, the Purchase Price shall be adjusted downward dollar-for-dollar in the amount of the deficiency. Any excess cash over the Working Capital Floor will be part of the Dividend to Seller on the Closing Date.

(b) Subsequent to the Closing Date, the actual amount of Working Capital as of the Closing Date shall be determined and the Purchase Price shall be subject to adjustment, if any, as specified in this Section 2.3(b).

(i) As soon as practicable following the Closing, with the assistance of the Company's accountants, Purchaser shall prepare a draft statement of actual Working Capital as of the Closing Date (the "Draft Working Capital Closing Statement"). The Draft Working Capital Closing Statement shall be prepared in conformity with the definition of Working Capital and shall be delivered together with such documentation as is reasonably necessary to substantiate the calculations shown therein. Purchaser shall deliver the Draft Working Capital Closing Statement and documentation to Seller not later than 90 calendar days following the Closing Date.

(ii) The Draft Working Capital Closing Statement shall be final and binding upon the Parties, and shall be deemed to be the Working Capital Closing Statement, (as defined below) unless, within 10 calendar days after receipt of the Draft Working Capital Closing Statement from Purchaser, Seller shall provide to Purchaser written notice indicating its objections to the Draft Working Capital Closing Statement. Any such objections shall be set forth in reasonable detail in a report (the "Seller's Report") that shall indicate the grounds upon which Seller disputes that the Draft Working Capital Closing Statement has been prepared in accordance with the requirements of this Agreement. Purchaser shall provide to Seller full access, during normal business hours and with reasonable advance notice, to the books and records of the Company and to the Company's personnel and accountants in connection with Seller's preparation of the Seller's Report, provided that Seller shall not interfere with the Business in the exercise of such right.

(iii) Within 10 calendar days after the receipt by Purchaser of the Seller's Report, Seller and Purchaser shall endeavor in good faith to agree on any matters in dispute.

(iv) If Purchaser and Seller are unable to agree on any matters in dispute within such 10 calendar day period after receipt by Purchaser of the Seller's Report, the matters in dispute will be submitted for resolution to the office of Deloitte & Touche located in Phoenix, Arizona or such other independent accounting firm of national reputation as may be mutually acceptable to Purchaser and Seller (the "Independent Accounting Firm"), which Independent Accounting Firm shall, within 30 calendar days after such submission, determine and issue a written report to Purchaser and Seller regarding, such disputed items, which written report shall be final and binding upon the parties. Purchaser and Seller shall cooperate with each other and each other's representatives to enable the Independent Accounting Firm to render a written report as promptly as possible. The fees and expenses of the Independent Accounting Firm shall be borne equally by Purchaser and Seller, with one party reimbursing the other, if necessary, following such determination. In acting under this Agreement, the Independent Accounting Firm shall be entitled to the privileges and immunities of arbitrators.

(v) The Working Capital statement incorporating the resolution of matters in dispute with respect to Working Capital (or, if a Seller's Report is not provided within the time prescribed in Section 2.3(b)(ii), the Draft Working Capital Closing Statement) is referred to as the "Working Capital Closing Statement." The Working Capital Closing Statement shall have the legal effect of an arbitral award and shall be final, binding and conclusive on the parties.

(vi) If the Working Capital calculated by reference to the Working Capital Closing Statement (the "Closing Working Capital") is less than the estimated Working Capital, the Purchase Price shall be reduced on a dollar-for-dollar basis by an amount equal to such shortfall (the "Working Capital Shortfall"). In such event, Seller shall pay to Purchaser the amount of the Working Capital Shortfall within 10 calendar days after the date of receipt by Seller of the Working Capital Closing Statement as finally established pursuant to this Section 2.3(b). If the Closing Working Capital is more than the estimated Working Capital described in Section 2.3(a), the Purchaser Price shall be increased on a dollar-for-dollar basis by an amount equal to such surplus (the "Working Capital Surplus"). In such event, Purchaser shall pay Seller in cash the amount of the Working Capital Surplus within 10 calendar days after the date of receipt by Purchaser of the Working Capital Closing Statement as finally established pursuant to this Section 2.3(b).

2.4 Clawback.

(a) If the Lenovo Contract (i) is not renewed for a period of at least two years and (ii) the forecasted Gross Profit from the signed statement(s) of work or amendment(s) for 2007 and 2008 under the renewed Lenovo Contract is less than the amount set forth

on Schedule 2.4(a), then Purchaser shall be entitled to a clawback of the Purchase Price in the amount of $5,000,000 (the "Lenovo Clawback"), subject to Section 2.4(c);

(b) If the IBM Contract (i) is not renewed for a period of at least one year, and (ii) the forecasted Gross Profit from the signed statement(s) of work or amendment(s) for 2007 under the renewed IBM Contract is less than the amount set forth on Schedule 2.4(b), then Purchaser shall be entitled to a clawback of the Purchase Price in the amount of $1,500,000 (the "IBM Clawback"), subject to Section 2.4(c);

(c) Notwithstanding the foregoing, the sum of the Lenovo Clawback and the IBM Clawback (collectively, the "Clawback") shall not exceed $5,000,000.

(d) Seller shall pay Purchaser the Clawback in cash within 10 calendar days of receiving notice from Purchaser that the Clawback is due, which notice shall include the amount of the Clawback due and provide in reasonable detail the facts and circumstances supporting such amount.

2.5 Bonus Payment.

(a) Purchaser shall pay Seller a one-time bonus payment (the "Bonus Payment"), based on the percentage representing the Company's actual Gross Profit for its 2006 fiscal year ending December 31, 2006, compared to its forecasted Gross Profit of $17,907,676 (the "Gross Profit Achievement"), in the amount, calculated on a straight line pro rata basis, set forth opposite such percentage in the table below:

Gross Profit Achievement	Bonus Payment
<85%	$0
85%	$1,000,000
90%	$2,000,000
100%	$5,000,000
110%	$8,000,000
≥120%	$11,000,000

By way of illustration, if the Company's actual Gross Profit for its 2006 fiscal year ending December 31, 2006 were $18,803,060, the Bonus Payment would be $6,500,000 (based on a Gross Profit Achievement of 105%).

(b) On or before March 20, 2007, Purchaser shall pay Seller the Bonus Payment based upon the Company's financial statements for its 2006 fiscal year ending December 31, 2006, together with such information reasonably needed to explain the calculation of the Bonus Payment.

2.6 Excluded Assets. Notwithstanding anything to the contrary contained in this Agreement, the sale of the Stock shall not include the Excluded Assets and Seller and its Affiliates shall be entitled to retain any and all of the Excluded Assets, and the Company may pay the Dividend to Seller prior to Closing.

Section 3. Closing

The closing of the transactions contemplated by this Agreement (the "Closing") will take place at 10:00 am MST on the later of the second business day following the satisfaction or waiver of the conditions set forth in Section 9 and Section 10 or June 30, 2006 (the "Closing Date"), at the offices of Seller at 1305 West Auto Drive, Tempe, Arizona, or at such other place and on such date as may be mutually agreed by Purchaser and Seller, in which case "Closing Date" means the date so agreed.

Section 4. Representations and Warranties of Seller

Notwithstanding anything to the contrary, but without limiting the indemnity under Section 11.1, Seller makes no representation regarding the Excluded Assets. As a material inducement to Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, subject to the limitations set forth in Section 11, Seller hereby represents and warrants to Purchaser, as of the date of this Agreement, except as set forth in the Disclosure Schedule, as follows:

4.1 Organization, Good Standing, Qualification and Authority. The Company is a corporation duly incorporated and validly existing under the laws of Arizona, and is in good standing and duly qualified to do business as a foreign corporation in all jurisdictions in which it is doing business except where the failure to be so qualified could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. The Company has full power and authority to own, lease and operate its assets as presently owned, leased and operated, and to carry on the Business as it is now being conducted. Each of Seller and the Company has the full right, power and authority to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, to consummate the transactions contemplated on the part of Seller and the Company hereunder, and to take all actions necessary to permit or approve the actions of Seller and the Company taken in connection with this Agreement. Except as otherwise required herein, no other action, consent or approval on the part of Seller, the Company or any other Person, is necessary to authorize Seller's or the Company's due and valid execution, delivery and consummation of this Agreement and all other agreements and documents executed in connection herewith. This Agreement and all other agreements and documents executed in connection herewith by Seller and the Company, upon due execution and delivery thereof, shall, subject to the terms and conditions set forth herein, constitute the valid and binding obligations of Seller and the Company, enforceable in accordance with their respective terms, except as enforcement may be limited by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting creditors' rights generally, or (b) laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 Capitalization; Title to Stock. Seller owns 100% of the issued and outstanding capital stock of the Company, including the Stock, free and clear of all Encumbrances, except for any Encumbrances created by this Agreement and Encumbrances arising under the Securities Act or any applicable state securities laws. The Stock has been duly authorized, validly issued, fully paid and nonassessable. Immediately following the Closing, Purchaser will own 100% of the issued and outstanding capital stock of the Company. Other than the capital stock of

Marketplace Agent, Inc., an Arizona corporation ("Marketplace"), the Company owns no capital stock, security, interest or other right, or any option or warrant convertible into the same, of any corporation, partnership, joint venture or other business enterprise, and the Company owns all of the issued and outstanding capital stock of Marketplace. Except for the capital stock of the Company owned by Seller, there are no other shares of capital stock of the Company or any securities convertible into shares of capital stock of the Company issued or outstanding and no Person has any option or other right to purchase from the Company or from Seller, or to require the Company or Seller to issue, any additional shares of the Company's capital stock or any right or interest therein. At Closing, there will be no declared or accrued but unpaid dividends with respect to the Company's capital stock or outstanding or authorized stock appreciation, phantom stock, profit participation or other similar rights with respect to the Company. Except as set forth in Schedule 4.2, the Company does not have in place any incentive plans under which directors, officers or employees may be compensated in equity.

4.3 Subsidiaries; Assets. Other than Marketplace, the Company does not currently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity. Marketplace does not own any assets and does not have any liabilities, including intercompany liabilities. Marketplace does not conduct any business and has not conducted any business since 2003. Except for Excluded Assets, all of the Company's assets and rights of every character and description, including without limitation accounts receivable, all rights under Contracts, Intellectual Property Rights and other intangible rights, will, immediately following Closing continue to be owned by and vested in the Company, without any interruption, termination, right of termination, right of repossession or other adverse consequence as a result of the thereof.

4.4 No Violations; Consents. The Company is not in violation, breach or default of any provision of its Articles of Incorporation, Bylaws or similar organizational documents, or in material violation, breach or default of any instrument, judgment, order, writ, decree or Contract to which it is a party or by which it is bound or, to Seller's or the Company's Knowledge, of any provision of federal or state statute, rule or regulation applicable to the Company. Except as set forth in Schedule 4.4, the execution and delivery of this Agreement and the performance by the Company and Seller of their respective obligations hereunder, with or without the passage of time and giving of notice, (a) do not and will not conflict with or violate any provision of the Articles of Incorporation, Bylaws or similar organizational documents of the Company, and (b) do not and will not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) result in the creation of any Encumbrance upon the capital stock or assets of the Company pursuant to, (iv) give any third party the right to modify, terminate or accelerate any obligation under, (v) result in a violation of, or (vi) require any authorization, consent, approval, waiver, exemption, order of, or registration, qualification, designation, declaration or filing with, or other action by or notice to any Governmental Authority or other third party, including a party to any agreement with the Company (so as not to trigger any conflict within the meaning of Section 4.24), pursuant to, any law, statute, rule or regulation or any Contract, Licenses and Permits, instrument, order, judgment or decree to which the Company is subject or by which any of its respective assets are bound, except where the failure to obtain any such authorization, consent, approval, exemption or other action, or deliver any such notice, would not result in a Material Adverse Effect.

4.5 Agreements and Actions.

(a) Except as set forth in Schedule 4.5(a), other than (i) standard employee benefits generally made available to all employees, and (ii) standard director and officer indemnification agreements approved by the Company's Board of Directors there are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, employees or Affiliates, or any Affiliate thereof.

(b) Except for agreements explicitly contemplated by this Agreement or set forth in Schedule 4.5(b), there are no Contracts or proposed transactions, judgments, writs or decrees to which the Company is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of $100,000 on an annual basis, (ii) the license of any material Intellectual Property Right to or from the Company (other than licenses or software subject to "shrink wrap" or "click through" licenses), or (iii) the grant of rights to license, market or sell its products or services to any other Person or affect the right of the Company to develop, distribute, market or sell its respective products or services.

(c) Except as set forth in Schedule 4.5(c), the Company has not made any loans or advances to any Person, other than ordinary advances for travel expenses.

(d) Schedule 4.5(d) contains a list of each of the Company's material Contracts. Each material Contract entered into by the Company is valid, binding and enforceable and in full force and effect, except where failure to be valid, binding and enforceable and in full force and effect would not reasonably be expected to have a Material Adverse Effect and there are no defaults by the Company or, to Seller's or the Company's Knowledge, any other party thereto, thereunder, except those defaults that would not reasonably be expected to have a Material Adverse Effect and except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity. Except as set forth in Schedule 4.5(d), the Company is not a party to or bound by any non-compete agreement or any other agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, the Company is entitled to conduct all or any material portion of the Company's Business. Except as set forth in Schedule 4.5(d), the transfer and sale of the Stock will not alter, terminate, or cause a default under, any such material Contract. True and complete copies of all material Contracts of the Company have been delivered or made available to Purchaser on the Premises. Following the Closing Date, the Company will be permitted to exercise all of its rights under the material Contracts without the payment of any additional amounts or consideration other than amounts or consideration which the Company would otherwise be required to pay had the transactions contemplated by this Agreement not occurred.

(e) The Company has timely paid its accounts payable in the ordinary course of business.

4.6 Compliance with Laws. Neither the Company nor Seller has made any (a) kickback, bribe, or payment to any Person in violation of any federal, state, local or foreign laws,

rules or regulations, directly or indirectly, for referring, recommending or arranging business or customers with, to or for the Company or Seller or (b) other illegal payment. Each of the Company and Seller is in compliance (without obtaining waivers, variances or extensions) with, all federal, state, local and foreign laws, rules and regulations which relate to the operations of the Business, except where the failure to be in compliance would not result in a Material Adverse Effect.

4.7 Financial Statements. The Financial Statements (a) have been prepared in accordance with GAAP, (b) are true and correct in all material respects and have been prepared on a basis consistent throughout the periods indicated and consistent with each other, and (c) present fairly in all material respects the financial condition, operating results and cash flows of the Company as of the dates and during the periods indicated therein (subject to normal year end audit adjustments and the absence of footnotes). Except as set forth in the Financial Statements, and fully reserved against therein, the Company has no material liabilities of any nature (absolute, accrued, contingent or otherwise) other than (i) liabilities incurred after the date of the Financial Statements in the ordinary course of business that are not material, individually or in the aggregate, and (ii) obligations under Contracts and commitments incurred in the ordinary course of business which would not be required under GAAP to be reflected in the Financial Statements prepared in accordance with GAAP. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP, and maintains a system of internal controls that is reasonable and appropriate in relation to its business.

4.8 No Material Adverse Change. Other than to the extent contemplated by or relating to this Agreement, between December 31, 2005 and the date of this Agreement:

(a) the Company has not entered into any material transaction outside the ordinary course of business, except for transactions contemplated by or relating to Contracts or other matters referred to in the Disclosure Schedule;

(b) there has not occurred any Material Adverse Effect, except to the extent that any such change is seasonal in nature or has arisen from or relates to any transaction contemplated by or relating to any Contract or other matters referred to in the Disclosure Schedule;

(c) there has not occurred any damage, destruction or loss, whether or not covered by insurance, having a Material Adverse Effect;

(d) there has not occurred any termination, waiver, cancellation or compromise by the Company of any material rights or material claims, under Contract or otherwise, or of a material Debt owed to it, other than in the ordinary course of business;

(e) there has not occurred any satisfaction or discharge of any Encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that does not have a Material Adverse Effect;

(f) other than the Excluded Assets, there has been no sale, assignment, lease, transfer or other disposition by the Company of, or mortgages, pledges of, the imposition

of any Encumbrance, on any portion of, or a transfer of a security interest in, the material assets of the Company, including but not limited to accounts receivable, other than in the ordinary course of business;

(g) there has been no increase in the compensation payable by the Company to any of the Company's employees, directors, stockholders, independent contractors or agents, or any increase in, or institution of, any bonus, insurance, pension, profit-sharing or other employee benefit plan or arrangements made to, for or with the employees, directors, stockholders or independent contractors of the Company other than in the ordinary course of business;

(h) except as set forth in Schedule 4.8(h), there has not occurred any resignation or termination of employment of any officer or key employee of the Company and to Seller's and the Company's Knowledge, there is no impending resignation or termination of employment of any such officer or key employee;

(i) there have not been any loans or Guarantees made by the Company to or for the benefit of their respective employees, officers, directors or stockholders or any members of their immediate families, other than travel advances and other advances made in the ordinary course of business;

(j) there has been no adjustment or write-off of accounts receivable or reduction in reserves for accounts receivable outside of the ordinary course of business or any change in the collection, payment or credit experience or practices of the Company having a Material Adverse Effect;

(k) other than the Dividend, there has been no declaration, setting aside or payment in respect to the Company's capital stock by the Company of any dividend, distribution or extraordinary or unusual disbursement or expenditure other than expenses incurred in connection with this Agreement and the transactions contemplated herein, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company;

(l) other than as disclosed under Section 4.17, there has not been any commencement, settlement, written notice or to Seller's and the Company's Knowledge threat of any lawsuit or proceeding or other investigation against the Company or its affairs;

(m) there has not been any amendment or changes to the Company's Articles of Incorporation or Bylaws;

(n) except as set forth in Schedule 4.8(n), there has not been any capital expenditure or capital expenditure commitment by the Company exceeding $100,000 individually;

(o) there has been no merger, consolidation or similar transaction;

(p) to Seller's and the Company's Knowledge, there has been no federal, state or local statute, rule, regulation, order or case adopted, promulgated or decided having a Material Adverse Effect;

(q) there has not been any change in any election in respect of taxes, adoption or change in any accounting method (including any accounting method in respect of taxes), agreement or settlement of any claim or assessment in respect of taxes or extension or waiver of the limitation period applicable to any claim or assessment in respect of taxes;

(r) there has not occurred any termination of, or change to, having a Material Adverse Effect, a material Contract (including but not limited to the Lenovo Contract, the IBM Contract and the Toshiba Contract) by which the Company or any of its assets are bound or subject, and Seller or the Company has no Knowledge of any threatened or contemplated termination or change; or

(s) there has been no arrangement or commitment (written or oral) with respect to any of the foregoing.

4.9 Employee Plans.

(a) Neither the Company nor any ERISA Affiliate contributes to or has any contingent obligations to any Multiemployer Plan. Neither the Company nor any ERISA Affiliate has incurred any liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA.

(b) Neither the Company nor any ERISA Affiliate has ever maintained, established, sponsored, participated in, or contributed to, any Pension Plan which is subject to Title IV of ERISA or Section 412 of the Code. Neither the Company nor any ERISA Affiliate has any liability with respect to any post-retirement benefit under any Employee Plan which is a welfare plan (as defined in Section 3(l) of ERISA), other than liability for health plan continuation coverage described in Part 6 of Title I(B) of ERISA.

(c) Each Employee Plan complies, in both form and operation, in all material respects, with its terms, ERISA and the Code, and no condition exists or event has occurred with respect to any such plan which would result in the incurrence by the Company or any ERISA Affiliate of any material liability, fine or penalty. To Seller's or the Company's Knowledge, no Employee Plan is being audited or investigated by any government agency or is subject to any pending or threatened claim or suit that would have a Material Adverse Effect. Except as set forth in Schedule 4.9(c), neither the Company nor any ERISA Affiliate nor any fiduciary of any Employee Plan has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

4.10 Licenses and Permits. The Company has all local, state, federal and foreign licenses, permits, registrations (but excluding Registered Intellectual Property Rights, which are the subject of Section 4.12), certificates, consents, accreditations and approvals (collectively, the

"Licenses and Permits") necessary for the Company to operate and conduct the Business except where the failure to do so could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. There is no material default on the part of the Company, Seller or to Seller's or the Company's Knowledge, any other party under any of the Licenses and Permits. To Seller's or the Company's Knowledge, there exists no grounds for revocation, suspension or limitation of any of the Licenses or Permits. No notices have been received by the Company or Seller with respect to any threatened, pending, or possible revocation, termination, suspension or limitation of the Licenses and Permits. The transactions contemplated hereby will not have a Material Adverse Effect on the Company's right to utilize the Licenses and Permits as a result of the Closing. True and complete copies of all material Licenses and Permits have been delivered or made available to Purchaser on the Premises.

4.11 Company Assets, Equipment and Client Information. The Company has good and marketable title to its assets, free and clear of all Encumbrances other than Permitted Liens. The Company's assets are sufficient to conduct the Business as presently conducted. Except as set forth on Schedule 4.11, and other than the Excluded Assets, no assets utilized by the Company are owned by or in the possession of Seller. The accounts receivable of the Company represent bona fide obligations arising in the ordinary course of business, and, to the best of Seller's or the Company's Knowledge, are fully collectible in the ordinary course, net of applicable reserves, which reserves have been appropriately accounted for on the Financial Statements based upon the good faith estimates and information available to the Company's management. Other than the Excluded Assets, the assets reflected on the Financial Statements constitute all of the material assets and other rights used in the conduct of the Business. Schedule 4.11 lists all material items of equipment (the "Equipment") owned or leased by the Company. Except as set forth on Schedule 4.11, such Equipment is (a) adequate for the conduct of the Company's Business as currently conducted, and (b) in good operating condition, subject to normal wear and tear. At Closing, the Company will convey to Purchaser all information regularly used by the Company in connection with the Company's Business with regard to, and any and all rights it has to, all lists of its clients, client contact information, client correspondence and client licensing and purchasing histories relating to its current and former clients (the "Client Information").

4.12 Intellectual Property. The Company (a) owns or possesses all right, title and interest in and to, or has a right to use, all of the Intellectual Property Rights of the Business, free and clear of all Encumbrances (other than Permitted Liens), except where the failure to so own or posses such Intellectual Property Rights would not reasonably be expected to have a Material Adverse Effect, (b) has not received any written notice of any claim by any third party contesting the validity, enforceability, use or ownership of any material Intellectual Property Rights used in connection with the Business, nor to Seller's or the Company's Knowledge, is any such claim threatened, (c) except as set forth on Schedule 4.12, to Seller's or the Company's Knowledge, has not infringed, misappropriated or otherwise conflicted in any material respect with any Intellectual Property Rights of any third party, (d) may exercise, transfer or license its material Intellectual Property Rights without restriction or payment to a third party, (e) is not obligated to transfer or license any material Intellectual Property Rights currently held or later obtained to a third party, (f) takes reasonable steps to maintain the secrecy of Confidential Information from which the Company derives independent economic value, actual or potential, from the Confidential Information not being generally known, and (g) has made the necessary filings and

recordations and has paid all required fees to record and maintain its ownership of all material Registered Intellectual Property Rights used in the Business. All Intellectual Property Rights will be owned by or available for use by the Company immediately following the Closing on the same terms and conditions as currently owned or used. Schedule 4.12 sets forth a complete and correct list in all material respects of (i) all Registered Intellectual Property Rights owned by, filed in the name of, applied for by, or subject to a valid obligation of assignment to the Company (the "Company's Registered Intellectual Property Rights"); (ii) all exclusive licenses and exclusive rights to the Company's Intellectual Property Rights granted by the Company; (iii) all material, non-exclusive licenses and rights to the Company's Intellectual Property Rights granted by the Company; (iv) all exclusive licenses and exclusive rights to Intellectual Property Rights granted to the Company; and (v) all material, nonexclusive licenses and rights to Intellectual Property Rights granted to the Company. To Seller's and the Company's Knowledge, there is no material breach of the agreements relating to the grant of these licenses and rights. A complete list of all of the material Intellectual Property Rights, other than Trade Secret Rights, owned, possessed or used by the Company in the Business has been set forth in Schedule 4.12.

4.13 Real Property. Schedule 4.13 sets forth a complete and correct list of all real properties or premises that the Company leases or utilizes in whole or in part in connection with the Business. Complete and correct copies of all mortgages, deeds of trust, leases, guarantees of lease and other documents concerning such real property have been provided to Purchaser. The Company does not own any real property in fee. Each lease of premises utilized by the Company in connection with the Business is valid and binding in all material respects, as between the Company and the other party or parties thereto except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity, and the Company is a tenant or possessor in good standing thereunder, free of any material default or breach on the part of the Company and, to Seller's or the Company's Knowledge, free of any material default or breach on the part of the lessors thereunder, and quietly enjoys the premises provided for therein.

4.14 Labor Agreements and Employees. The Company is not bound by or subject to (and none of its assets is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to Seller's or the Company's Knowledge, has sought to represent any of the employees, representatives or agents of the Company. There is no strike or other labor dispute involving the Company pending, or to Seller's or the Company's Knowledge threatened, which could have a Material Adverse Effect, nor to Seller's and the Company's Knowledge is there any labor organization activity involving its employees. Schedule 4.14 sets forth, as of the date of this Agreement, (a) a complete list of all of the Company's employees identified by employee numbers, indicating rates of pay, employment dates and job titles for each employee, (b) true and correct copies of any and all fringe benefits and personnel policies, (c) categorization of each such employee as a full time, part time or part time plus employee of the Company, and (d) whether any such employee has an employment agreement. For purposes of this Section 4.14, "part time employee" means an employee who is employed for an average of fewer than 30 hours per week and "part time plus employee" means an employee who is employed for an average of between 30 and 39 hours per week. Except as set forth in Schedule 4.14, the Company has no employment agreements with its employees. To Seller's and the Company's Knowledge, no officer or key employee, or any group of key employees, intends to terminate his,

her or their employment with the Company. Schedule 4.14 sets forth (i) all former employees of the Company utilizing or eligible to utilize COBRA health insurance and (ii) a complete list of all of the Company's Employee Plans. To Seller's and the Company's Knowledge, all such plans have been administered in material compliance with applicable laws. The Company has complied in all material respects with all applicable state and federal equal employment opportunity laws and with other laws related to employment.

4.15 Tax Matters.

(a) Seller and the Company have prepared and timely filed all required federal, state and local returns, estimates, information statements and reports relating to any and all Taxes concerning or attributable to the Company or its operations ("Returns") and such Returns are true and correct and completed in accordance with applicable law. In filing the Returns, Seller and the Company have not taken any filing positions that they do not deem as probable of being sustained in the event of an audit.

(b) Seller and the Company have timely paid all the Company's Taxes and timely paid or withheld with respect to the Company's employees and other third parties (and timely paid over any withheld amounts to the appropriate taxing authority) all federal and state income taxes, Federal Insurance Contribution Act, Federal Unemployment Tax Act and other Taxes required to be withheld.

(c) Seller and the Company have not been delinquent in the payment of any Tax of the Company, nor is there any Tax deficiency outstanding, assessed or proposed against the Company, nor has Seller or the Company executed any outstanding waiver of any statute of limitations on or extension of the period for the assessment or collection of any Tax applicable to the Company.

(d) Except as set forth in Schedule 4.15(d), there is no pending tax examination or audit of, nor any action, suit, investigation or claim asserted or, to Seller's or the Company's Knowledge, threatened against the Company or Seller by any Governmental Authority with respect to any Returns. No adjustment relating to any Return has been proposed in writing by any taxing authority to Seller or the Company or any representative thereof. No claim has ever been successfully made by a Governmental Authority in a jurisdiction where Seller or the Company does not file Returns that the Company is or may be subject to taxation by that jurisdiction.

(e) The Company had no liabilities for unpaid Taxes arising in periods for which Returns are not yet required to be filed as of the date of the most recent unaudited balance sheet that have not been accrued or reserved on such balance sheet, whether asserted or unasserted, contingent or otherwise, and the Company has not incurred any liability for Taxes since the date of such balance sheet other than in the ordinary course of business.

(f) The Company has delivered or made available to Purchaser on the Premises copies of all Returns filed for the fiscal years ended 2000 to the most recent period for which Returns were required to be filed.

(g) There are no Encumbrances on the Company's assets relating to or attributable to Taxes other than Encumbrances for Taxes not yet due and payable.

(h) The Company is not, and has not been at any time, a "United States Real Property Holding Corporation" within the meaning of Section 897(c)(2) of the Code.

(i) During the two-year period ending on the date hereof, the Company has not constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(j) The Company has not engaged in a reportable transaction within the meaning of Treas. Reg. § 1.6011-4(b).

(k) The Company will not be required to include any income or gain or exclude any deduction or loss from taxable income as a result of (i) any change in method of accounting under Section 481(c) of the Code prior to the Closing Date, (ii) closing agreement under Section 7121 of the Code entered into prior to the Closing Date, (or in the case of each of (i) and (ii), under any similar provision of applicable law), or (iii) installment sale or open transaction disposition prior to the Closing Date.

(l) Other than as set forth in Schedule 4.15(l), there is no Contract, agreement, plan or arrangement to which the Company is a party, including, without limitation, the provisions of this Agreement, covering any employee or former employee of the Company or other Person, which, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to Sections 280G, 404 or 162(m) of the Code or any similar provision of applicable law.

4.16 Insurance. Seller, for the benefit of the Company, has maintained in full force and effect and has continuously maintained insurance coverage for the operations, personnel, and assets of the Company and for the Business (to the extent possible and prudent), sufficient in amount (subject to reasonable deductibles) to allow the Company to maintain normal business operations in the event of a loss. The Company has in full force and effect errors and omissions liability insurance in amounts acceptable to Seller and customary for companies similar in size and complexity in the industry. Neither the Company nor Seller is in default or breach of any material provision contained in any such insurance policies, and neither the Company nor Seller has failed to give any notice or to present any known claim thereunder in due and timely fashion. Neither the Company nor Seller has received any notice of the intent of any insurance company to not renew or to cancel any material, in force insurance policies for the Company or materially increase the premiums thereunder. The Company and Seller have notified insurers of any known claims in a reasonably timely manner. Except as set forth in Schedule 4.16, no letters of credit have been posted or cash restricted for the benefit of any such insurance policies.

4.17 Litigation, Actions and Proceedings. Except as set forth in Schedule 4.17, there are no outstanding orders, judgments, injunctions, awards or decrees of any Governmental Authority against Seller or the Company, any of the Company's assets or Business, or, to Seller's or the Company's Knowledge, any of the Company's current or former directors or officers or

any other Person whom Seller or the Company has agreed to indemnify (with respect to such indemnification obligation), as such, that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Furthermore, except as set forth in Schedule 4.17, there is no action, suit, proceeding or investigation pending or, to Seller's or the Company's Knowledge, currently threatened against the Company that questions the validity of this Agreement or the right of the Company to enter into it, or to consummate the transactions contemplated hereby or thereby, or that might have, either individually or in the aggregate, a Material Adverse Effect. Other than the Quarles & Brady Claim, there is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate. The foregoing includes, without limitation, actions, suits, proceedings or investigations pending or threatened in writing involving the prior employment of any employees of the Company, their use in connection with the Company's business, or any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers.

4.18 Confidentiality Agreements. The Company has entered into agreements with some of its employees, consultants and officers regarding confidentiality and proprietary information substantially in the form or forms delivered or made available to Purchaser on the Premises. Except as set forth on Schedule 4.18, to Seller's or the Company's Knowledge, none of the Company's former and current employees, consultants or officers is in violation thereof.

4.19 Corporate Documents. The Company's Articles of Incorporation and Bylaws are in the forms provided to Purchaser. Seller has heretofore made available to Purchaser for Purchaser's inspection all of the Company's minute books, stock ledgers and stock books in the Company's possession.

4.20 Powers of Attorney. Other than as set forth in Schedule 4.20, there are no powers of attorney or similar arrangement by which Seller is authorized to act for or on behalf of the Company.

4.21 Restrictions on Business Activities. There is no material agreement (non-compete or otherwise), commitment, judgment, injunction, order or decree to which the Company is a party or otherwise binding upon the Company, which has or may reasonably be expected to have the effect of prohibiting or impairing any Business practice of the Company, any acquisition of property (tangible or intangible) by the Company, the conduct of the Business by the Company or otherwise limiting the freedom of the Company or its Affiliates to engage in any line of business or to compete with any Person (other than licenses of and other agreements relating to Intellectual Property Rights). Except as set forth on Schedule 4.21, without limiting the generality of the foregoing, the Company has not entered into any agreement under which the Company is restricted from selling, licensing or otherwise distributing any of its technology or products to, or providing services to, customers or potential customers or any class of customers, in any geographic area, during any period of time or in any segment of the market.

4.22 Environmental Matters. Except as would not have a Material Adverse Effect, to Seller's and the Company's Knowledge, the Company is in material compliance with all applicable Environmental Laws and Environmental Permits; no written notice, notification, demand, request for information, citation, summons or order has been received, no complaint has

been filed, no penalty has been assessed, and no investigation, action, claim, suit, proceeding or review (or any basis therefor) is pending or is threatened by any Governmental Authority or other Person regarding the Company's operations under any Environmental Law; and there are no liabilities or obligations of the Company under any Environmental Law or with respect to any Hazardous Substance that could reasonably be expected to result in or be the basis for any liability or obligation under any Environmental Law.

4.23 Brokers' and Finders' Fees. Except for Martin Wolf Securities LLC, neither the Company nor Seller has retained any broker or finder in connection with any of the transactions contemplated by this Agreement, and neither the Company nor Seller has incurred or agreed to pay, or taken any other action that would entitle any Person to receive, any brokerage fee, finder's fee or other similar fee or commission with respect to any of the transactions contemplated by this Agreement. Seller's obligation to indemnify Purchaser under Section 11 shall extend to any Losses arising from or related to brokers' or finders' fees described in this Section 4.23.

4.24 No Conflict of Interest. The Company is not indebted, directly or indirectly, to any of its officers or directors or to their respective spouses or children, in any amount whatsoever other than in connection with expenses or advances of expenses incurred in the ordinary course of business or relocation expenses of employees. Except as set forth on Schedule 4.24, none of the Company's officers or directors, or any members of their immediate families, are, directly or indirectly, indebted to the Company or, to Seller's or the Company's Knowledge, have any direct or indirect ownership interest in any Person which is an Affiliate of the Company or with which the Company has a business relationship, or any Person which competes with the Company except that officers, directors and/or stockholders of the Company may own stock in (but not exceeding two percent of the outstanding capital stock of) any publicly traded company that may compete with the Company. To Seller's or the Company's Knowledge, none of the Company's officers or directors or any members of their immediate families are, directly or indirectly, interested in any material Contract with the Company. The Company is not a guarantor or indemnitor of any Debt of any other Person.

Section 5. Representations and Warranties of Purchaser

As a material inducement to Seller and the Company to enter into this Agreement and to consummate the transactions contemplated herein, Purchaser represents and warrants to Seller and the Company as follows:

5.1 Organization, Qualification and Authority. Purchaser is a corporation or other legal entity duly incorporated and validly existing under the laws of its jurisdiction of organization. Purchaser has the full right, power and authority to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement and to consummate the transactions contemplated on the part of Purchaser hereunder. No other action, consent or approval on the part of Purchaser or any other Person, is necessary to authorize Purchaser's due and valid execution, delivery and consummation of this Agreement and all other agreements and documents executed in connection hereto. This Agreement and all other agreements and documents executed in connection herewith by Purchaser, upon due execution and delivery thereof, shall constitute the

valid and binding obligations of Purchaser, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity.

5.2 Availability of Funds. Purchaser's financial resources are sufficient to enable it to purchase the Stock.

5.3 No Violations. The execution and delivery of this Agreement and the performance by Purchaser of its respective obligations hereunder, with or without the passage of time and giving of notice, (a) do not and will not conflict with or violate any provision of the Articles of Incorporation, Bylaws or similar organizational documents of Purchaser, and (b) do not and will not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) result in the creation of any Encumbrance upon the capital stock or assets of Purchaser pursuant to, (iv) give any third party the right to modify, terminate or accelerate any obligation under, (v) result in a violation of, or (vi) require any authorization, consent, approval, waiver, exemption, order of, or registration, qualification, designation, declaration or filing with, or other action by or notice to any Governmental Authority or other third party, including a party to any agreement with Purchaser, pursuant to, any law, statute, rule or regulation or any Contract, instrument, order, judgment or decree to which Purchaser is subject or by which any of its respective assets are bound, except where the failure to obtain any such authorization, consent, approval, exemption or other action, or deliver any such notice, would not result in a material adverse effect on Purchaser.

5.4 Litigation, Actions and Proceedings. There is no action, suit, proceeding or investigation pending or, to Purchaser's knowledge, currently threatened against Purchaser that questions the validity of this Agreement or the right of Purchaser to enter into it, or to consummate the transactions contemplated hereby or thereby.

5.5 Brokers. Purchaser has not retained any broker or finder in connection with any of the transactions contemplated by this Agreement, and Purchaser has not incurred or agreed to pay, or taken any other action that would entitle any Person to receive, any brokerage fee, finder's fee or other similar fee or commission with respect to any of the transactions contemplated by this Agreement.

5.6 Acquisition of Shares for Investment. Purchaser is acquiring the Stock for investment and not with a view toward, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the Stock. Purchaser is able to bear the economic risk of holding the Stock for an indefinite period, and has knowledge and experience in financial and business matters such that it is capable of evaluating the risks of the investment in Stock.

Section 6. Pre-Closing Covenants of Seller

Seller agrees that, between the date of this Agreement and the Closing Date:

6.1 Conduct of Business. Except as contemplated by this Agreement or with Purchaser's prior written consent (which shall not be unreasonably withheld), the Company shall, and Seller shall use its commercially reasonable efforts to cause the Company to:

(a) conduct the Business only in the ordinary course in substantially the same manner as heretofore conducted;

(b) preserve and maintain all Intellectual Property Rights used in the Business substantially in accordance with current business practices;

(c) preserve and maintain all Licenses and Permits used in the Business substantially in accordance with current business practices;

(d) comply in all material respects with all statutes, laws, ordinances, rules, regulations, Licenses and Permits applicable to the Business;

(e) perform in all material respects all obligations under Contracts and instruments relating to or affecting the Business;

(f) maintain the books of account and records of the Business in the usual, regular and ordinary manner;

(g) keep in full force and effect insurance comparable in amount and scope of coverage to insurance now carried with respect to the Business;

(h) not (i) enter into any employment agreement or commitment to employees of the Business or effect any increase in the compensation or benefits payable or to become payable (whether oral or written) to any officer, director or employee of the Business other than increases in non-officer employee compensation effected in the ordinary course of business or (ii) modify or amend, or waive any benefit of, any non-compete agreement to which the Company or Seller is a party;

(i) not (i) amend its Articles of Incorporation, Bylaws or other organizational documents, (ii) split, combine or reclassify any shares of its outstanding capital stock, (iii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property, other than as contemplated by this Agreement (other than the payment of the Dividend to Seller prior to Closing), or (iv) directly or indirectly redeem or otherwise acquire any shares of its capital stock;

(j) not issue any securities in the Company, any securities convertible into securities of the Company, or any rights or interests therein;

(k) not merge, combine or consolidate with any Person;

(l) not engage in any transaction with any Affiliate of the Company or any Affiliate of Seller, other than transactions between the Company and Seller related to this Agreement or the transactions contemplated herein (other than the payment of the Dividend to Seller prior to Closing);

(m) not (i) acquire or purchase an equity interest in or any assets of any Person or otherwise acquire any assets outside the ordinary course of business and consistent with past practice or otherwise enter into any material Contract, commitment or

transaction or (ii) sell, lease, license, waive, release, transfer, encumber (other than Permitted Liens) or otherwise dispose of any of its material assets, Equipment or other tangible personal property of the Business;

(n) not (i) incur, assume or prepay any Debt or any other material liabilities other than (A) accounts payable and payments under credit facilities existing on the date hereof in the ordinary course of business and consistent with past practice, or (B) accounts payable and payments incurred in connection with the negotiation and documentation of this Agreement and the consummation of transactions contemplated herein, including, without limitation, attorneys' fees, (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any Person or (iii) make any loans, advances or capital contributions to, or investments in, any Person;

(o) not authorize or make any single expenditure or series of related expenditures in excess $150,000;

(p) not enter into any Contract that cannot be terminated with 30 days' or less notice and without penalty; and

(q) not authorize or enter into any commitment with respect to any of the matters described above.

6.2 Access. Subject to the provisions of Section 6, Seller shall, after receiving reasonable advance notice from Purchaser, give Purchaser reasonable access (during normal business hours) to the Company's physical assets, facilities, books, records, Contracts, computer systems and databases, and Licenses and Permits and any other information and matters reasonably requested by Purchaser for the purpose of enabling Purchaser to further investigate and inspect, at Purchaser's sole expense, the Business, assets, operations, financial condition and legal affairs of the Company. Seller will make the Company's officers, auditors, counsel, or other representatives reasonably available for consultation and verification of any information so obtained. Such information will be treated as confidential by Purchaser and not disclosed to any third parties without the prior written consent of the Company, except for disclosure by Purchaser to its legal, accounting and other professional advisors, employees and agents in connection with the evaluation and consummation of the transactions contemplated by this Agreement.

6.3 Exclusivity. Until the termination of this Agreement, Seller and the Company agree not to enter into any agreement, agreement in principle or other commitment (whether or not legally binding) relating to a Competing Transaction or solicit, initiate or encourage the submission of any proposal or offer from any person or entity (including the Company's officers, shareholders, employees and agents) relating to any Competing Transaction, nor participate in any discussions or negotiations regarding, or furnish to any other Person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to effect a Competing Transaction. Seller and the Company shall immediately cease any and all contacts, discussions and negotiations with third parties regarding any Competing Transaction, and Seller and the Company shall grant no

access to any third party to any of the Company's premises, to any confidential information, or to any other information relating to the Company for the purpose of enabling such third party to make a determination as to whether to enter into a Competing Transaction with Seller or the Company. Seller shall, and shall cause the Company to, notify Purchaser if any proposal regarding a Competing Transaction (or any inquiry or contact with any Person with respect thereto) is made and shall advise Purchaser of the contents thereof (and, if in written form, provide Purchaser with copies thereof).

Section 7. Pre-Closing Covenants of Purchaser

Purchaser agrees that, between the date of this Agreement and the Closing Date:

7.1 Cooperation. Purchaser shall cooperate fully with Seller, and shall provide Seller with such assistance as Seller may reasonably request, for the purpose of facilitating the performance by Seller of its obligations under this Agreement. Purchaser shall cooperate with Seller to assist Seller in obtaining (i) the consents required pursuant to Section 9.3 and (ii) any and all releases or terminations of any obligations of Seller to any third party other than those specifically excepted under the terms of this Agreement or that will be satisfied prior to the Closing and (iii) any and all terminations of any guarantees of Seller of any obligations or liabilities of any third party that will remain unsatisfied or outstanding following the Closing, including, without limitation, obligations or liabilities of the Company.

Section 8. Post-Closing Covenants

8.1 Employee Matters. Effective as of the Closing Date, each individual who, immediately prior to the Closing, is a Company employee (including individuals who are on military leave, disability, workers' compensation or any approved leave of absence, whether or not paid) shall automatically, and without further action by Purchaser, Seller, the Company, such individual or any other Person, continue to be an employee of the Company.

8.2 Joint Employee Plans with Seller. Seller and the Company shall take such action as is necessary such that the Company shall cease being a "participating employer" and shall cease any co-sponsorship and participation in each Employee Plan that is jointly adopted, sponsored or maintained by Seller and the Company and in which any current, terminated or retired employee of the Company participates. All liabilities associated with all Employee Plans that are jointly adopted, sponsored or maintained by Seller and the Company shall remain with Seller and Seller shall indemnify and hold harmless Purchaser, and its respective officers, directors, employees, Affiliates and agents, at all times from and after the Closing Date from, against and in respect of any and all Losses arising therefrom.

8.3 Non-Solicitation and Covenant Not to Compete.

(a) For a period of 18 months from and after the Closing Date (the "Non-Solicitation Period"), Seller agrees that it and its Affiliates shall not, directly or indirectly, either for itself or for any other Person, solicit for employment any of the Company's employees employed as of the Closing Date without the prior written consent of the Company; provided, however, that nothing shall prohibit Seller or its Affiliates from

hiring any Person who contacts them without any solicitation from Seller or its Affiliates or as a result of a general solicitation by Seller or its Affiliates to the public..

(b) For a period of three years from and after the Closing Date (the "Non-Compete Period"), Seller agrees that it and its Affiliates shall not, directly or indirectly, either for itself or for any other Person, operate anywhere in the world a business substantially similar to the Company's Business as conducted on the Closing Date (a "Competitive Business"). For the avoidance of doubt, Purchaser acknowledges that Seller's business as currently operated (but not including the Company) is not a Competitive Business.

(c) Notwithstanding the provisions of Section 8.3(b), Seller and its Affiliates may (i) acquire a Person fifteen percent or less of the consolidated annual revenues (measured by the most current financial statements published by the acquired Person in the ordinary course of business) of which are derived from a Competitive Business, (ii) beneficially own ten percent or less of the equity of any Person that competes, directly or indirectly, with the Company, or (iii) beneficially own Debt or other non-voting securities of any Competitive Business.

(d) Nothing in this Section 8.3 shall restrict or prohibit the actions or conduct of or otherwise apply to, any third party that consummates a merger, consolidation, business combination, acquisition or assets or purchase of capital stock with respect to Seller.

8.4 Cooperation; Books and Records.

(a) Purchaser and the Company shall provide Seller and its Affiliates and their respective representatives and agents reasonable assistance in connection with any financial reporting or accounting matters, the Excluded Assets and the Quarles & Brady Claim, upon reasonable notice, including access to documents for production or use in connection with or in anticipation of any action or proceeding, access to employees and officers, as necessary, for testimony at depositions or trial and assistance in connection with, or in anticipation of, any Tax audit.

(b) Purchaser shall retain all of the books and records of the Company for a period of five years after the Closing Date or such longer time as may be required by law.

8.5 Quarles & Brady Claim. Following the Closing, Seller shall, at its own expense, continue to litigate the Quarles & Brady Claim and, subject to Section 8.4, Purchaser and the Company shall provide Seller, its representatives and agents reasonable assistance in connection with the Quarles & Brady Claim and Purchaser and the Company shall not agree to any waiver or settlement without the prior written consent of Seller; provided, however, that, subject to Section 11, Seller shall indemnify and hold harmless Purchaser from and against, and shall reimburse Purchaser for, any and all liability or out-of-pocket expenses incurred by Purchaser in connection with the Quarles & Brady Claim. Any recovery or benefit (including damages, attorney's fees or otherwise) by the Company from the Quarles & Brady Claim shall be

held in trust for the benefit of Seller and any such recovery or benefit shall be promptly paid over to Seller.

8.6 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes and related fees (including any penalties, interest and additions to Tax) incurred with respect to the Stock pursuant to this Agreement shall be divided equally between Seller and Purchaser. Except as required by applicable law, Purchaser shall prepare, execute and file all Returns and other documentation on a timely basis as may be required to comply with the provisions of any such applicable law.

8.7 Payment of Taxes. Seller shall remain liable and pay any and all Taxes concerning or attributable to Seller and its Affiliates (other than the Company). Seller shall be liable and pay, or cause to be paid, any and all Taxes concerning or attributable to the Company's operations for the period prior to the Closing Date and the period on the Closing Date prior to the Closing.

Section 9. Conditions to Obligation of Purchaser to Close

The obligation of Purchaser to purchase the Stock and otherwise consummate the transactions that are to be consummated at the Closing is subject to the satisfaction, as of the Closing Date, of the following conditions (any of which may be waived in writing by Purchaser in whole or in part):

9.1 Accuracy of Representations and Warranties. The representations and warranties of Seller set forth in Section 4, as modified solely by the Disclosure Schedule, shall be accurate in all material respects as of the Closing Date, except to the extent that any of such representations and warranties refers specifically to a date other than the Closing Date.

9.2 Performance. Seller shall have performed, in all material respects, all covenants, agreements and obligations required by this Agreement to be performed by Seller on or before the Closing Date.

9.3 Consents or Waivers Obtained. Purchaser shall have received evidence, in form and substance reasonably satisfactory to it, that the consents, or waivers thereof, listed as items 1 through 7 and 9 on Schedule 4.4 have been obtained.

9.4 No Injunction. There shall not be in effect, at the Closing Date, any injunction or other binding order of any Governmental Authority having jurisdiction over Purchaser that prohibits the purchase of the Stock by Purchaser.

9.5 Encumbrances; Stock Certificates. The Stock and assets of the Company shall be free and clear of all Encumbrances (other than Permitted Liens, if any). Purchaser shall have received the stock certificates representing the Stock duly endorsed for transfer and accompanied by any applicable documentary stamp tax.

9.6 Delivery of Documents. Seller shall have delivered or made available to Purchaser on the Premises the documents required to be delivered or made available under Sections 4.5(d), 4.10, 4.15(f), and 4.18.

9.7 Financial Statements. Seller and the Company shall have delivered the Financial Statements to Purchaser which Financial Statements, as applicable, shall be presented on a monthly basis beginning with the month following the financial statements for the fiscal year ended 2005 through the last month ending prior to the Closing Date; provided, however, that if the Closing is to take place prior to the 15th day of a month, the financial statements for the immediately prior month shall not need to be delivered.

9.8 Lease Agreement. Seller and the Company shall have entered into a lease agreement in the form attached hereto as Exhibit A.

9.9 Release of Credit Support Obligations. The Company shall have been released from any credit support obligations under the Credit Agreements.

9.10 Automatic Transfer of Funds. As of the end of the day on the Closing Date, Seller shall have terminated any arrangement by which funds from the Company's operating accounts with JP Morgan Chase are collected and transferred to Seller.

9.11 Resignations of Directors. On the Closing Date, Seller shall deliver or cause to be delivered to Purchaser written resignations of any and all directors of the Company.

9.12 No Material Adverse Effect. Since the date of this Agreement, no Material Adverse Effect shall have occurred.

Section 10. Conditions to Obligation of Seller to Close

The obligation of Seller to cause the Stock to be sold to Purchaser and otherwise consummate the transactions that are to be consummated at the Closing is subject to the satisfaction, as of the Closing Date, of the following conditions (any of which may be waived in writing by Seller in whole or in part):

10.1 Accuracy of Representations and Warranties. The representations and warranties of Purchaser set forth in Section 5 shall be accurate in all material respects as of the Closing Date.

10.2 Performance. Purchaser shall have performed, in all material respects, all covenants, agreements and obligations required by this Agreement to be performed by Purchaser on or before the Closing Date.

10.3 Approvals. This Agreement shall have been approved by the requisite vote of Purchaser's Board of Directors.

10.4 No Injunction. There shall not be in effect, at the Closing Date, any injunction or other binding order of any Governmental Authority having jurisdiction over Seller or the Company that prohibits the sale of the Stock to Purchaser.

10.5 Release of Guarantees. The Seller shall be released from any guarantees of the Company's performance listed on Schedule 10.5.

Section 11. INDEMNIFICATION.

11.1 Indemnification by Seller.

(a) Subject to the limitations in Section 11.1(d), Seller shall indemnify and hold harmless Purchaser, and its respective officers, directors, employees, Affiliates and agents, at all times from and after the Closing Date from, against and in respect of any and all Losses arising from or related to any breach or default in performance by Seller or the Company of any of its representations or warranties, covenants or agreements contained in this Agreement.

(b) Seller shall indemnify and hold harmless Purchaser, and its respective officers, directors, employees, Affiliates and agents, at all times from and after the Closing Date from, against and in respect of any and all Losses arising from or related to the Excluded Assets.

(c) Seller shall indemnify and hold harmless Purchaser, and its respective officers, directors, employees, Affiliates and agents, at all times from and after the Closing Date from, against and in respect of any and all Losses arising from or related to all matters set forth or included in Schedule 4.9(c), Schedule 4.12 (limited to the section titled "Infringement, Misappropriation"), Schedule 4.15(d) and Schedule 4.17.

(d) Certain Limitations.

(i) Other than for the Quarles & Brady Claim, the Excluded Assets and all claims arising from or related to a breach of Sections 4.9, 4.14, 4.15, or 4.17, Seller shall have no obligation to indemnify Purchaser for any Losses until such time as the amount of the aggregate Losses equal or exceed $250,000 (the "Purchaser's Deductible"), after which there may only be recovered those Losses in excess of the Purchaser's Deductible, subject to the limitations in Section 11.1(d)(ii).

(ii) Other than for the Quarles & Brady Claim, the Excluded Assets, all claims arising from or related to a breach of Sections 4.9, 4.14, 4.15, 4.17 or 8.3(b), for Losses arising from items listed under the section titled "Infringement, Misappropriation" in Schedule 4.12, and for Losses described in Section 11.1(c), Seller shall have no obligation to indemnify Purchaser for any Losses in excess of $10.0 million; provided, however, that all Losses of Purchaser shall be applied first to satisfy the Purchaser's Deductible.

(iii) Seller shall have no liability under this Section 11.1 for a breach of any representation or warranty to the extent (1) a reserve in respect of any Losses was made in the Financial Statements, (2) the amount of any insurance proceeds actually received by Seller with respect to such Losses, and (3) any indemnity, contribution or other similar payment actually received by Seller from any third party with respect to such Losses.

11.2 Indemnification by Purchaser.

(a) Subject to the limitations in Section 11.2(b), Purchaser shall indemnify and hold harmless Seller, and its respective officers, directors, employees, Affiliates and agents, at all times from and after the Closing Date from, against and in respect of any and all Losses arising from or related to any breach or default in performance by Purchaser of any of its representations or warranties, covenants or agreements contained in this Agreement.

(b) Certain Limitations.

(i) Purchaser shall have no obligation to indemnify Seller for any Losses until such time as the amount of the aggregate Losses equal or exceed $250,000 (the "Seller's Deductible"), after which there may only be recovered those Losses in excess of the Seller's Deductible, subject to the limitations in Section 11.2(b)(ii).

(ii) Purchaser shall have no obligation to indemnify Seller for any Losses in excess of $10.0 million; provided, however, that all Losses of Seller shall be applied first to satisfy the Seller's Deductible.

(iii) Purchaser shall have no liability under this Section 11.2 for a breach of any representation or warranty to the extent (1) the amount of any insurance proceeds actually received by Purchaser with respect to such Losses, and (2) any indemnity, contribution or other similar payment actually received by Purchaser from any third party with respect to such Losses.

11.3 Matters Involving Third Parties.

(a) For purposes of this Section 11.3, a party against which indemnification may be sought is referred to as the "Indemnifying Party" and the party which may be entitled to indemnification is referred to as the "Indemnified Party."

(b) If any third party shall notify the Indemnified Party with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against the Indemnifying Party under this Section 11, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing setting forth, in reasonable detail, the nature and basis of the claim and the amount thereof, to the extent known, and any other relevant documentation in the possession of the Indemnified Party (a "Notice of Claim"); provided, however, that failure on the part of the Indemnified Party to notify any Indemnifying Party shall not relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is thereby materially prejudiced by such failure.

(c) The Indemnifying Party may, at its own expense, participate in the defense of any claim, suit, action or proceeding by providing written notice to the Indemnified Party and delivering to the Indemnified Party a written agreement that the Indemnified Party is entitled to indemnification pursuant to Section 11 for all Losses arising out of

such claim, suit, action or proceeding, and that the Indemnifying Party shall be liable for the entire amount of any Loss, at any time during the course of any such claim, suit, action or proceeding, assume the defense thereof, *provided that* the Indemnifying Party's counsel is reasonably satisfactory to the Indemnified Party, and the Indemnifying Party shall thereafter consult with the Indemnified Party upon the Indemnified Party's reasonable request for such consultation from time to time with respect to such claim, suit, action or proceeding. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right (but not the obligation) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. If, however, the Indemnifying Party reasonably determines, based upon written advice of counsel, that the representation by the Indemnifying Party's counsel of both the Indemnifying Party and the Indemnified Party would present a conflict of interest, then such Indemnified Party may employ separate counsel (Indemnifying Party's consent to the choice of counsel is required, such consent not to be unreasonably withheld) to represent or defend it in any such claim, action, suit or proceeding and the Indemnifying Party shall pay the reasonable fees and disbursements of one such separate counsel. Whether or not the Indemnifying Party chooses to defend or prosecute any such claim, suit, action or proceeding, all of the Parties hereto shall cooperate in the defense or prosecution thereof.

(d) Any settlement or compromise made or caused to be made by the Indemnified Party or the Indemnifying Party, as the case may be, of any such claim, suit, action or proceeding of the kind referred to in this Section 11.3 shall also be binding upon the Indemnifying Party or the Indemnified Party, as the case may be, in the same manner as if a final judgment or decree had been entered by a court of competent jurisdiction in the amount of such settlement or compromise, provided that no obligation, restriction or Loss shall be imposed on the Indemnified Party as a result of such settlement without its prior written consent. The Indemnified Party will give the Indemnifying Party at least 30 days' notice of any proposed settlement or compromise of any claim, suit, action or proceeding it is defending, during which time the Indemnifying Party may reject such proposed settlement or compromise; provided that from and after such rejection, the Indemnifying Party shall be obligated to assume the defense of and full and complete liability and responsibility for such claim, suit, action or proceeding and any and all Losses in connection therewith in excess of the amount of unindemnifiable Losses which the Indemnified Party would have been obligated to pay under the proposed settlement or compromise.

Section 12. Termination of Agreement

12.1 Right to Terminate Agreement. This Agreement may be terminated prior to the Closing:

(a) by the mutual written agreement of Seller, the Company and Purchaser;

(b) by Purchaser at any time after July 14, 2006, if any condition set forth in Section 9 shall not have been satisfied or waived (unless, in the case of any such termination by Purchaser pursuant to this Section 12.1(b), the failure of such event to

occur shall have been caused by the action or failure to act by Purchaser, which action or failure to act constitutes a breach of Purchaser's obligations under this Agreement); provided, however, that the deadline set forth in this Section 12.1(b) shall be automatically extended until July 31, 2006 if Seller and the Company have not obtained the necessary consents pursuant to Section 9.3; or

(c) by Seller and the Company at any time after July 14, 2006, if any condition set forth in Section 10 shall not have been satisfied or waived (unless, in the case of any such termination by Seller pursuant to this Section 12.1(c), the failure of such event to occur shall have been caused by the action or failure to act by Seller, which action or failure to act constitutes a breach of Seller's obligations under this Agreement); provided, however, that the deadline set forth in this Section 12.1(c) shall be automatically extended until July 31, 2006 if Seller and the Company have not obtained the necessary consents pursuant to Section 9.3.

12.2 Effect of Termination. Upon the termination of this Agreement pursuant to Section 12.1:

(a) Purchaser shall promptly cause to be returned to Seller all documents and information obtained in connection with this Agreement and the transactions contemplated by this Agreement and all documents and information obtained in connection with Purchaser's investigation of the Company's Business, operations and legal affairs, including any copies made by Purchaser of any such documents or information; and

(b) all covenants, representations and warranties set forth in this Agreement shall terminate and expire, and shall cease to be of any force or effect, as of the date of termination, and neither party hereto shall have any obligation or liability to the other party hereto, provided that the Company shall remain liable for the payment of expenses pursuant to Section 13.2.

Section 13. Miscellaneous Provisions

13.1 Survival of Representations and Warranties. The representations and warranties of Seller contained in this Agreement or in any certificate or other instrument delivered at the Closing pursuant to this Agreement shall survive the Closing for two years except for the representations and warranties of Seller described in Sections 4.9, 4.14, 4.15 and 4.22, which will survive the Closing until the applicable statute of limitations (the "Survival Period"). No claim may be brought based upon, directly or indirectly, any of the representations and warranties contained in this Agreement after the Survival Period.

13.2 Expenses. The Company shall pay: (a) all costs and expenses associated with any governmental or regulatory agency filing, Consent, and approval required in connection with this Agreement and the transactions contemplated hereby; and (b) all costs and expenses associated with the compilation of the Financial Statements. Except as set forth in Section 8.6 and Section 13.9(c), all other fees, costs and expenses incurred by the parties in connection with this Agreement shall be the responsibility of the party incurring such costs and expenses.

13.3 338(h)(10) Election. If requested by Purchaser, the Company and Seller agree to make an election pursuant to Section 338(h)(10) of the Code, as amended (and any corresponding provisions of Arizona and other applicable state tax law), with respect to the purchase of the Stock, which election shall allocate the Purchase Price to the Company's assets pursuant to the method prescribed in Treasury Regulation §1.338-6 (as reasonably determined by Purchaser and agreed upon by Seller). Purchaser shall promptly pay to Seller upon receipt of demand therefor (which demand shall be accompanied by copies of the documentation and computations described in the immediately following sentence) as additional Purchase Price an amount equal to the increased Taxes, if any, incurred by Seller with respect to the year in which the Closing occurs and the year in which any payments are made pursuant to this provision (including any additional Taxes in respect of such amounts) as a result of any Section 338(h)(10) Election or analogous elections made such that Seller will receive the same after-Tax proceeds with respect to the year in which the Closing occurs and the year in which any payments are made pursuant to this provision as if Seller had sold stock and no Section 338(h)(10) Election or analogous elections had been made. Such determinations shall be based upon documentation and computations made by Seller with respect to amounts due hereunder presented to Purchaser. Seller shall provide such documentation and computations to Purchaser no later than 90 calendar days after (i) the Closing Date and (ii) the date of any payment of additional Purchase Price giving rise to the obligation to pay additional amounts hereunder; provided, however, that Seller's failure to provide such documentation and computations within such time shall not constitute a waiver of its rights to additional amounts hereunder. Any item of income, expense, gain, or loss (other than any amount in respect of allocations of Purchase Price in connection with a Section 338(h)(10) Election or additional amounts payable hereunder) occurring after the Closing Date shall not be considered in calculating increased Taxes.

13.4 Returns

(a) Purchaser shall prepare, or cause to be prepared, and timely file, or cause to be timely filed, all Returns for periods that end after the Closing Date.

(b) If a 338(h)(10) election pursuant to Section 13.3 is not made by Purchaser, such Returns shall be prepared in a manner consistent with the past practices of Seller and the Company in preparing Returns. Purchaser shall furnish Seller drafts of Returns as proposed to be filed for periods that end after the Closing Date no later than 30 calendar days prior to the due date (without extensions) for the filing of such Returns for Seller's review and approval. Seller shall have 15 calendar days to review such Returns, and shall, at or prior to the end of such period, furnish its approval of such Returns or provide its comments and modifications to such Returns. Purchaser shall accept Seller's comments and modifications to such Returns, and such Returns, as modified to reflect Seller's comments and modifications, shall be deemed to have been approved by Seller. If Purchaser disagrees with or refuses to accept any of Seller's comments or modifications, the parties shall consult and cooperate in good faith to resolve such disagreements and refusals, and the Returns as agreed to after such consultation shall be filed in such form as agreed to. If, however, the parties cannot reach agreement within 30 calendar days after Seller's delivery of its comments and modifications to the draft Returns as originally proposed by Purchaser, the parties shall refer the resolution of such disagreement to a nationally recognized accounting firm reasonably acceptable to both

parties for final resolution of such disagreement. Such accounting firm's decision shall be binding on both parties, and shall be made not later than seven calendar days prior to the due date (including extensions) for the filing of such Returns. Each party shall bear 50% of the costs of such accounting firm incurred in connection therewith.

13.5 Mutual Cooperation. The parties hereto shall cooperate with each other to achieve the purpose of this Agreement and shall execute such other and further documents and take such other and further actions as may be necessary or convenient to effect the transaction described herein.

13.6 No Implied Representations. Purchaser and Seller acknowledge that, except as expressly provided in Section 4 and Section 5, neither party hereto, and none of the representatives of either party hereto, has made or is making any representations or warranties whatsoever, implied or otherwise.

13.7 Public Announcements. Notwithstanding anything to the contrary in this Agreement, each party to this Agreement hereby agrees with the other party hereto that, without first consulting with the other party, except as may be required to comply with the requirements of any applicable Laws, and the rules and regulations of each stock exchange upon which the securities of one of the parties is listed, if any, no press release or similar public announcement or communication shall, prior to the Closing, be made or caused to be made concerning the execution or performance of this Agreement.

13.8 Materiality. For purposes of this Agreement, a Contract, obligation, liability, transaction, change, breach, encumbrance, proceeding or other matter or event shall not be deemed to be "material" unless the existence or occurrence of such matter or event would, by itself, cause a reasonable purchaser to reverse its decision to enter into a transaction of the type contemplated by this Agreement.

13.9 Arbitration. Any dispute that the parties are unable to resolve through mediation will be submitted to arbitration in accordance with the following procedures:

(a) **Demand for Arbitration; Location**. Either party may demand arbitration by giving the other party written notice to such effect, which notice will describe, in reasonable detail, the facts and legal grounds forming the basis for the filing party's request for relief and will include a statement of the total amount of damages claimed, if any, and any other remedy sought by that party. The arbitration will be held before one neutral arbitrator in Phoenix, Arizona before a mutually agreeable nationally or regionally recognized arbitration organization utilizing retired judges of that region such as J.A.M.S., and will proceed in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). If the parties are unable to agree on the organization to administer the arbitration, it will be administered by the AAA under its procedures for large and complex cases. There will be no discovery in such arbitration other than document requests for documents specifically related to this Agreement and the transaction contemplated herein, which documents will be produced within 15 calendar days after such requests. Pending the arbitrator's determination of the merits of

the dispute, either Party may apply to any court of competent jurisdiction to seek injunctive or other extraordinary relief.

(b) **Award**. The decision of, and award rendered by, the arbitrator will be final and binding on the parties. Upon the request of a party, the arbitrator's award will include written findings of fact and conclusions of law. Judgment on the award may be entered in and enforced by any court of competent jurisdiction.

(c) **Attorney's Fees**. The losing party shall pay the prevailing party's attorney's fees, costs and expenses (including filing fees) with respect to the arbitration, unless otherwise determined by the arbitrator.

13.10 Governing Law. This Agreement shall be construed in accordance with, and governed in all respects by, the laws of the State of New York without giving effect to principles of conflicts of law.

13.11 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given and duly delivered when received by the intended recipient at the following address (or at such other address as the intended recipient shall have specified in a written notice given to the other party hereto):

if to Purchaser:

TeleTech Holdings, Inc.
9197 S. Peoria Street
Legal 2-264
Englewood, CO 80112
Attn:Chief Financial Officer
Fax:(303) 397-8647

with a copy to:

TeleTech Holdings, Inc.
9197 S. Peoria Street
Legal 2-264
Englewood, CO 80112
Attn: Christy O'Connor, Esq.
Fax: (303) 397-8677

and

Brownstein Hyatt & Farber, P.C.
410 Seventeenth Street, 22nd Floor
Denver, CO 80202
Attn: Steven C. Demby
Fax: (303) 223-1111

if to Seller or the Company:

Insight Enterprises, Inc.
1305 W. Auto Drive
Tempe, AZ 85284
Attn:Chief Financial Officer
Fax:(480) 760-7003

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue
Los Angeles, CA 90071
Attn: Brian J. McCarthy, Esq.
Fax: (213) 621-5070

13.12 Headings. The captions and headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

13.13 Assignment. No party hereto may assign any of its rights or delegate any of its obligations under this Agreement to any other Person without the prior written consent of the other party hereto; provided, however, that Purchaser may assign this Agreement to an Affiliate of Purchaser without the consent of Seller or the Company.

13.14 Parties in Interest. Nothing in this Agreement is intended to provide any rights or remedies to any Person (including any employee or creditor of the Company) other than the parties hereto.

13.15 Severability. In the event that any provision of this Agreement, or the application of such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be affected and shall continue to be valid and enforceable to the fullest extent permitted by law. The parties further agree to replace such invalid, unlawful, void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

13.16 Specific Performance. The parties hereto agree that Purchaser would suffer irreparable damage in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that prior to the Closing, Purchaser shall be entitled to seek to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

13.17 Exclusive Remedies After Closing. Following the Closing, the sole and exclusive remedy for each of the parties with respect to any and all claims relating to the breach of this Agreement (other than claims of, or causes of action arising from, fraud or criminal acts) shall be pursuant to the indemnification provisions set forth in Section 11.

13.18 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

13.19 Facsimile Signatures. This Agreement may be executed by facsimile signatures that shall be binding on the parties hereto, with original signatures to be delivered as soon as reasonably practicable thereafter.

13.20 Entire Agreement. This Agreement sets forth the entire understanding of Purchaser and Seller and supersedes all other agreements and understandings between Purchaser and Seller relating to the subject matter hereof and thereof.

13.21 Waiver. No failure on the part of either party hereto to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of either party hereto in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver thereof; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

13.22 Amendments. This Agreement may not be amended, modified, altered or supplemented except by means of a written instrument executed by Purchaser, Seller, and the Company.

13.23 Interpretation of Agreement.

(a) Each party hereto acknowledges that it has participated in the drafting of this Agreement, and any applicable rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in connection with the construction or interpretation of this Agreement.

(b) The words “hereof,” “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(c) Whenever required by the context hereof, the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(d) As used in this Agreement, the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words “without limitation.”

(e) “Writing,” “written” and comparable terms in this Agreement refer to printing, typing and other means of reproducing words (including electronic media) in a visible form.

(f) References in this Agreement to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

(g) References in this Agreement to “party” or “parties” shall be deemed to be the parties to this Agreement unless otherwise specified or unless the context otherwise requires.

(h) References herein to “Sections,” “subsections,” “Exhibits” and “Schedules” are intended to refer to Sections, subsections, Exhibits and Schedules of this Agreement, unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement.

[The Remainder of the Page Left Intentionally Blank]

Purchaser, Seller and the Company have caused this Stock Purchase Agreement to be executed as of the date first set forth above.

TELETECH HOLDINGS, INC.

By: _____
Kenneth D. Tuchman
Chairman & Chief Executive Officer

INSIGHT ENTERPRISES, INC.

By: _____
Stanley Laybourne
Chief Financial Officer

DIRECT ALLIANCE CORPORATION

By: _____

Name: _____

Its: _____

[INSERT DISCLOSURE SCHEDULE]

EXHIBIT A
Lease Agreement

ACKNOWLEDGMENT AND AGREEMENT

The undersigned consent and agree to and acknowledge the terms of the foregoing First Amendment Agreement dated as of October 24, 2006. The undersigned further agree that the obligations of the undersigned pursuant to the Guaranty of Payment executed by the undersigned shall remain in full force and effect and be unaffected hereby.

The undersigned hereby waive and release Agent and the Lenders and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which the undersigned are aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

JURY TRIAL WAIVER. THE UNDERSIGNED, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWERS, AGENT, THE LENDERS AND THE UNDERSIGNED, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AMENDMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

TELETECH SERVICES CORPORATION

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TELETECH CUSTOMER CARE MANAGEMENT (COLORADO), LLC

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TELETECH CUSTOMER CARE MANAGEMENT (WEST VIRGINIA), INC.

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TELETECH GOVERNMENT SOLUTIONS,LLC

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TELETECH CUSTOMER SERVICES, INC.

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TTEC NEVADA, INC.

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TELETECH INTERNATIONAL HOLDINGS, INC.

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

NEWGEN RESULTS CORPORATION

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

DIRECT ALLIANCE CORPORATION

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

TELETECH STOCKTON, LLC

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Secretary

SCHEDULE 1

LENDERS	COMMITMENT PERCENTAGE	REVOLVING CREDIT COMMITMENT AMOUNT	MAXIMUM AMOUNT
KeyBank National Association	36.11%	$ 65,000,000	$ 65,000,000
Wells Fargo Bank, N.A.	16.66%	$ 30,000,000	$ 30,000,000
JPMorgan Chase Bank, N.A.	13.88%	$ 25,000,000	$ 25,000,000
Bank of America, N.A.	13.88%	$ 25,000,000	$ 25,000,000
Wachovia Bank, National Association	11.11%	$ 20,000,000	$ 20,000,000
The Northern Trust Company	8.33%	$ 15,000,000	$ 15,000,000
Total Commitment Amount	100%	$180,000,000	$180,000,000

Exhibit 10.39

AMENDED AND RESTATED CREDIT AGREEMENT

among

TELETECH HOLDINGS, INC.,
as Borrower,

THE LENDERS NAMED HEREIN,
as Lenders,

and

KEYBANK NATIONAL ASSOCIATION,
as Lead Arranger, Sole Book Runner and Administrative Agent

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dated as of
September 28, 2006

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This AMENDED AND RESTATED CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this "Agreement") is made effective as of the 28th day of September, 2006 among:

(a) TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower");

(b) the lenders listed on Schedule 1 hereto and each other Eligible Transferee, as hereinafter defined, that from time to time becomes a party hereto pursuant to Section 2.9(b) or 10.10 hereof (collectively, the "Lenders" and, individually, each a "Lender"); and

(c) KEYBANK NATIONAL ASSOCIATION, as lead arranger, sole book runner and administrative agent for the Lenders under this Agreement ("Agent").

WITNESSETH:

WHEREAS, Borrower, Agent and the Lenders entered into that certain Credit Agreement, dated as of May 5, 2004 (as amended, the "Original Credit Agreement");

WHEREAS, this Agreement amends and restates in its entirety the Original Credit Agreement and, upon the effectiveness of this Agreement, on the Closing Date, the terms and provisions of the Original Credit Agreement shall be superseded hereby. All references to "Credit Agreement" contained in the Loan Documents, as defined in the Original Credit Agreement, delivered in connection with the Original Credit Agreement shall be deemed to refer to this Agreement. Notwithstanding the amendment and restatement of the Original Credit Agreement by this Agreement, the Obligations outstanding under the Original Credit Agreement as of the Closing Date shall remain outstanding and constitute Obligations hereunder. Such outstanding Obligations and the guaranties of payment thereof shall in all respects be continuing, and this Agreement shall not be deemed to evidence or result in a novation or repayment and re-borrowing of such Obligations. In furtherance of and, without limiting the foregoing, from and after the Closing Date and except as expressly specified herein, the terms, conditions, and covenants governing the Indebtedness outstanding under the Original Credit Agreement shall be solely as set forth in this Agreement, which shall supersede the Original Credit Agreement in its entirety; and

WHEREAS, Borrower, Agent and the Lenders desire to contract for the establishment of credits in the aggregate principal amounts hereinafter set forth, to be made available to Borrower upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I. DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisition" shall mean any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any Person (other than a Company), or any business or division of any Person (other than a Company), (b) the acquisition of in excess of fifty percent (50%) of the outstanding capital stock (or other equity interest) of any Person (other than a Company), or (c) the acquisition of another Person (other than a Company) by a merger, amalgamation or consolidation or any other combination with such Person.

"Additional Commitment" shall mean that term as defined in Section 2.9(b) hereof.

"Additional Lender" shall mean an Eligible Transferee that shall become a Lender during the Commitment Increase Period pursuant to Section 2.9(b) hereof.

"Additional Lender Assumption Agreement" shall mean an additional lender assumption agreement, in form and substance satisfactory to Agent, wherein an Additional Lender shall become a Lender.

"Additional Lender Assumption Effective Date" shall mean that term as defined in Section 2.9(b) hereof.

"Advantage" shall mean any payment (whether made voluntarily or involuntarily, by offset of any deposit or other indebtedness or otherwise) received by any Lender in respect of the Obligations, if such payment results in that Lender having less than its pro rata share of the Obligations then outstanding.

"Affiliate" shall mean any Person, directly or indirectly, controlling, controlled by or under common control with a Company and "control" (including the correlative meanings, the terms "controlling", "controlled by" and "under common control with") shall mean the power, directly or indirectly, to direct or cause the direction of the management and policies of a Company, whether through the ownership of voting securities, by contract or otherwise.

"Agent" shall mean that term as defined in the first paragraph hereof.

"Agreement" shall mean that term as defined in the first paragraph hereof.

"Amended and Restated Agent Fee Letter" shall mean the Agent Fee Letter between Borrower and Agent, dated as of the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

"Applicable Commitment Fee Rate" shall mean:

(a) for the period from the Closing Date through November 30, 2006, twelve and one-half (12.50) basis points; and

(b) commencing with the Consolidated financial statements of Borrower for the fiscal quarter ending September 30, 2006, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on December 1, 2006 and thereafter:

Leverage Ratio	Applicable Commitment Fee Rate
Greater than or equal to 2.00 to 1.00	20.00 basis points
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	17.50 basis points
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	15.00 basis points
Less than 1.00 to 1.00	12.50 basis points

After December 1, 2006, changes thereafter to the Applicable Commitment Fee Rate shall be effective on the first day of each month following the date upon which Agent should have received, pursuant to Section 5.3(a) and (b) hereof, the Consolidated financial statements of Borrower. The above matrix does not modify or waive, in any respect, the requirements of Section 5.7 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof. Notwithstanding anything herein to the contrary, during any period when Borrower shall have failed to timely deliver the Consolidated financial statements pursuant to Section 5.3(a) or (b) hereof, or the Compliance Certificate pursuant to Section 5.3(c) hereof, until such time as the appropriate Consolidated financial statements and Compliance Certificate are delivered, the Applicable Commitment Fee Rate shall be the highest rate per annum indicated in the above pricing grid regardless of the Leverage Ratio at such time.

"Applicable Margin" shall mean:

(a) for the period from the Closing Date through November 30, 2006, fifty-five (55) basis points for Eurodollar Loans, zero (0) basis points for Base Rate Loans, and negative forty-five (-45) basis points for Swing Loans; and

(b) commencing with the Consolidated financial statements of Borrower for the fiscal quarter ending September 30, 2006, the number of basis points (depending upon whether Loans are Eurodollar Loans or Base Rate Loans) set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on December 1, 2006 and thereafter:

Leverage Ratio	Applicable Basis Points for Eurodollar Loans	Applicable Basis Points for Base Rate Loans	Applicable Basis Points for Swing Loans
Greater than or equal to 2.5 to 1.00	125.00	0.00	0.00
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	100.00	0.00	0.00
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	87.50	0.00	0.00
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	75.00	0.00	-25.00
Less than 1.00 to 1.00	55.00	0.00	-45.00

After December 1, 2006, changes thereafter to the Applicable Margin shall be effective on the first day of each month following the date upon which Agent should have received, pursuant to Section 5.3(a) and (b) hereof, the Consolidated financial statements of Borrower. The above matrix does not modify or waive, in any respect, the requirements of Section 5.7 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof. Notwithstanding anything herein to the contrary, during any period when Borrower shall have failed to timely deliver the Consolidated financial statements pursuant to Section 5.3(a) or (b) hereof, or the Compliance Certificate pursuant to Section 5.3(c) hereof, until such time as the appropriate Consolidated financial statements and Compliance Certificate are delivered, the Applicable Margin shall be the highest rate per annum indicated in the above pricing grid regardless of the Leverage Ratio at such time.

"Assignment Agreement" shall mean an Assignment and Acceptance Agreement in the form of the attached Exhibit E.

"Authorized Officer" shall mean a Financial Officer or other individual authorized by a Financial Officer in writing (with a copy to Agent) to handle certain administrative matters in connection with this Agreement.

"Base Rate" shall mean a rate per annum equal to the greater of (a) the Prime Rate or (b) one-half of one percent (0.50%) in excess of the Federal Funds Effective Rate. Any change in the Base Rate shall be effective immediately from and after such change in the Base Rate.

"Base Rate Loan" shall mean a Revolving Loan described in Section 2.2(a) hereof on which Borrower shall pay interest at a rate based on the Derived Base Rate.

"Borrower" shall mean that term as defined in the first paragraph hereof.

"Borrower Investment Policy" shall mean the investment policy of Borrower in effect as of the Closing Date, together with such modifications as approved from time to time by the Board of Directors of Borrower.

"Business Day" shall mean any day that is not a Saturday, a Sunday or another day of the year on which national banks are authorized or required to close, and, if the applicable Business Day relates to a Eurodollar Loan, a day of the year on which dealings in deposits are carried on in the London interbank Eurodollar market.

"Capital Distribution" shall mean a payment made, liability incurred or other consideration given by a Company to any Person that is not a Company, for the purchase, acquisition, redemption, repurchase or retirement

of any capital stock or other equity interest of such Company or as a dividend, return of capital or other distribution (other than any stock dividend, stock split or other equity distribution payable only in capital stock or other equity of such Company) in respect of such Company's capital stock or other equity interest.

"Capitalized Lease Obligations" shall mean obligations of the Companies for the payment of rent for any real or personal property under leases or agreements to lease that, in accordance with GAAP, have been or should be capitalized on the books of the lessee and, for purposes hereof, the amount of any such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Equivalents" shall mean those securities and other investments described in the Borrower Investment Policy.

"Change in Control" shall mean (a) the acquisition of, or, if earlier, the shareholder or director approval of the acquisition of, ownership or voting control, directly or indirectly, beneficially or of record, on or after the Closing Date, by any Person (other than Kenneth D. Tuchman, his spouse, any of his lineal descendants or any trustees or trusts established for his benefit or the benefit of his spouse or any of his lineal descendants) or group (within the meaning of Rule 13d-3 of the SEC under the Securities Exchange Act of 1934, as then in effect) of shares representing more than thirty-five percent (35%) of the aggregate ordinary Voting Power represented by the issued and outstanding capital stock of Borrower; (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors or other governing body of Borrower by Persons who were neither (i) nominated by the board of directors or other governing body of Borrower nor (ii) appointed by directors so nominated; or (c) the occurrence of a change in control, or other similar provision, as defined in any Material Indebtedness Agreement.

"Closing Commitment Amount" shall mean One Hundred Fifty Million Dollars ($150,000,000).

"Closing Date" shall mean the effective date of this Agreement as set forth in the first paragraph of this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

"Collateral" shall mean the Collateral, as defined in the Security Documents.

"Commitment" shall mean the obligation hereunder of the Lenders, during the Commitment Period, to make Loans, to issue Letters of Credit and to participate in Swing Loans and Letters of Credit pursuant to the Revolving Credit Commitment, up to the Total Commitment Amount.

"Commitment Increase Period" shall mean the period from the Closing Date to the date that is three months prior to the last day of the Commitment Period, or such later date (prior to the last day of the Commitment Period) as shall be agreed to in writing by Agent.

"Commitment Percentage" shall mean, for each Lender, the percentage set forth opposite such Lender's name under the column headed "Commitment Percentage", as listed in Schedule 1 hereto.

"Commitment Period" shall mean the period from the Closing Date to September 27, 2011, or such earlier date on which the Commitment shall have been terminated pursuant to Article VIII hereof.

"Companies" shall mean Borrower and all Subsidiaries.

"Company" shall mean Borrower or a Subsidiary.

"Compliance Certificate" shall mean a certificate in the form of the attached Exhibit D.

"Confirmation of Security Documents" shall mean each Confirmation of Security Documents, relating to Security Documents delivered by the Credit Parties prior to the Closing Date, executed and delivered by a Credit Party as of the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

“Consideration” shall mean, in connection with an Acquisition, the aggregate consideration paid, including borrowed funds, cash, the issuance of securities or notes, the assumption or incurring of liabilities (direct or contingent), the payment of consulting fees or fees for a covenant not to compete and any other consideration paid for such Acquisition, but in all cases excluding earn-outs in respect of such Acquisition, so long as such cash earn-outs (which may be roughly quantified) are not in excess of twenty percent (20%) of the purchase price.

“Consolidated” shall mean the resultant consolidation of the financial statements of Borrower and its Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the consolidated financial statements referred to in Section 6.14 hereof.

“Consolidated Capital Expenditures” shall mean, for any period, the amount of capital expenditures of Borrower, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Depreciation and Amortization Charges” shall mean, for any period, the aggregate of all depreciation and amortization charges for fixed assets, leasehold improvements and general intangibles (specifically including goodwill) of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated EBITDA” shall mean, for any period, on a Consolidated basis and in accordance with GAAP, Consolidated Net Earnings for such period plus, without duplication, the aggregate amounts deducted in determining such Consolidated Net Earnings in respect of (a) Consolidated Interest Expense, (b) Consolidated Income Tax Expense, (c) Consolidated Depreciation and Amortization Charges (and, in addition, current and future amortization charges relating to the capitalized costs incurred by the Companies in connection with the execution and closing of this Agreement and the other Loan Documents (and future costs directly related to the amendment, from time to time, of the foregoing documents)), and (d) (i) non-cash charges incurred in accordance with GAAP (but excluding any non-cash charges related to receivables impairment), minus (ii) extraordinary or unusual non-cash gains not incurred in the ordinary course of business but that were included in the calculation of Consolidated Net Earnings for such period; provided that, for purposes of calculating the Leverage Ratio and the Interest Coverage Ratio, (1) a pro forma calculation of Consolidated EBITDA shall be made for Significant Positive EBITDA Dispositions for any fiscal year of Borrower if Significant Positive EBITDA Dispositions are made, during such fiscal year, in excess of the aggregate amount of Twenty Million Dollars ($20,000,000), and (2) a pro forma calculation of Consolidated EBITDA shall be made for Significant Positive EBITDA Acquisitions made during such period.

“Consolidated Funded Indebtedness” shall mean, at any date, solely with respect to Indebtedness and other obligations owing by the Companies to Persons other than the Companies and without duplication, the sum of (a) all Indebtedness for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all guaranties of Indebtedness of the type described in this definition, (d) all obligations created under any conditional sale or other title retention agreements, (e) all Capitalized Lease Obligations, synthetic lease and asset securitization obligations (provided that the Companies may exclude synthetic leases of aircraft up to the aggregate amount of Ten Million Dollars ($10,000,000)), (f) all obligations (contingent or otherwise) with respect to letters of credit, and (g) all obligations for the deferred purchase price of capital assets; as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Income Tax Expense” shall mean, for any period, all provisions for taxes based on the gross or net income of Borrower (including, without limitation, any additions to such taxes, and any penalties and interest with respect thereto), and all franchise taxes of Borrower, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Interest Expense” shall mean, for any period, the interest expense of Borrower, paid in cash, on Consolidated Funded Indebtedness for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Net Earnings” shall mean, for any period, the net income (loss) of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Net Worth” shall mean, at any date, the stockholders’ equity of Borrower, determined as of such date on a Consolidated basis and in accordance with GAAP.

“Controlled Group” shall mean a Company and each Person required to be aggregated with a Company under Code Section 414(b), (c), (m) or (o).

“Credit Event” shall mean the making by the Lenders of a Loan, the conversion by the Lenders of a Base Rate Loan to a Eurodollar Loan, the continuation by the Lenders of a Eurodollar Loan after the end of the applicable Interest Period, the making by the Swing Line Lender of a Swing Loan, or the issuance by the Fronting Lender of a Letter of Credit.

“Credit Party” shall mean Borrower and any Subsidiary or other Affiliate that is a Guarantor of Payment.

“Default” shall mean an event or condition that constitutes, or with the lapse of any applicable grace period or the giving of notice or both would constitute, an Event of Default, and that has not been waived by the Required Lenders (or, if applicable, all of the Lenders) in writing.

“Default Rate” shall mean (a) with respect to any Loan, a rate per annum equal to two percent (2%) in excess of the rate otherwise applicable thereto, and (b) with respect to any other amount, if no rate is specified or available, a rate per annum equal to two percent (2%) in excess of the Derived Base Rate from time to time in effect.

“Derived Base Rate” shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Base Rate Loans plus the Base Rate.

“Derived Eurodollar Rate” shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Eurodollar Loans plus the Eurodollar Rate.

“Derived Swing Loan Rate” shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Swing Loans plus the Base Rate.

“Disposition” shall mean the lease, transfer or other disposition of assets (whether in one or more than one transaction) by a Company, other than a sale, lease, transfer or other disposition made by a Company pursuant to Section 5.12(b), (c), (e) or (f) hereof or in the ordinary course of business.

“Dollar” or the sign $ shall mean lawful money of the United States of America.

“Domestic Subsidiary” shall mean a Subsidiary that is not a Foreign Subsidiary.

“Dormant Subsidiary” shall mean a Company that (a) has aggregate assets of less than Five Million Dollars ($5,000,000), and (b) has no direct or indirect Subsidiaries with aggregate assets for all such Subsidiaries of more than Five Million Dollars ($5,000,000).

“EBITDA” shall mean, for any period, in accordance with GAAP, the net earnings of a Company (without giving effect to extraordinary losses or gains) for such period plus the aggregate amounts deducted in determining such net earnings in respect of (a) interest expense of such Company, (b) income taxes of such Company and (c) the aggregate of all depreciation and amortization charges of such Company for fixed assets, leasehold improvements and general intangibles (specifically including goodwill).

“Eligible Transferee” shall mean a commercial bank, financial institution or other “accredited investor” (as defined in SEC Regulation D) that is not Borrower, a Subsidiary or an Affiliate and that may receive interest payments hereunder or in connection herewith free of U.S. withholding taxes.

“Environmental Laws” shall mean all provisions of law (including the common law), statutes, ordinances, codes, rules, guidelines, policies, procedures, orders in council, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by a Governmental Authority or by any court,

agency, instrumentality, regulatory authority or commission of any of the foregoing concerning environmental health or safety and protection of, or regulation of the discharge of substances into, the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated pursuant thereto.

"ERISA Event" shall mean (a) the existence of a condition or event with respect to an ERISA Plan that is reasonably likely to result in the imposition of a material excise tax or any other material liability on a Company or of the imposition of a Lien on the assets of a Company; (b) the engagement by a Controlled Group member in a non-exempt "prohibited transaction" (as defined under ERISA Section 406 or Code Section 4975) or a breach of a fiduciary duty under ERISA that is reasonably likely to result in a material liability to a Company; (c) the application by a Controlled Group member for a waiver from the minimum funding requirements of Code Section 412 or ERISA Section 302 or a Controlled Group member is required to provide security under Code Section 401(a)(29) or ERISA Section 307; (d) the occurrence of a Reportable Event with respect to any Pension Plan that is reasonably likely to result in a material liability to a Company; (e) the withdrawal by a Controlled Group member from a Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" (as such terms are defined in ERISA Sections 4203 and 4205, respectively) which is reasonably likely to result in a material liability to a Company; (f) the involvement of, or occurrence or existence of any event or condition that makes likely the involvement of, a Multiemployer Plan in any reorganization under ERISA Section 4241 which is reasonably likely to result in a material liability to a Company; (g) the failure of an ERISA Plan (and any related trust) that is intended to be qualified under Code Sections 401 and 501 to be so qualified or the failure of any "cash or deferred arrangement" under any such ERISA Plan to meet the requirements of Code Section 401(k); (h) the taking by the PBGC of any steps to terminate a Pension Plan or appoint a trustee to administer a Pension Plan, or the taking by a Controlled Group member of any steps to terminate a Pension Plan in a distress termination under ERISA Section 4041(c); (i) the failure by a Controlled Group member or an ERISA Plan to satisfy any requirements of law applicable to an ERISA Plan which is reasonably likely to result in a material liability to one of the Companies; (j) the commencement, existence or threatening of a claim, action, suit, audit or investigation with respect to an ERISA Plan (other than a routine claim for benefits) which is reasonably likely to result in a material liability to a Company; or (k) any incurrence by or any expectation of the incurrence by a Controlled Group member of a material increase in the liability for post-retirement benefits under any Welfare Plan, other than as required by ERISA Section 601, et. seq. or Code Section 4980B.

"ERISA Plan" shall mean an "employee benefit plan" (within the meaning of ERISA Section 3(3)) that a Controlled Group member at any time sponsors, maintains, contributes to, has liability with respect to or has an obligation to contribute to, and which is not excluded from the coverage of ERISA pursuant to Section 4(b)(4) of ERISA.

"Eurocurrency Liabilities" shall have the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar" shall mean a Dollar denominated deposit in a bank or branch outside of the United States.

"Eurodollar Loan" shall mean a Revolving Loan described in Section 2.2(a) hereof, that shall be denominated in Dollars and on which Borrower shall pay interest at a rate based upon the Derived Eurodollar Rate.

"Eurodollar Rate" shall mean, with respect to a Eurodollar Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest 1/16th of 1%) by dividing (a) the rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Eurodollar Loan, as listed on British Bankers Association Interest Rate LIBOR 01 or 02 as provided by Reuters (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London interbank market for Dollar deposits in immediately available funds with a maturity comparable to such Interest Period, provided that, in the event that such rate quotation is not available for any reason, then the Eurodollar Rate shall be the average (rounded upward to the nearest 1/16th of 1%) of the per annum rates at which deposits in immediately available funds in Dollars for the relevant Interest Period and in the amount of the

Eurodollar Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent's discretion) by prime banks in any Eurodollar market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Eurodollar Loan; by (b) 1.00 minus the Reserve Percentage.

"Event of Default" shall mean an event or condition that shall constitute an event of default as defined in Article VII hereof.

"Excluded Taxes" shall mean net income taxes (and franchise taxes imposed in lieu of net income taxes) imposed on Agent or any Lender by the Governmental Authority located in the jurisdiction where Agent or such Lender is organized (other than any such taxes arising solely from Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document).

"Existing Letter of Credit" shall mean that term as defined in Section 2.2(b)(vi) hereof.

"Federal Funds Effective Rate" shall mean, for any day, the rate per annum (rounded upward to the nearest one one-hundredth of one percent (1/100 of 1%)) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the Closing Date.

"Financial Officer" shall mean any of the following officers: chief executive officer, president, chief financial officer, treasurer or assistant treasurer. Unless otherwise qualified, all references to a Financial Officer in this Agreement shall refer to a Financial Officer of Borrower.

"First-Tier Material Foreign Subsidiary" shall mean a Foreign Subsidiary of Borrower (with assets (consolidated for the foreign jurisdiction) in excess of five percent (5%) of Consolidated total assets of Borrower); provided, however, that, if Agent, in its reasonable discretion after consultation with Borrower, determines that the cost of perfecting, in a foreign jurisdiction, the security interest of Agent, for the benefit of the Lenders, in the Pledged Securities relating to any First-Tier Material Foreign Subsidiary (other than those in Canada), is impractical or cost-prohibitive, then Agent may agree to forego the foreign perfection of such security interest.

"Foreign Employee Benefit Plan" shall mean an "employee benefit plan" (within the meaning of ERISA Section 3(3)) that a Controlled Group member or a Foreign Subsidiary at any time sponsors, maintains, contributes to, has liability with respect to or has an obligation to contribute to and which is not covered by ERISA pursuant to ERISA Section 4(b)(4).

"Foreign Subsidiary" shall mean a Subsidiary that is organized under the laws of any jurisdiction other than the United States, any State thereof or the District of Columbia.

"Fronting Lender" shall mean, as to any Letter of Credit transaction hereunder, Agent as issuer of the Letter of Credit, or, in the event that Agent either shall be unable to issue or shall agree that another Lender may issue, a Letter of Credit, such other Lender as shall agree to issue the Letter of Credit in its own name, but on behalf of the Lenders hereunder.

"GAAP" shall mean generally accepted accounting principles in the United States as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, applied on a basis consistent with the past accounting practices and procedures of Borrower.

"Global" shall mean Global One Colorado, Inc. and Global One Insurance Company (f/k/a Global One Captive Insurance Company), together with their respective successors and assigns (other than a Credit Party).

"Governmental Authority" shall mean any nation or government, any state, province or territory or other political subdivision thereof, any governmental agency, authority, instrumentality, regulatory body, court, central bank or other governmental entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"Guarantor" shall mean a Person that shall have pledged its credit or property in any manner for the payment or other performance of the indebtedness, contract or other obligation of another and includes (without limitation) any guarantor (whether of payment or of collection), surety, co-maker, endorser or Person that shall have agreed conditionally or otherwise to make any purchase, loan or investment in order thereby to enable another to prevent or correct a default of any kind.

"Guarantor of Payment" shall mean each of the Companies set forth on Schedule 2 hereto, each of which is executing and delivering a Guaranty of Payment, and any other Domestic Subsidiary that shall deliver a Guaranty of Payment to Agent subsequent to the Closing Date; provided, however, that (a) none of Percepta or Global shall at any time constitute a Guarantor of Payment, (b) no Foreign Subsidiary or Dormant Subsidiary shall be required to be a Guarantor of Payment, and (c) no joint venture, partnership, limited liability company or captive insurance company in which Borrower or any other Company holds an interest shall be required to be a Guarantor of Payment if such Person's charter documents or applicable statutes or regulations prohibit such a guaranty.

"Guaranty of Payment" shall mean each Guaranty of Payment and each Amended and Restated Guaranty of Payment, executed and delivered on or after the Closing Date in connection with this Agreement by the Guarantors of Payment, as the same may from time to time be amended, restated or otherwise modified.

"Hedge Agreement" shall mean any (a) hedge agreement, interest rate swap, basis swap agreement, cap, collar or floor agreement, or other interest rate management device (including forward rate agreements) entered into by a Company with any Person, or (b) currency swap agreement, forward currency purchase agreement or similar arrangement or agreement designed to protect against fluctuations in currency exchange rates entered into by a Company with any Person.

"Indebtedness" shall mean, for any Company (excluding in all cases trade payables and guaranties of performance by a Subsidiary payable in the ordinary course of business by such Company), without duplication, (a) all obligations to repay borrowed money, direct or indirect, incurred, assumed, or guaranteed, (b) all obligations for the deferred purchase price of capital assets, (c) all obligations under conditional sales or other title retention agreements, (d) all obligations (contingent or otherwise) under any letter of credit or banker's acceptance, (e) all net obligations under any currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device or any Hedge Agreement, (f) all synthetic leases, (g) all lease obligations that have been or should be capitalized on the books of such Company in accordance with GAAP (and specifically excluding operating leases that are not required under GAAP to be capitalized on the books of such Company), (h) all obligations of such Company with respect to asset securitization financing programs that are required to be reported as a liability in accordance with GAAP, (i) all obligations to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such Person, (j) any other transaction (including forward sale or purchase agreements) having the commercial effect of a borrowing of money entered into by such Company to finance its operations or capital requirements, and (k) any guaranty of any obligation described in subparts (a) through (j) hereof.

"Interest Adjustment Date" shall mean the last day of each Interest Period.

"Interest Coverage Ratio" shall mean, as determined for the most recently completed four fiscal quarters of Borrower, on a Consolidated basis and in accordance with GAAP, the ratio of (a) (i) Consolidated EBITDA minus (ii) Twenty Million Dollars ($20,000,000), to (b) Consolidated Interest Expense.

"Interest Period" shall mean, with respect to a Eurodollar Loan, the period commencing on the date such Eurodollar Loan is made and ending on the last day of such period, as selected by Borrower pursuant to the provisions hereof, and, thereafter (unless such Eurodollar Loan is converted to a Base Rate Loan), each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of such period, as selected by Borrower pursuant to the provisions hereof. The duration of each Interest Period for a

Eurodollar Loan shall be one month, two months, three months or six months, in each case as Borrower may select upon notice, as set forth in Section 2.5 hereof; provided that, if Borrower shall fail to so select the duration of any Interest Period at least three Business Days prior to the Interest Adjustment Date applicable to such Eurodollar Loan, Borrower shall be deemed to have converted such Eurodollar Loan to a Base Rate Loan at the end of the then current Interest Period.

"Lender" shall mean that term as defined in the first paragraph hereof and, as the context requires, shall include the Fronting Lender and the Swing Line Lender.

"Letter of Credit" shall mean a standby letter of credit that shall be issued by the Fronting Lender for the account of Borrower or a Guarantor of Payment, including amendments thereto, if any, and shall have an expiration date no later than the earlier of (a) one year after its date of issuance or (b) one year after the last day of the Commitment Period.

"Letter of Credit Commitment" shall mean the commitment of the Fronting Lender, on behalf of the Lenders, to issue Letters of Credit in an aggregate face amount of up to Thirty-Five Million Dollars ($35,000,000).

"Letter of Credit Exposure" shall mean, at any time, the sum of (a) the aggregate undrawn amount of all issued and outstanding Letters of Credit, and (b) the aggregate of the draws made on Letters of Credit that have not been reimbursed by Borrower or converted to a Revolving Loan pursuant to Section 2.2(b)(iv) hereof.

"Leverage Ratio" shall mean as determined on a Consolidated basis and in accordance with GAAP, the ratio of (a) Consolidated Funded Indebtedness (as of the end of the most recently completed fiscal quarter of Borrower) to (b) Consolidated EBITDA (for the most recently completed four fiscal quarters of Borrower).

"Lien" shall mean any mortgage, deed of trust, security interest, lien (statutory or other), charge, assignment, hypothecation, encumbrance on, pledge or deposit of, or conditional sale, leasing (other than operating leases), sale with a right of redemption or other title retention agreement and any capitalized lease with respect to any property (real or personal) or asset.

"Liquidity Amount" shall mean, at any date, an amount equal to the sum of (a) cash, (b) Cash Equivalents having maturities of not more than one year from the date of acquisition; and (c) the Revolving Credit Availability.

"Loan" shall mean a Revolving Loan or a Swing Loan granted to Borrower by the Lenders in accordance with Section 2.2(a) or 2.2(c) hereof.

"Loan Documents" shall mean, collectively, this Agreement, each Note, each Guaranty of Payment, all documentation relating to each Letter of Credit, each Security Document and the Amended and Restated Agent Fee Letter, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced, and any other document delivered pursuant thereto.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of Borrower, (b) the business, operations, property or condition (financial or otherwise) of the Companies taken as a whole, or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of Agent or the Lenders hereunder or thereunder.

"Material Indebtedness Agreement" shall mean any debt instrument, lease (capital, operating or otherwise), guaranty, contract, commitment, agreement or other arrangement evidencing any Indebtedness of any Company or the Companies then in excess of the amount of Twenty Million Dollars ($20,000,000).

"Maximum Amount" shall mean, for each Lender, the amount set forth opposite such Lender's name under the column headed "Maximum Amount" as set forth on Schedule 1 hereto, subject to decreases determined pursuant to Section 2.9(a) hereof, increases pursuant to Section 2.9(b) hereof and assignments of interests pursuant to Section 10.10 hereof; provided, however, that the Maximum Amount for the Swing Line Lender shall exclude the Swing Line Commitment (other than its pro rata share), and the Maximum Amount of the Fronting Lender shall exclude the Letter of Credit Commitment (other than its pro rata share).

“Maximum Commitment Amount” shall mean Two Hundred Twenty-Five Million Dollars ($225,000,000).

“Multiemployer Plan” shall mean a Pension Plan that is subject to the requirements of Subtitle E of Title IV of ERISA.

“Newgen” shall mean Newgen Results Corporation, a Delaware corporation.

“Newgen Companies” shall mean Newgen and Subsidiaries of Newgen.

“Newgen Lease” shall mean that lease made by and between Kilroy Realty, L.P. and Newgen, dated March 27, 2000, and all amendments thereto.

“Newgen Opt-In Date” shall mean the date that is fifteen (15) days after the date that Borrower notifies Agent in writing that the Newgen Companies are no longer to be treated under the Credit Agreement any differently than any other Domestic Subsidiary that is a Credit Party.

“Newgen Permitted Amount” shall mean, prior to the Newgen Opt-In Date, an aggregate net amount of investments and loans by the Companies (other than the Newgen Companies) in and to the Newgen Companies, of (a) up to Thirty Million Dollars ($30,000,000) during each fiscal year of Borrower, plus (b) the amount for the buyout of certain Newgen contractual obligations as approved in writing on the Closing Date by Agent and the Required Lenders.

“Note” shall mean a Revolving Credit Note or the Swing Line Note, or any other promissory note delivered pursuant to this Agreement.

“Notice of Loan” shall mean a Notice of Loan in the form of the attached Exhibit C.

“Obligations” shall mean, collectively, (a) all Indebtedness and other obligations incurred by Borrower or any Guarantor of Payment to Agent, the Fronting Lender, the Swing Line Lender or any Lender pursuant to this Agreement and the other Loan Documents, and includes the principal of and interest on all Loans and all obligations pursuant to Letters of Credit, (b) each extension, renewal or refinancing of the foregoing, in whole or in part, (c) the commitment and other fees and any prepayment fees payable hereunder, (d) all fees and charges in connection with Letters of Credit, and (e) all Related Expenses.

“Organizational Documents” shall mean, with respect to any Person (other than an individual), such Person’s Articles (Certificate) of Incorporation, operating agreement or equivalent formation documents, and Regulations (Bylaws), or equivalent governing documents, and any amendments to any of the foregoing.

“Other Taxes” shall mean any and all present or future stamp or documentary taxes or any other excise, ad valorem or property taxes, goods and services taxes, harmonized sales taxes and other sales taxes, use taxes, value added taxes, charges or similar taxes or levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participant” shall mean that term as defined in Section 10.11 hereof.

“Patriot Act” shall mean Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001, as amended from time to time.

“PBGC” shall mean the Pension Benefit Guaranty Corporation, and its successor.

“Pension Plan” shall mean an ERISA Plan that is a “pension plan” (within the meaning of ERISA Section 3(2)).

“Percepta” shall mean Percepta, LLC and each of its Subsidiaries.

"Person" shall mean any individual, sole proprietorship, partnership, joint venture, unincorporated organization, corporation, limited liability company, unlimited liability company, institution, trust, estate, Governmental Authority or any other entity.

"Pledge Agreement" shall mean each Pledge Agreement and each Amended and Restated Pledge Agreement, relating to the Pledged Securities, executed and delivered in connection with the Original Credit Agreement and this Agreement by Borrower and each Domestic Subsidiary, as applicable, in favor of Agent, for the benefit of the Lenders, and any other Pledge Agreement executed by any other Domestic Subsidiary after the Closing Date, as any of the foregoing may from time to time be amended, restated or otherwise modified.

"Pledged Securities" shall mean sixty-five percent (65%) of the shares of capital stock or other equity interest of a First-Tier Material Foreign Subsidiary (other than the capital stock of TT International CV, a Netherlands CV, TeleTech International Pty Ltd., an Australian company, and TeleTech Mexico, S.A. de C.V., a Mexican company; provided that, to the extent any of the foregoing Subsidiaries shall be a First-Tier Material Foreign Subsidiary on the first anniversary of the Closing Date, then sixty-five percent (65%) of the capital stock and equity interests of such Subsidiary shall constitute Pledged Securities and Borrower, or the appropriate Credit Party, shall execute documentation satisfactory to Agent evidencing such pledge), whether now owned or hereafter acquired or created, and all proceeds thereof (Schedule 3 hereto lists, as of the Closing Date, all of the Pledged Securities).

"Prime Rate" shall mean the interest rate established from time to time by Agent as Agent's prime rate, whether or not such rate shall be publicly announced; the Prime Rate may not be the lowest interest rate charged by Agent for commercial or other extensions of credit. Each change in the Prime Rate shall be effective immediately from and after such change.

"Register" shall mean that term as described in Section 10.10(i) hereof.

"Regularly Scheduled Payment Date" shall mean the last day of each March, June, September and December of each year.

"Related Expenses" shall mean any and all reasonable costs, liabilities and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorneys' fees, reasonable legal expenses, judgments, suits and disbursements) (a) incurred by Agent, or imposed upon or asserted against Agent or any Lender in any attempt by Agent and the Lenders to (i) obtain, preserve, perfect or enforce any Loan Document or any security interest evidenced by any Loan Document; (ii) obtain payment, performance or observance of any and all of the Obligations; or (iii) maintain, insure, audit, collect, preserve, repossess or dispose of any of the collateral securing the Obligations or any part thereof, including, without limitation, reasonable costs and expenses for appraisals, assessments and audits of any Company or any such collateral; or (b) incidental or related to (a) above, including, without limitation, interest thereupon from the date incurred, imposed or asserted until paid at the Default Rate.

"Related Writing" shall mean each Loan Document and any other assignment, mortgage, security agreement, guaranty agreement, subordination agreement, financial statement, audit report or other writing furnished by any Credit Party, or any of its officers, to Agent or the Lenders pursuant to or otherwise in connection with this Agreement.

"Reportable Event" shall mean any of the events described in Section 4043 of ERISA.

"Request for Extension" shall mean a notice, substantially in the form of the attached Exhibit F.

"Required Lenders" shall mean the holders of at least fifty-one percent (51%) of the Total Commitment Amount, or, if there is any borrowing hereunder, the holders of at least fifty-one percent (51%) of the Revolving Credit Exposure; provided that, if the Total Commitment Amount shall be increased pursuant to Section 2.9(b) hereof, Required Lenders shall constitute at least two Lenders.

"Requirement of Law" shall mean, as to any Person, any law, treaty, rule or regulation or determination or policy statement or interpretation of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property.

"Reserve Percentage" shall mean for any day that percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for a member bank of the Federal Reserve System in Cleveland, Ohio, in respect of Eurocurrency Liabilities. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage.

"Restricted Payment" shall mean, with respect to any Company, (a) any Capital Distribution, (b) any amount paid by such Company in repayment, redemption, retirement or repurchase, directly or indirectly, of any Subordinated Indebtedness, or (c) any amount paid by such Company in respect of any management, consulting or other similar arrangement with any director, officer or shareholder of a Company or an Affiliate, in excess of the aggregate amount of One Hundred Thousand Dollars ($100,000) in any fiscal year.

"Revolving Credit Availability" shall mean, at any time, the amount equal to the Total Commitment Amount minus the Revolving Credit Exposure.

"Revolving Credit Commitment" shall mean the obligation hereunder, during the Commitment Period, of (a) each Lender to make Revolving Loans, (b) the Fronting Lender to issue and each Lender to participate in, Letters of Credit pursuant to the Letter of Credit Commitment, and (c) the Swing Line Lender to make, and each Lender to participate in, Swing Loans pursuant to the Swing Line Commitment.

"Revolving Credit Exposure" shall mean, at any time, the sum of (a) the aggregate principal amount of all Revolving Loans outstanding, (b) the Swing Line Exposure, and (c) the Letter of Credit Exposure.

"Revolving Credit Note" shall mean a Revolving Credit Note executed and delivered pursuant to Section 2.4(a) hereof.

"Revolving Loan" shall mean a Loan that shall be denominated in Dollars granted to Borrower by the Lenders under the Revolving Credit Commitment in accordance with Section 2.2(a) hereof.

"SEC" shall mean the United States Securities and Exchange Commission, or any governmental body or agency succeeding to any of its principal functions.

"Secured Obligations" shall mean, collectively, (a) the Obligations, and (b) all obligations and liabilities of the Companies owing to Lenders under Hedge Agreements.

"Security Agreement" shall mean each Security Agreement executed and delivered in connection with the Original Credit Agreement and this Agreement by a Credit Party in favor of Agent, for the benefit of the Lenders, and any other Security Agreement executed on or after the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

"Security Documents" shall mean each Security Agreement, each Pledge Agreement, each Confirmation of Security Documents, each U.C.C. Financing Statement filed in connection herewith or perfecting any interest created in any of the foregoing documents, and any other document pursuant to which any Lien is granted by a Credit Party to Agent, for the benefit of the Lenders, as security for the Secured Obligations, or any part thereof, and each other agreement executed in connection with any of the foregoing, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced.

"Significant Positive EBITDA Acquisition" shall mean an Acquisition that, as measured for the four fiscal quarters then most recently ended, generated positive EBITDA in excess of Five Million Dollars ($5,000,000) for the Person being acquired.

“Significant Positive EBITDA Disposition” shall mean a Disposition that, as measured for the four fiscal quarters then most recently ended, generated positive EBITDA for the Company effecting such Disposition in excess of Five Million Dollars ($5,000,000).

“Subordinated” shall mean, as applied to Indebtedness, Indebtedness that shall have been subordinated (by written terms or written agreement being, in either case, in form and substance satisfactory to Agent and the Required Lenders) in favor of the prior payment in full of the Obligations.

“Subsidiary” shall mean (a) a corporation more than fifty percent (50%) of the Voting Power of which is owned, directly or indirectly, by Borrower or by one or more other subsidiaries of Borrower or by Borrower and one or more subsidiaries of Borrower, (b) a partnership, limited liability company or unlimited liability company of which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, is a general partner or managing member, as the case may be, or otherwise has an ownership interest greater than fifty percent (50%) of all of the ownership interests in such partnership, limited liability company, or unlimited liability company, or (c) any other Person (other than a corporation, partnership, limited liability company or unlimited liability company) in which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, has at least a majority interest in the Voting Power or the power to elect or direct the election of a majority of directors or other governing body of such Person.

“Supporting Letter of Credit” shall mean a standby letter of credit, in form and substance satisfactory to Agent and the Fronting Lender, issued by an issuer satisfactory to Agent and the Fronting Lender.

“Swing Line Commitment” shall mean the commitment of the Swing Line Lender to make Swing Loans to Borrower up to the aggregate amount at any time outstanding of Twenty-Five Million Dollars ($25,000,000).

“Swing Line Exposure” shall mean, at any time, the aggregate principal amount of all Swing Loans outstanding.

“Swing Line Lender” shall mean KeyBank National Association, as holder of the Swing Line Commitment.

“Swing Line Note” shall mean the Swing Line Note, in the form of the attached Exhibit B, executed and delivered pursuant to Section 2.4(b) hereof.

“Swing Loan” shall mean a Loan that shall be denominated in Dollars granted to Borrower by the Swing Line Lender under the Swing Line Commitment, in accordance with Section 2.2(c) hereof.

“Swing Loan Maturity Date” shall mean, with respect to any Swing Loan, the earlier of (a) twenty (20) days after the date such Swing Loan is made, or (b) the last day of the Commitment Period.

“Taxes” shall mean any and all present or future taxes of any kind, including but not limited to, levies, imposts, duties, surtaxes, charges, fees, deductions or withholdings now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (together with any interest, penalties, fines, additions to taxes or similar liabilities with respect thereto) other than Excluded Taxes.

“Total Commitment Amount” shall mean the Closing Commitment Amount, as such amount may be increased up to the Maximum Commitment Amount pursuant to Section 2.9(b) hereof, or decreased pursuant to Section 2.9(a) hereof.

“U.C.C.” shall mean the Uniform Commercial Code, as in effect from time to time in Ohio.

“U.C.C. Financing Statement” shall mean a financing statement filed or to be filed in accordance with the Uniform Commercial Code, as in effect from time to time, in the relevant state or states.

"Voting Power" shall mean, with respect to any Person, the exclusive ability to control, through the ownership of shares of capital stock, partnership interests, membership interests or otherwise, the election of members of the board of directors or other similar governing body of such Person. The holding of a designated percentage of Voting Power of a Person means the ownership of shares of capital stock, partnership interests, membership interests or other interests of such Person sufficient to control exclusively the election of that percentage of the members of the board of directors or similar governing body of such Person.

"Welfare Plan" shall mean an ERISA Plan that is a "welfare plan" within the meaning of ERISA Section 3(l).

Section 1.2. Accounting Terms. Any accounting term not specifically defined in this Article I shall have the meaning ascribed thereto by GAAP.

Section 1.3. Terms Generally. The foregoing definitions shall be applicable to the singular and plural forms of the foregoing defined terms. Unless otherwise defined in this Article I, terms that are defined in the U.C.C. are used herein as so defined.

ARTICLE II. AMOUNT AND TERMS OF CREDIT

Section 2.1. Amount and Nature of Credit.

(a) Subject to the terms and conditions of this Agreement, the Lenders, during the Commitment Period and to the extent hereinafter provided, shall make Loans to Borrower, participate in Swing Loans made by the Swing Line Lender to Borrower, and issue or participate in Letters of Credit at the request of Borrower, in such aggregate amount as Borrower shall request pursuant to the Commitment; provided, however, that in no event shall the Revolving Credit Exposure be in excess of the Total Commitment Amount.

(b) Each Lender, for itself and not one for any other, agrees to make Loans, participate in Swing Loans, and issue or participate in Letters of Credit, during the Commitment Period, on such basis that, immediately after the completion of any borrowing by Borrower or the issuance of a Letter of Credit:

(i) the aggregate outstanding principal amount of Loans made by such Lender (other than Swing Loans made by the Swing Line Lender), when combined with such Lender's pro rata share, if any, of the Letter of Credit Exposure and the Swing Line Exposure, shall not be in excess of the Maximum Amount for such Lender; and

(ii) the aggregate outstanding principal amount of Loans (other than Swing Loans) made by such Lender shall represent that percentage of the aggregate principal amount then outstanding on all Loans (other than Swing Loans) that shall be such Lender's Commitment Percentage. Each borrowing (other than Swing Loans) from the Lenders shall be made pro rata according to the respective Commitment Percentages of the Lenders.

(c) The Loans may be made as Revolving Loans as described in Section 2.2(a) hereof and Swing Loans as described in Section 2.2(c) hereof, and Letters of Credit may be issued in accordance with Section 2.2(b) hereof.

Section 2.2. Revolving Credit.

(a) Revolving Loans. Subject to the terms and conditions of this Agreement, during the Commitment Period, the Lenders shall make a Revolving Loan or Revolving Loans to Borrower in such amount or amounts as Borrower, through an Authorized Officer, may from time to time request, but not exceeding in aggregate principal amount at any time outstanding hereunder the Total Commitment Amount, when such Revolving Loans are combined with the Letter of Credit Exposure and the Swing Line Exposure. Borrower shall have the option, subject to the terms and conditions set forth herein, to borrow Revolving Loans, maturing on the last day of the Commitment Period, by means of any combination of Base Rate Loans or Eurodollar Loans. Subject to the

provisions of this Agreement, Borrower shall be entitled under this Section 2.2(a) to borrow funds, repay the same in whole or in part and re-borrow hereunder at any time and from time to time during the Commitment Period.

(b) Letters of Credit.

(i) Generally. Subject to the terms and conditions of this Agreement, during the Commitment Period, the Fronting Lender shall, in its own name, on behalf of the Lenders, issue such Letters of Credit for the account of a Company, as Borrower may from time to time request. Borrower shall not request any Letter of Credit (and the Fronting Lender shall not be obligated to issue any Letter of Credit) if, after giving effect thereto, (A) the Letter of Credit Exposure would exceed the Letter of Credit Commitment or (B) the Revolving Credit Exposure would exceed the Total Commitment Amount. The issuance of each Letter of Credit shall confer upon each Lender the benefits and liabilities of a participation consisting of an undivided pro rata interest in the Letter of Credit to the extent of such Lender's Commitment Percentage.

(ii) Request for Letter of Credit. Each request for a Letter of Credit shall be delivered to Agent (and to the Fronting Lender, if the Fronting Lender is a Lender other than Agent) by an Authorized Officer not later than 10:00 A.M. (Mountain time) three Business Days prior to the date of the proposed issuance of the Letter of Credit. Each such request shall be in a form acceptable to Agent (and the Fronting Lender, if the Fronting Lender is a Lender other than Agent) and shall specify the face amount thereof, the account party, the beneficiary, the requested date of issuance, amendment, renewal or extension, the expiry date thereof, and the nature of the transaction or obligation to be supported thereby. Concurrently with each such request, Borrower, and any Company for whose account the Letter of Credit is to be issued, shall execute and deliver to the Fronting Lender an appropriate application and agreement, being in the standard form of the Fronting Lender for such letters of credit, as amended to conform to the provisions of this Agreement if required by Agent. Agent shall give the Fronting Lender and each Lender notice of each such request for a Letter of Credit.

(iii) Standby Letters of Credit. With respect to each Letter of Credit and the drafts thereunder, if any, whether issued for the account of Borrower or any other Company, Borrower agrees to (A) pay to Agent, for the pro rata benefit of the Lenders, a non-refundable commission based upon the face amount of such Letter of Credit, which shall be paid quarterly in arrears, on each Regularly Scheduled Payment Date, at the rate of the Applicable Margin for Eurodollar Loans (in effect on the date such payment is to be made) multiplied by the undrawn face amount of such Letter of Credit; (B) pay to Agent, for the sole benefit of the Fronting Lender, an additional Letter of Credit fee, which shall be paid on each date that such Letter of Credit shall be issued or renewed at the rate of one-eighth percent (1/8%) of the face amount of such Letter of Credit; and (C) pay to Agent, for the sole benefit of the Fronting Lender, such other issuance, amendment, negotiation, draw, acceptance, telex, courier, postage and similar transactional fees as are customarily charged by the Fronting Lender in respect of the issuance and administration of similar letters of credit under its fee schedule as in effect from time to time.

(iv) Refunding of Letters of Credit with Revolving Loans. Whenever a Letter of Credit shall be drawn, Borrower shall immediately reimburse the Fronting Lender for the amount drawn. In the event that the amount drawn shall not have been reimbursed by Borrower on the date of the drawing of such Letter of Credit, at the sole option of Agent (and the Fronting Lender, if the Fronting Lender is a Lender other than Agent), Borrower shall be deemed to have requested a Revolving Loan, subject to the provisions of Sections 2.2(a) and 2.5 hereof (other than the requirement set forth in Section 2.5(d) hereof), in the amount drawn. Such Revolving Loan shall be evidenced by the Revolving Credit Notes (or, if a Lender has not requested a Revolving Credit Note, by the records of Agent and such Lender). Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that its obligation to make a Revolving Loan pursuant to Section 2.2(a) hereof when required by this subsection (iv) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of the Fronting Lender, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment

shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this subsection (iv) to reimburse, in full (other than the Fronting Lender's pro rata share of such borrowing), the Fronting Lender for the amount drawn on such Letter of Credit. Each such Revolving Loan shall be deemed to be a Base Rate Loan unless otherwise requested by and available to Borrower hereunder. Each Lender is hereby authorized to record on its records relating to its Revolving Credit Note (or, if such Lender has not requested a Revolving Credit Note, its records relating to Revolving Loans) such Lender's pro rata share of the amounts paid and not reimbursed on the Letters of Credit.

(v) Participation in Letters of Credit. If, for any reason, Agent (and the Fronting Lender if the Fronting Lender is a Lender other than Agent) shall be unable to or, in the opinion of Agent, it shall be impracticable to, convert any Letter of Credit to a Revolving Loan pursuant to the preceding subsection, Agent (and the Fronting Lender if the Fronting Lender is a Lender other than Agent) shall have the right to request that each Lender purchase a participation in the amount due with respect to such Letter of Credit, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, the Fronting Lender hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from the Fronting Lender, an undivided participation interest in the amount due with respect to such Letter of Credit in an amount equal to such Lender's Commitment Percentage of the principal amount due with respect to such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for the account of the Fronting Lender, such Lender's ratable share of the amount due with respect to such Letter of Credit (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in the amount due under any Letter of Credit that is drawn but not reimbursed by Borrower pursuant to this subsection (v) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this subsection (v) by wire transfer of immediately available funds, in the same manner as provided in Section 2.5 hereof with respect to Revolving Loans. Each Lender is hereby authorized to record on its records such Lender's pro rata share of the amounts paid and not reimbursed on the Letters of Credit. In addition, each Lender agrees to risk participate in the Existing Letters of Credit as provided in subsection (vi) below.

(vi) Existing Letters of Credit. Schedule 2.2 hereto contains a description of all letters of credit outstanding on, and to continue in effect after, the Closing Date. Each such letter of credit issued by a bank that is or becomes a Lender under this Agreement on the Closing Date (each, an "Existing Letter of Credit") shall constitute a "Letter of Credit" for all purposes of this Agreement, issued, for purposes of subsection (v) above, on the Closing Date. Borrower, Agent and the Lenders hereby agree that, from and after such date, the terms of this Agreement shall apply to the Existing Letters of Credit, superseding any other agreement theretofore applicable to them to the extent inconsistent with the terms hereof. Notwithstanding anything to the contrary in any reimbursement agreement applicable to the Existing Letters of Credit, the fees payable in connection with each Existing Letter of Credit to be shared with the Lenders shall accrue from the Closing Date at the rate provided in this subsection (vi).

(vii) Letters of Credit Outstanding Beyond the Commitment Period. If any Letter of Credit is outstanding upon the termination of the Commitment, then, upon such termination, Borrower shall deposit with Agent, for the benefit of the Fronting Lender, with respect to all outstanding Letters of Credit, either cash or a Supporting Letter of Credit, which, in each case, is (A) in an amount equal to one hundred five percent (105%) of the undrawn amount of the outstanding Letters of Credit, and (B) free and clear of all rights and claims of third parties. The cash shall be deposited in an escrow account at a financial institution designated by the Fronting Lender. The Fronting Lender shall be entitled to withdraw (with respect to the cash) or draw (with respect to the Supporting Letter of Credit) amounts necessary to reimburse the Fronting Lender for payments to be made under the Letters of Credit and any fees and expenses associated with such Letters of Credit, or incurred pursuant to the reimbursement agreements with respect to such Letters of

Credit. Borrower shall also execute such documentation as Agent or the Fronting Lender may reasonably require in connection with the survival of the Letters of Credit beyond the Commitment or this Agreement. After expiration of all undrawn Letters of Credit, the Supporting Letter of Credit or the remainder of the cash, as the case may be, shall promptly be returned to Borrower.

(c) Swing Loans.

(i) Generally. Subject to the terms and conditions of this Agreement, during the Commitment Period, the Swing Line Lender shall make a Swing Loan or Swing Loans to Borrower in such amount or amounts as Borrower, through an Authorized Officer, may from time to time request; provided that Borrower shall not request any Swing Loan if, after giving effect thereto, (A) the Revolving Credit Exposure would exceed the Total Commitment Amount, or (B) the Swing Line Exposure would exceed the Swing Line Commitment. Each Swing Loan shall be due and payable on the Swing Loan Maturity Date applicable thereto. Borrower may prepay Swing Loans in accordance with Section 2.7 hereof.

(ii) Refunding of Swing Loans. If the Swing Line Lender so elects, by giving notice to Borrower and the Lenders, Borrower agrees that the Swing Line Lender shall have the right, in its sole discretion, to require that any Swing Loan be refinanced as a Revolving Loan. Such Revolving Loan shall be a Base Rate Loan unless otherwise requested by and available to Borrower hereunder. Upon receipt of such notice by Borrower and the Lenders, Borrower shall be deemed, on such day, to have requested a Revolving Loan in the principal amount of the Swing Loan in accordance with Sections 2.2(a) and 2.5 hereof (other than the requirement set forth in Section 2.5(d) hereof). Such Revolving Loan shall be evidenced by the Revolving Credit Notes (or, if a Lender has not requested a Revolving Credit Note, by the records of Agent and such Lender). Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that such Lender's obligation to make a Revolving Loan pursuant to Section 2.2(a) hereof when required by this subsection (ii) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of the Swing Line Lender, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this subsection (ii) to repay in full such Swing Loan. Each Lender is hereby authorized to record on its records relating to its Revolving Credit Note (or, if such Lender has not requested a Revolving Credit Note, its records relating to Revolving Loans) such Lender's pro rata share of the amounts paid to refund such Swing Loan.

(iii) Participation in Swing Loans. If, for any reason, Agent is unable to or, in the opinion of Agent, it is impracticable to, convert any Swing Loan to a Revolving Loan pursuant to the preceding subsection (ii), then on any day that a Swing Loan is outstanding (whether before or after the maturity thereof), Agent shall have the right to request that each Lender purchase a participation in such Swing Loan, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, the Swing Line Lender hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from the Swing Line Lender, an undivided participation interest in such Swing Loan in an amount equal to such Lender's Commitment Percentage of the principal amount of such Swing Loan. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for the benefit of the Swing Line Lender, such Lender's ratable share of such Swing Loan (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in Swing Loans pursuant to this subsection (iii) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this subsection (iii) by wire transfer of

immediately available funds, in the same manner as provided in Section 2.5 hereof with respect to Revolving Loans to be made by such Lender.

Section 2.3. Interest.

(a) Revolving Loans.

(i) Base Rate Loan. Borrower shall pay interest on the unpaid principal amount of a Base Rate Loan outstanding from time to time from the date thereof until paid at the Derived Base Rate from time to time in effect. Interest on such Base Rate Loan shall be payable, commencing September 30, 2006, and on each Regularly Scheduled Payment Date thereafter and at the maturity thereof.

(ii) Eurodollar Loans. Borrower shall pay interest on the unpaid principal amount of each Eurodollar Loan outstanding from time to time, fixed in advance on the first day of the Interest Period applicable thereto through the last day of the Interest Period applicable thereto (but subject to changes in the Applicable Margin), at the Derived Eurodollar Rate. Interest on such Eurodollar Loan shall be payable on each Interest Adjustment Date with respect to an Interest Period (provided that if an Interest Period shall exceed three months, the interest must be paid every three months, commencing three months from the beginning of such Interest Period).

(b) Swing Loans. Borrower shall pay interest to Agent, for the sole benefit of the Swing Line Lender (and any Lender that shall have purchased a participation in such Swing Loan), on the unpaid principal amount of each Swing Loan outstanding from time to time from the date thereof until paid at the Derived Swing Loan Rate applicable to such Swing Loan. Interest on each Swing Loan shall be payable on the Swing Loan Maturity Date applicable thereto. Each Swing Loan shall bear interest for a minimum of one day.

(c) Default Rate. Anything herein to the contrary notwithstanding, if an Event of Default shall occur, (i) the principal of each Loan and the unpaid interest thereon shall bear interest, until paid, at the Default Rate, (ii) the fee for the aggregate undrawn amount of all issued and outstanding Letters of Credit shall be increased by two percent (2%) in excess of the rate otherwise applicable thereto, and (iii) in the case of any other amount not paid when due from Borrower hereunder or under any other Loan Document, such amount shall bear interest at the Default Rate.

(d) Limitation on Interest. In no event shall the rate of interest hereunder exceed the maximum rate allowable by law.

Section 2.4. Evidence of Indebtedness.

(a) Revolving Loans. Upon the request of a Lender, to evidence the obligation of Borrower to repay the Revolving Loans made by each such Lender and to pay interest thereon, Borrower shall execute a Revolving Credit Note, payable to the order of such Lender in the principal amount of its Revolving Credit Commitment, or, if less, the aggregate unpaid principal amount of Revolving Loans made by such Lender; provided, however, that the failure of a Lender to request a Revolving Credit Note shall in no way detract from Borrower's obligations to such Lender hereunder.

(b) Swing Loan. Upon the request of the Swing Line Lender, to evidence the obligation of Borrower to repay the Swing Loans and to pay interest thereon, Borrower shall execute a Swing Line Note, and payable to the order of the Swing Line Lender in the principal amount of the Swing Line Commitment, or, if less, the aggregate unpaid principal amount of Swing Loans made by the Swing Line Lender; provided, however, that the failure of the Swing Line Lender to request a Swing Line Note shall in no way detract from Borrower's obligations to the Swing Line Lender hereunder.

Section 2.5. Notice of Credit Event; Funding of Loans.

(a) Notice of Credit Event. Borrower, through an Authorized Officer, shall provide to Agent a Notice of Loan prior to (i) 10:00 A.M. (Mountain time) on the proposed date of borrowing or conversion of any Base Rate

Loan, (ii) 10:00 A.M. (Mountain time) three Business Days prior to the proposed date of borrowing, conversion or continuation of any Eurodollar Loan, and (iii) 12:00 Noon (Mountain time) on the proposed date of borrowing of any Swing Loan. Borrower shall comply with the notice provisions set forth in Section 2.2(b) hereof with respect to Letters of Credit.

(b) Funding of Loans. Agent shall notify each Lender of the date, amount and Interest Period (if applicable) promptly upon the receipt of a Notice of Loan, and, in any event, by 12:00 Noon. (Mountain time) on the date such Notice of Loan is received. On the date that the Credit Event set forth in Notice of Loan is to occur, each such Lender shall provide to Agent, not later than 1:00 P.M. (Mountain time), the amount in Dollars, in federal or other immediately available funds, required of it. If Agent shall elect to advance the proceeds of such Loan prior to receiving funds from such Lender, Agent shall have the right, upon prior notice to Borrower, to debit any account of Borrower or otherwise receive such amount from Borrower, on demand, in the event that such Lender shall fail to reimburse Agent in accordance with this subsection. Agent shall also have the right to receive interest from such Lender at the Federal Funds Effective Rate in the event that such Lender shall fail to provide its portion of the Loan on the date requested and Agent shall elect to provide such funds.

(c) Conversion of Loans. At the request of Borrower to Agent, subject to the notice and other provisions of this Section 2.5, the Lenders shall convert a Base Rate Loan to one or more Eurodollar Loans at any time and shall convert a Eurodollar Loan to a Base Rate Loan on any Interest Adjustment Date applicable thereto. Swing Loans may be converted by the Swing Line Lender to Revolving Loans in accordance with Section 2.2(c)(ii) hereof.

(d) Minimum Amount. Each request for:

(i) a Base Rate Loan shall be in an amount of not less than Five Hundred Thousand Dollars ($500,000), increased by increments of One Hundred Thousand Dollars ($100,000);

(ii) a Eurodollar Loan shall be in an amount of not less than Two Million Dollars ($2,000,000), increased by increments of One Million Dollars ($1,000,000); and

(iii) a Swing Loan shall be in an amount not less than Two Hundred Fifty Thousand Dollars ($250,000).

(e) Interest Periods. Borrower shall not request that Eurodollar Loans be outstanding for more than ten different Interest Periods, and, if a Base Rate Loan is outstanding, then Eurodollar Loans shall be limited to nine different Interest Periods at the same time.

Section 2.6. Payment on Loans and Other Obligations.

(a) Payments Generally. Each payment made hereunder by a Credit Party shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever.

(b) Payments from Borrower. All payments (including prepayments) to Agent of the principal of or interest on any Loan or other payment, including but not limited to principal, interest or fees, or any other amount owed by Borrower under this Agreement, shall be made in Dollars. All payments described in this subsection (b) shall be remitted to Agent, at the address of Agent for notices referred to in Section 10.4 hereof, for the account of the Lenders (or the Fronting Lender or the Swing Line Lender, as appropriate) not later than 10:00 A.M. (Mountain time) on the due date thereof in immediately available funds. Other than with respect to payments made by wire transfer that are released by Borrower by 10:00 A.M. (Mountain time), any such payments received by Agent after 10:00 A.M. (Mountain time) shall be deemed to have been made and received on the next Business Day.

(c) Payments to Lenders. Upon Agent's receipt of payments hereunder, Agent shall immediately distribute to each Lender (except with respect to Swing Loans, which shall be paid to the Swing Line Lender) its ratable share, if any, of the amount of principal, interest, and commitment and other fees received by Agent for the account of such Lender. Each Lender shall record any principal, interest or other payment, the principal amounts of Base Rate Loans, Eurodollar Loans and Swing Loans, prepayments, and the applicable dates, including Interest

Periods, with respect to the Loans made, and payments received by such Lender, by such method as such Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligations of Borrower under this Agreement or any Note. The aggregate unpaid amount of Loans, types of Loans, Interest Periods and similar information with respect to the Loans and Letters of Credit set forth on the records of Agent shall be rebuttably presumptive evidence with respect to such information, including the amounts of principal and interest owing to each Lender.

(d) Timing of Payments. Whenever any payment to be made hereunder, including, without limitation, any payment to be made on any Loan, shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next Business Day and such extension of time shall in each case be included in the computation of the interest payable on such Loan; provided, however, that, with respect to a Eurodollar Loan, if the next Business Day shall fall in the succeeding calendar month, such payment shall be made on the preceding Business Day and the relevant Interest Period shall be adjusted accordingly.

Section 2.7. Prepayment.

(a) Right to Prepay. Borrower shall have the right at any time or from time to time to prepay, on a pro rata basis for all of the Lenders (except with respect to Swing Loans, which shall be paid to the Swing Line Lender), all or any part of the principal amount of the Loans, as designated by Borrower. Such payment shall include interest accrued on the amount so prepaid to the date of such prepayment and any amount payable under Article III hereof with respect to the amount being prepaid. Borrower shall have the right, at any time or from time to time, to prepay, for the benefit of the Swing Line Lender (and any Lender that has purchased a participation in such Swing Loan), all or any part of the principal amount of the Swing Loans then outstanding, as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment.

(b) Notice of Prepayment. Borrower shall give Agent notice of prepayment of a Base Rate Loan or Swing Loan by no later than 11:00 A.M. (Mountain time) one Business Day before the Business Day on which such prepayment is to be made and written notice of the prepayment of any Eurodollar Loan not later than 11:00 A.M. (Mountain time) three Business Days before the Business Day on which such prepayment is to be made.

(c) Minimum Amount. Each prepayment of a Eurodollar Loan by Borrower shall be in the principal amount of not less than the lesser of One Million Dollars ($1,000,000) or the principal amount of such Loan or, with respect to a Swing Loan, the principal balance of such Swing Loan, except in the case of a mandatory payment pursuant to Section 2.11 hereof or Article III hereof.

Section 2.8. Commitment and Other Fees.

(a) Commitment Fee. Borrower shall pay to Agent, for the ratable account of the Lenders, as a consideration for the Commitment, a commitment fee from the Closing Date to and including the last day of the Commitment Period, payable quarterly, at a rate per annum equal to (i) the Applicable Commitment Fee Rate in effect on the payment date, multiplied by (ii) (A) the average daily Total Commitment Amount in effect during such quarter, minus (B) the average daily Revolving Credit Exposure (exclusive of the Swing Line Exposure) during such quarter. The commitment fee shall be payable in arrears, on December 31, 2006 and on each Regularly Scheduled Payment Date thereafter, and on the last day of the Commitment Period.

(b) Agent Fee. Borrower shall pay to Agent, for its sole benefit, the fees set forth in the Amended and Restated Agent Fee Letter.

Section 2.9. Modification of Commitment.

(a) Optional Reduction of Commitment. Borrower may at any time and from time to time permanently reduce in whole or ratably in part the Total Commitment Amount to an amount not less than the then existing Revolving Credit Exposure, by giving Agent not fewer than three Business Days' written notice of such reduction, provided that any such partial reduction shall be in an aggregate amount, for all of the Lenders, of not less than Five Million Dollars ($5,000,000), increased by increments of One Million Dollars ($1,000,000). Agent shall promptly notify each Lender of the date of each such reduction and such Lender's proportionate share thereof. After

each such reduction, the commitment fees payable hereunder shall be calculated upon the Total Commitment Amount as so reduced. If Borrower reduces in whole the Commitment, on the effective date of such reduction (Borrower having prepaid in full the unpaid principal balance, if any, of the Loans, together with all interest and commitment and other fees accrued and unpaid, and provided that no Letter of Credit Exposure or Swing Line Exposure shall exist), all of the Notes shall be delivered to Agent marked "Canceled" and Agent shall redeliver such Notes to Borrower. Any partial reduction in the Total Commitment Amount shall be effective during the remainder of the Commitment Period.

(b) Increase in Commitment. At any time during the Commitment Increase Period, Borrower may request that Agent increase the Total Commitment Amount from the Closing Commitment Amount up to an amount that shall not exceed the Maximum Commitment Amount. Each such increase shall be in an amount of at least Ten Million Dollars ($10,000,000), increased by increments of One Million Dollar ($1,000,000), and may be made by either (i) increasing, for one or more Lenders, with their prior written consent, their respective Revolving Credit Commitments, or (ii) including one or more Additional Lenders, each with a new Revolving Credit Commitment, as a party to this Agreement (collectively, the "Additional Commitment"); provided, however, that existing Lenders shall be given the first opportunity to provide Additional Commitments. During the Commitment Increase Period, the Lenders agree that Agent, in its sole discretion, may permit one or more Additional Commitments upon satisfaction of the following requirements: (A) each Additional Lender, if any, shall execute an Additional Lender Assumption Agreement, (B) Agent shall provide to Borrower and each Lender a revised Schedule 1 to this Agreement, including revised Commitment Percentages for each of the Lenders, if appropriate, at least three Business Days prior to the date of the effectiveness of such Additional Commitments (each an "Additional Lender Assumption Effective Date"), and (C) Borrower shall execute and deliver to Agent and the Lenders such replacement or additional Revolving Credit Notes as shall be required by Agent (and requested by the Lenders). The Lenders hereby authorize Agent to execute each Additional Lender Assumption Agreement on behalf of the Lenders. On each Additional Lender Assumption Effective Date, the Lenders shall make adjustments among themselves with respect to the Revolving Loans then outstanding and amounts of principal, interest, commitment fees and other amounts paid or payable with respect thereto as shall be necessary, in the opinion of Agent, in order to reallocate among such Lenders such outstanding amounts, based on the revised Commitment Percentages and to otherwise carry out fully the intent and terms of this Section 2.9(b). Borrower shall not request any increase in the Commitment pursuant to this Section 2.9(b) if a Default or an Event of Default shall then exist, or immediately after giving effect to any such increase would exist.

Section 2.10. Computation of Interest and Fees. With the exception of Base Rate Loans, interest on Loans and commitment and other fees and charges hereunder shall be computed on the basis of a year having three hundred sixty (360) days and calculated for the actual number of days elapsed. With respect to Base Rate Loans, interest shall be computed on the basis of a year having three hundred sixty-five (365) days or three hundred sixty-six (366) days, as the case may be, and calculated for the actual number of days elapsed.

Section 2.11. Mandatory Payments.

(a) If, at any time, the Revolving Credit Exposure shall exceed the Total Commitment Amount as then in effect, Borrower shall, as promptly as practicable, but in no event later than the next Business Day, pay an aggregate principal amount of the Revolving Loans sufficient to bring the Revolving Credit Exposure within the Total Commitment Amount.

(b) If, at any time, the Swing Line Exposure shall exceed the Swing Line Commitment, Borrower shall, as promptly as practicable, but in no event later than the next Business Day, prepay an aggregate principal amount of the Swing Loans sufficient to bring the Swing Line Exposure within the Swing Line Commitment.

(c) Unless otherwise designated by Borrower, each prepayment pursuant to Section 2.11(a) or (b) hereof shall be applied in the following order (i) first, on a pro rata basis for the Lenders, to outstanding Base Rate Loans, and (ii) second, on a pro rata basis for the Lenders, to outstanding Eurodollar Loans, provided that, if the outstanding principal amount of any Eurodollar Loan shall be reduced to an amount less than the minimum amount set forth in Section 2.5(d) hereof as a result of such prepayment, then such Eurodollar Loan shall be converted into a Base Rate Loan on the date of such prepayment. Any prepayment of a Eurodollar Loan pursuant to this Section 2.11 shall be subject to the prepayment provisions set forth in Article III hereof.

Section 2.12. Extension of Commitment. Contemporaneously with the delivery of the financial statements required pursuant to Section 5.3(b) hereof (beginning with the financial statements for the fiscal year of Borrower ending December 31, 2006), Borrower may deliver a Request for Extension, requesting that the Lenders extend the Commitment Period for an additional year. Each such extension shall require the unanimous written consent of all of the Lenders and shall be upon such terms and conditions as may be agreed to by Agent, Borrower and the Lenders. Borrower shall pay any reasonable attorneys' fees or other reasonable expenses of Agent in connection with the documentation of any such extension, as well as such other fees as may be agreed upon between Borrower and Agent.

ARTICLE III. ADDITIONAL PROVISIONS RELATING TO EURODOLLAR LOANS; INCREASED CAPITAL; TAXES

Section 3.1. Requirements of Law.

(a) If, after the Closing Date (i) the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by a Governmental Authority or (ii) the compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority:

(A) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Taxes and Excluded Taxes which are governed by Section 3.2 hereof);

(B) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate; or

(C) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, Borrower shall pay to such Lender, promptly after receipt of a written request therefor, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection (a), such Lender shall promptly notify Borrower (with a copy to Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that, after the Closing Date, the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof by a Governmental Authority or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder, or under or in respect of any Letter of Credit, to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Lender or corporation with respect to capital adequacy), then from time to time, upon submission by such Lender to Borrower (with a copy to Agent) of a written request therefor (which shall include the method for calculating such amount), Borrower shall promptly pay or cause to be paid to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section 3.1 submitted by any Lender to Borrower (with a copy to Agent) shall be conclusive absent manifest error. In determining any such additional amounts, such Lender may use any method of averaging and attribution that it (in its reasonable

discretion) shall deem applicable. The obligations of Borrower pursuant to this Section 3.1 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder; provided that Borrower shall not be required to make any payments pursuant to this Section 3.1 to a Lender for any increased costs incurred or reductions suffered more than ninety (90) days prior to the date that such Lender notifies Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the circumstances giving rise to such increased costs or reductions are retroactive, then the ninety (90) day period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.2. Taxes.

(a) All payments made by any Credit Party under any Loan Document shall be made free and clear of, and without deduction or withholding for or on account of any Taxes or Other Taxes. If any Taxes or Other Taxes are required to be deducted or withheld from any amounts payable to Agent or any Lender hereunder, the amounts so payable to Agent or such Lender shall be increased to the extent necessary to yield to Agent or such Lender (after deducting, withholding and payment of all Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in the Loan Documents.

(b) In addition, the Credit Parties shall pay Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Taxes or Other Taxes are required to be withheld and paid by a Credit Party, such Credit Party shall timely withhold and pay such taxes to the relevant Governmental Authorities. As promptly as possible thereafter, Borrower shall send to Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by such Credit Party showing payment thereof or other evidence of payment reasonably acceptable to Agent or such Lender. If such Credit Party shall fail to pay any Taxes or Other Taxes when due to the appropriate Governmental Authority or fails to remit to Agent the required receipts or other required documentary evidence, such Credit Party and Borrower shall indemnify Agent and the appropriate Lenders on demand for any incremental taxes, interest or penalties that may become payable by Agent or such Lender as a result of any such failure.

(d) If any Lender shall be so indemnified by a Credit Party, such Lender shall use reasonable efforts to obtain the benefits of any refund, deduction or credit for any taxes or other amounts with respect to the amount paid by such Credit Party and shall reimburse such Credit Party to the extent, but only to the extent, that such Lender shall receive a refund with respect to the amount paid by such Credit Party or an effective net reduction in taxes or other governmental charges (including any taxes imposed on or measured by the total net income of such Lender) of the United States or any state or subdivision or any other Governmental Authority thereof by virtue of any such deduction or credit, after first giving effect to all other deductions and credits otherwise available to such Lender. If, at the time any audit of such Lender's income tax return is completed, such Lender determines, based on such audit, that it shall not have been entitled to the full amount of any refund reimbursed to such Credit Party as aforesaid or that its net income taxes shall not have been reduced by a credit or deduction for the full amount reimbursed to such Credit Party as aforesaid, such Credit Party, upon request of such Lender, shall promptly pay to such Lender the amount so refunded to which such Lender shall not have been so entitled, or the amount by which the net income taxes of such Lender shall not have been so reduced, as the case may be.

(e) Each Lender that is not (i) a citizen or resident of the United States of America, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or (iii) an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income (any such Person, a "Non-U.S. Lender") shall deliver to Borrower and Agent two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement with respect to such interest and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by Credit Parties under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement or such other Loan Document. In addition, each Non-U.S. Lender shall

deliver such forms or appropriate replacements promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify Borrower at any time it determines that such Lender is no longer in a position to provide any previously delivered certificate to Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this subsection (e), a Non-U.S. Lender shall not be required to deliver any form pursuant to this subsection (e) that such Non-U.S. Lender is not legally able to deliver.

(f) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which a Credit Party is located, or any treaty to which such jurisdiction is a party, with respect to payments under any Loan Document shall use reasonable efforts to deliver to Borrower (with a copy to the Agent), at the time or times prescribed by applicable law or reasonably requested by Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate; provided, that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(g) The agreements in this Section 3.2 shall survive the termination of the Loan Documents and the payment of the Loans and all other amounts payable hereunder.

Section 3.3. Funding Losses. Borrower agrees to indemnify each Lender, promptly after receipt of a written request therefor, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by Borrower in making any prepayment of or conversion from Eurodollar Loans after Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of a prepayment of a Eurodollar Loan on a day that is not the last day of an Interest Period applicable thereto, or (d) any conversion of a Eurodollar Loan to a Base Rate Loan on a day that is not the last day of an Interest Period applicable thereto. Such indemnification shall be in an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amounts so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the appropriate London interbank market, along with any administration fee charged by such Lender. A certificate as to any amounts payable pursuant to this Section 3.3 submitted to Borrower (with a copy to Agent) by any Lender shall be conclusive absent manifest error. The obligations of Borrower pursuant to this Section 3.3 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

Section 3.4. Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 3.1 or 3.2(a) hereof with respect to such Lender, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office (or an affiliate of such Lender, if practical for such Lender) for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage; and provided, further, that nothing in this Section shall affect or postpone any of the obligations of Borrower or the rights of any Lender pursuant to Section 3.1 or 3.2(a) hereof.

Section 3.5. Eurodollar Rate Lending Unlawful; Inability to Determine Rate.

(a) If any Lender shall determine (which determination shall, upon notice thereof to Borrower and Agent, be conclusive and binding on Borrower) that, after the Closing Date, (i) the introduction of or any change in or in the interpretation of any law makes it unlawful, or (ii) any Governmental Authority asserts that it is unlawful, for such Lender to make or continue any Loan as, or to convert (if permitted pursuant to this Agreement) any Loan into, a Eurodollar Loan, the obligations of such Lender to make, continue or convert any such Eurodollar Loan shall,

upon such determination, be suspended until such Lender shall notify Agent that the circumstances causing such suspension no longer exist, and all outstanding Eurodollar Loans payable to such Lender shall automatically convert (if conversion is permitted under this Agreement) into a Base Rate Loan, or be repaid (if no conversion is permitted) at the end of the then current Interest Periods with respect thereto or sooner, if required by law or such assertion.

(b) If Agent or the Required Lenders determine that for any reason adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Loan, or that the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, Agent will promptly so notify Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain such Eurodollar Loan shall be suspended until Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, Borrower may revoke any pending request for a borrowing of, conversion to or continuation of such Eurodollar Loan or, failing that, will be deemed to have converted such request into a request for a borrowing of a Base Rate Loan in the amount specified therein.

Section 3.6. Replacement of Lenders. Borrower shall be permitted to replace any Lender that requests reimbursement for amounts owing pursuant to Section 3.1 or 3.2(a) hereof, or asserts its inability to make a Eurodollar Loan pursuant to Section 3.5 hereof; provided that (a) such replacement does not conflict with any Requirement of Law, (b) no Default or Event of Default shall have occurred and be continuing at the time of such replacement, (c) prior to any such replacement, such Lender shall have taken no action under Section 3.4 hereof so as to eliminate the continued need for payment of amounts owing pursuant to Section 3.1 or 3.2(a) hereof or, if it has taken any action, such request has still been made, (d) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement and assume all commitments and obligations of such replaced Lender, (e) Borrower shall be liable to such replaced Lender under Section 3.3 hereof if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (f) the replacement financial institution, if not already a Lender, shall be satisfactory to the Agent, (g) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.10 hereof (provided that Borrower (or the succeeding Lender, if such Lender is willing) shall be obligated to pay the assignment fee referred to therein), and (h) until such time as such replacement shall be consummated, Borrower shall pay all additional amounts (if any) required pursuant to Section 3.1 or 3.2(a) hereof, as the case may be.

ARTICLE IV. CONDITIONS PRECEDENT

Section 4.1. Conditions to Each Credit Event. The obligation of the Lenders, the Fronting Lender and the Swing Line Lender to participate in any Credit Event shall be conditioned, in the case of each Credit Event, upon the following:

(a) all conditions precedent as listed in Section 4.2 hereof required to be satisfied prior to the first Credit Event shall have been satisfied prior to or as of the first Credit Event;

(b) Borrower shall have submitted a Notice of Loan (or with respect to a Letter of Credit, complied with the provisions of Section 2.2(b) hereof) and otherwise complied with Section 2.5 hereof;

(c) no Default or Event of Default shall then exist or immediately after such Credit Event would exist; and

(d) each of the representations and warranties contained in Article VI hereof shall be true in all material respects as if made on and as of the date of such Credit Event, except to the extent that any thereof expressly relate to an earlier date.

Each request by Borrower for a Credit Event shall be deemed to be a representation and warranty by Borrower as of the date of such request as to the satisfaction of the conditions precedent specified in subsections (c) and (d) above.

Section 4.2. Conditions to the First Credit Event. Borrower shall cause the following conditions to be satisfied on or prior to the Closing Date. The obligation of the Lenders, the Fronting Lender and the Swing Line Lender to participate in the first Credit Event is subject to Borrower satisfying each of the following conditions prior to or concurrently with such Credit Event:

(a) Notes. Borrower shall have executed and delivered to (i) each Lender requesting a Revolving Credit Note such Lender's Revolving Credit Note, and (ii) the Swing Line Lender the Swing Line Note, if requested by the Swing Line Lender.

(b) Guaranties of Payment. Each Guarantor of Payment shall have executed and delivered to Agent a Guaranty of Payment.

(c) Confirmation of Security Documents and Security Agreements. Each (i) Credit Party that was a Credit Party prior to the Closing Date shall have executed and delivered to Agent, for the benefit of the Lenders, a Confirmation of Security Documents, and (ii) Credit Party that was not a Credit Party prior to the Closing Date, shall have executed and delivered to Agent, for the benefit of the Lenders, a Security Agreement; and such other documents or instruments, as may be reasonably required by Agent to create or perfect the Liens of Agent, for the benefit of the Lenders, in the assets of such Credit Party, all to be in form and substance reasonably satisfactory to Agent and the Lenders.

(d) Pledge Agreements. Borrower and each Domestic Subsidiary that owns Pledged Securities shall have executed and delivered to Agent, for the benefit of the Lenders, a Pledge Agreement, in form and substance satisfactory to Agent, with respect to the Pledged Securities, together with the Pledged Securities referenced therein and appropriate stock powers.

(e) Officer's Certificate, Resolutions, Organizational Documents. Each Credit Party shall have delivered to Agent an officer's certificate (or comparable domestic or foreign documents) certifying the names of the officers of such Credit Party authorized to sign the Loan Documents, together with the true signatures of such officers and certified copies of (i) the resolutions of the board of directors (or comparable domestic or foreign documents) of such Credit Party evidencing approval of the execution and delivery of the Loan Documents and the execution of other Related Writings to which such Credit Party is a party, and (ii) the Organizational Documents of such Credit Party.

(f) Good Standing and Full Force and Effect Certificates. Borrower shall have delivered to Agent a good standing certificate or comparable certificate, as the case may be, for each Credit Party, issued on or about the Closing Date by the Secretary of State or comparable entity in the state or states where such Credit Party is incorporated or formed.

(g) Lien Searches. With respect to the property owned or leased by Borrower and each Guarantor of Payment, Borrower and each Guarantor of Payment, if applicable, shall have caused to be delivered to Agent (i) the results of Uniform Commercial Code lien searches, satisfactory to Agent and the Lenders, (ii) the results of federal and state tax lien and judicial lien searches, satisfactory to Agent and the Lenders (but only with respect to Domestic Subsidiaries created or acquired after the date of the Original Credit Agreement), and (iii) Uniform Commercial Code termination statements reflecting termination of all financing statements previously filed by any Person and not expressly permitted pursuant to Section 5.9 hereof.

(h) Legal Opinion. Borrower shall have delivered to Agent an opinion of counsel for each Credit Party, in form and substance reasonably satisfactory to Agent and the Lenders.

(i) Borrower Investment Policy. Borrower shall have delivered to Agent a copy of the Borrower Investment Policy.

(j) Amended and Restated Agent Fee Letter and Other Fees. Borrower shall have (i) executed and delivered to Agent the Amended and Restated Agent Fee Letter and paid to Agent, for its sole account, the fees stated therein, and (ii) paid all legal fees and expenses of Agent in connection with the preparation and negotiation of the Loan Documents.

(k) Closing Certificate. Borrower shall have delivered to Agent and the Lenders an officer's certificate certifying that, as of the Closing Date, (i) all conditions precedent set forth in this Article IV have been satisfied, (ii) no Default or Event of Default exists nor immediately after the first Credit Event will exist, and (iii) each of the representations and warranties contained in Article VI hereof are true and correct as of the Closing Date.

(l) Letter of Direction. Borrower shall have delivered to Agent a letter of direction authorizing Agent, on behalf of the Lenders, to disburse the proceeds of the Loans, which letter of direction includes the authorization to transfer funds under this Agreement and the wire instructions setting forth the locations to which such funds shall be sent.

(m) No Material Adverse Change. No material adverse change, in the opinion of Agent, shall have occurred in the financial condition or operations of the Companies since June 30, 2006.

(n) Miscellaneous. Borrower shall have provided to Agent and the Lenders such other items and shall have satisfied such other conditions as may be reasonably required by Agent or the Lenders.

ARTICLE V. COVENANTS

Section 5.1. Insurance. Each Company shall (a) maintain insurance to such extent and against such hazards and liabilities as is commonly maintained by Persons similarly situated; and (b) within ten days of Agent's written request, furnish to Agent such information about such Company's insurance as Agent may from time to time reasonably request, which information shall be prepared in form and detail reasonably satisfactory to Agent and certified by a Financial Officer of such Company.

Section 5.2. Money Obligations. Each Company shall pay in full (a) prior in each case to the date when material penalties would attach, all material taxes, assessments and governmental charges and levies (except only those so long as and to the extent that the same shall be contested in good faith by appropriate and timely proceedings and for which adequate provisions have been established in accordance with GAAP) for which it may be or become liable or to which any or all of its properties may be or become subject; (b) all of its material wage obligations to its employees in compliance with the Fair Labor Standards Act (29 U.S.C. §§ 206-207) or any comparable provisions; and (c) all of its other material obligations calling for the payment of money (except only those so long as and to the extent that the same shall be contested in good faith and for which adequate provisions have been established in accordance with GAAP) before such payment becomes overdue.

Section 5.3. Financial Statements and Information.

(a) Quarterly Financials. Borrower shall deliver to Agent, within forty-five (45) days after the end of each of the first three quarter-annual periods of each fiscal year of Borrower, balance sheets of the Companies as of the end of such period and statements of income (loss), stockholders' equity and cash flow for the quarter and fiscal year to date periods, all prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and certified by a Financial Officer of Borrower.

(b) Annual Audit Report. Borrower shall deliver to Agent, within ninety (90) days after the end of each fiscal year of Borrower, an annual audit report of the Companies for that year prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and certified by an independent public accountant satisfactory to Agent, which report shall include balance sheets and statements of income (loss), stockholders' equity and cash-flow for that period.

(c) Compliance Certificate. Borrower shall deliver to Agent, concurrently with the delivery of the financial statements set forth in subsections (a) and (b) above, a Compliance Certificate.

(d) Pro-Forma Projections. Borrower shall deliver to Agent, within ninety (90) days after the end of each fiscal year of Borrower, annual pro-forma projections of the Companies for the then current fiscal year, to be in form acceptable to Agent.

(e) Shareholder and SEC Documents. Borrower shall deliver to Agent, as soon as available, copies of all notices, reports, definitive proxy or other statements and other documents sent by Borrower to its shareholders, to the holders of any of its debentures or bonds or the trustee of any indenture securing the same or pursuant to which they are issued, or sent by Borrower (in final form) to any securities exchange or over the counter authority or system, or to the SEC or any similar federal agency having regulatory jurisdiction over the issuance of Borrower's securities.

(f) Financial Information of Companies. Borrower shall deliver to Agent, within fifteen (15) Business Days of the written request of Agent, or as soon thereafter as is reasonably practicable, such other information about the financial condition, properties and operations of any Company as Agent may from time to time reasonably request, which information shall be submitted in form and detail satisfactory to Agent and certified by a Financial Officer of the Company or Companies in question.

Section 5.4. Financial Records. Each Company shall at all times maintain true and complete records and books of account, including, without limiting the generality of the foregoing, appropriate provisions for possible losses and liabilities, all in accordance with GAAP, and at all reasonable times (during normal business hours and upon reasonable notice to such Company) permit Agent, or any representative of Agent, to examine such Company's books and records and to make excerpts therefrom and transcripts thereof.

Section 5.5. Franchises; Change in Business.

(a) Each Company (other than a Dormant Subsidiary) shall preserve and maintain at all times its existence, and its rights and franchises necessary for its business, in each case except as otherwise permitted pursuant to Section 5.12 hereof.

(b) No Company shall engage in any business if, as a result thereof, the general nature of the business of the Companies taken as a whole would be substantially changed from the general nature of the business the Companies are engaged in on the Closing Date.

Section 5.6. ERISA Pension and Benefit Plan Compliance. No Company shall incur any material accumulated funding deficiency within the meaning of ERISA, or any material liability to the PBGC, established thereunder in connection with any ERISA Plan. Borrower shall furnish to the Lenders (a) as soon as possible and in any event within thirty (30) days after any Company knows or has reason to know that any Reportable Event with respect to any ERISA Plan has occurred, a statement of a Financial Officer of such Company, setting forth details as to such Reportable Event and the action that such Company proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if a copy of such notice is available to such Company, and (b) promptly after receipt thereof a copy of any notice such Company, or any member of the Controlled Group may receive from the PBGC or the Internal Revenue Service with respect to any ERISA Plan administered by such Company; provided, that this latter clause shall not apply to notices of general application promulgated by the PBGC or the Internal Revenue Service. Borrower shall promptly notify the Lenders of any material taxes assessed, proposed to be assessed or that Borrower has reason to believe is reasonably likely to be assessed against a Company by the Internal Revenue Service with respect to any ERISA Plan. As used in this Section 5.6, "material" means the measure of a matter of significance that shall be determined as being an amount equal to five percent (5%) of Consolidated Net Worth. As soon as practicable, and in any event within twenty (20) days, after any Company shall become aware that an ERISA Event shall have occurred, such Company shall provide Agent with notice of such ERISA Event with a certificate by a Financial Officer of such Company setting forth the details of the event and the action such Company or another Controlled Group member proposes to take with respect thereto. Borrower shall, at the request of Agent, deliver or cause to be delivered to Agent, as the case may be, true and correct copies of any documents relating to the ERISA Plan of any Company.

Section 5.7. Financial Covenants.

(a) Leverage Ratio. Borrower shall not suffer or permit at any time the Leverage Ratio to exceed 3.00 to 1.00.

(b) Interest Coverage Ratio. Borrower shall not suffer or permit at any time the Interest Coverage Ratio to be less than 2.50 to 1.00.

(c) Capital Expenditures. The Companies may make Consolidated Capital Expenditures so long as no Default or Event of Default shall then exist or immediately thereafter shall begin to exist.

Section 5.8. Borrowing. No Company shall create, incur or have outstanding any Indebtedness of any kind; provided, that this Section 5.8 shall not apply to the following:

(a) the Loans, the Letters of Credit and any other Indebtedness under this Agreement;

(b) any loans granted to or Capitalized Lease Obligations entered into by any Company for the purchase or lease of fixed assets (and refinancings of such loans or Capitalized Lease Obligations), which loans and Capitalized Lease Obligations shall only be secured by the fixed assets being purchased or leased ;

(c) the Indebtedness existing on the Closing Date, in addition to the other Indebtedness permitted to be incurred pursuant to this Section 5.8, as set forth in Schedule 5.8 hereto (and any extension, renewal or refinancing thereof but only to the extent that the principal amount thereof does not increase after the Closing Date);

(d) Indebtedness under any Hedge Agreement, so long as such Hedge Agreement shall have been entered into in the ordinary course of business and not for speculative purposes;

(e) Indebtedness incurred by Foreign Subsidiaries in an aggregate amount not to exceed, for all such Indebtedness of all Foreign Subsidiaries, the greater of (i) seven and one-half percent (7.5%) of Consolidated total assets of Borrower, or (ii) Twenty-Five Million Dollars ($25,000,000) at any time outstanding;

(f) any loans from a Company to a Company permitted under Section 5.11 hereof;

(g) Indebtedness of a Foreign Subsidiary under an accounts receivable facility whereby no portion of the Indebtedness or any other obligation (contingent or otherwise) under such facility is guaranteed by any other Company (subject to the proviso in subsection (e) hereof) and no Company (other than such Foreign Subsidiary) provides, either directly or indirectly, any credit support of any kind (other than a guaranty permitted under subsection (e) hereof) in connection with such facility;

(h) Subordinated Indebtedness with terms and documentation in form and substance acceptable to Agent;

(i) loans to Percepta and its Subsidiaries in an aggregate amount at any time outstanding of up to ten percent (10%) of revenues of Percepta and its Subsidiaries for the most recently completed four fiscal quarters;

(j) loans to a joint venture (in which a Company holds an equity interest) in an aggregate amount at any time outstanding of up to ten percent (10%) of revenues of such joint venture for the most recently completed four fiscal quarters;

(k) Indebtedness of a Company that has been acquired by the Companies pursuant to Section 5.13 hereof, which Indebtedness (i) is not secured, except by a security interest permitted under Section 5.9(h) hereof, and (ii) was not incurred in anticipation of such Acquisition;

(l) Indebtedness of a Company incurred pursuant to synthetic leases;

(m) Indebtedness of a Company that is owing to any governmental entity, including, without limitation, industrial revenue bonds and grants issued by any governmental entity to such Company which may constitute Indebtedness until the completion of the tasks related to such grants; provided, however, that all such Indebtedness must be either (i) unsecured, (ii) only secured by the fixed assets purchased with proceeds from such Indebtedness, or (iii) secured with assets (other than fixed assets) that are specifically related to the “project” that is

the subject of the grant or financing, securing no more than the aggregate amount, for all such Indebtedness of all Companies, of Five Million Dollars ($5,000,000) at any time outstanding;

(n) Indebtedness not otherwise described in or subject to subparts (a) through (k) hereof in an aggregate principal amount not to exceed the greater of (i) two percent (2%) of Consolidated total assets of Borrower, or (ii) Five Million Dollars ($5,000,000) at any time outstanding; and

(o) other unsecured Indebtedness, in addition to the Indebtedness listed above, so long as (i) the maturity date (and earliest possible put date) of such Indebtedness is at least thirty (30) days after the last day of the Commitment Period, and (ii) the Companies are in compliance (and in pro forma compliance after giving effect to such Indebtedness) with the provisions of Section 5.7 hereof.

Section 5.9. Liens. No Company shall create, assume or suffer to exist (or enter into a contract that creates a consensual Lien upon the happening of a contingency or otherwise) any Lien upon any of its property or assets, whether now owned or hereafter acquired; provided that this Section 5.9 shall not apply to the following:

(a) Liens for taxes not yet due or that are being actively contested in good faith by appropriate proceedings and for which adequate reserves shall have been established in accordance with GAAP;

(b) other statutory Liens incidental to the conduct of its business or the ownership of its property and assets that (i) were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and (ii) do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(c) Liens on property or assets of a Subsidiary to secure obligations of such Subsidiary to a Credit Party (other than any of the Newgen Companies prior to the Newgen Opt-In Date);

(d) purchase money Liens on fixed assets securing the loans and Capitalized Lease Obligations pursuant to Section 5.8(b) hereof, provided that such Lien is limited to the purchase price and only attaches to the property being acquired;

(e) the Liens existing on the Closing Date as set forth in Schedule 5.9 hereto and replacements, extensions, renewals, refundings or refinancings thereof, but only to the extent that the amount of debt secured thereby shall not be increased;

(f) easements or other minor defects or irregularities in title of real property not interfering in any material respect with the use of such property in the business of any Company;

(g) any Lien granted to Agent, for the benefit of the Lenders;

(h) any Lien on fixed assets owned by a Company as a result of an Acquisition permitted pursuant to Section 5.13 hereof;

(i) any Lien on assets of Foreign Subsidiaries to secure the Indebtedness described in Section 5.8(e) hereof;

(j) any Lien on assets of Percepta and its Subsidiaries securing Indebtedness described in Section 5.8(i) hereof in an aggregate principal amount, for Percepta and all of its Subsidiaries, not to exceed Five Million Dollars ($5,000,000);

(k) any Lien on assets of a joint venture (that is not a Subsidiary) securing Indebtedness described in Section 5.8(j) hereof in an aggregate principal amount, for all such joint ventures, not to exceed Two Million Dollars ($2,000,000);

(l) any U.C.C. Financing Statement filed to provide notice of (i) an operating lease entered into in the ordinary course of business, or (ii) a synthetic lease permitted under Section 5.8(l) hereof;

(m) the Liens described in Section 5.8(m) hereof; and

(n) any Lien (on assets that do not constitute Collateral) not otherwise described in or subject to subparts (a) through (k) hereof securing Indebtedness (other than Indebtedness for borrowed money) in an aggregate principal amount not to exceed the greater of (i) two percent (2%) of Consolidated total assets of Borrower, or (ii) Five Million Dollars ($5,000,000) at any time outstanding.

No Company shall enter into any contract or agreement (other than a contract or agreement entered into in connection with (A) the purchase or lease of fixed assets that prohibits Liens on such fixed assets, or (B) the incurrence of Indebtedness permitted pursuant to Section 5.8(i) hereof that prohibits Liens on the assets of Percepta) that would prohibit Agent or the Lenders from acquiring a security interest, mortgage or other Lien on, or a collateral assignment of, any of the property or assets of such Company.

Section 5.10. Regulations T, U and X. No Company shall take any action that would result in any non-compliance of the Loans or Letters of Credit with Regulations T, U or X, or any other applicable regulation, of the Board of Governors of the Federal Reserve System.

Section 5.11. Investments, Loans and Guaranties. No Company shall, without the prior written consent of Agent and the Required Lenders, (a) create, acquire or hold any Subsidiary, (b) make or hold any investment in any stocks, bonds or securities of any kind, (c) be or become a party to any joint venture or other partnership, (d) make or keep outstanding any advance or loan to any Person, or (e) be or become a Guarantor of any kind (other than a Guaranty of Payment under the Loan Documents); provided that this Section 5.11 shall not apply to the following:

(i) investments made in accordance with the Borrower Investment Policy;

(ii) the holding of each of the Subsidiaries listed on Schedule 6.1 hereto, and the creation, acquisition and holding of any new Subsidiary after the Closing Date so long as such new Subsidiary shall have been created, acquired or held in accordance with the terms and conditions of this Agreement;

(iii) any investment in, loan to or guaranty of the Indebtedness of, Borrower or a Domestic Subsidiary (other than any of the Newgen Companies prior to the Newgen Opt-In Date);

(iv) any investment in, loan to or guaranty of the Indebtedness of a Foreign Subsidiary so long as the Companies are in compliance (and in pro forma compliance after giving effect to such loan, investment or guaranty) with the provisions of Section 5.7 hereof;

(v) any investment in a joint venture of a Company so long as the Companies are in compliance (and in pro forma compliance after giving effect to such investment) with the provisions of Section 5.7 hereof;

(vi) any advance or loan to an officer or employee of a Company, so long as all such advances and loans from all Companies (specifically excluding any advance or loan assumed through an Acquisition) aggregate not more than the principal sum of Five Million Dollars ($5,000,000) at any time outstanding;

(vii) the holding of any stock that has been acquired pursuant to an Acquisition permitted under Section 5.13 hereof;

(viii) prior to the Newgen Opt-In Date, investments of, loans from or guaranties by, the Companies to the Newgen Companies in an aggregate amount not to exceed the Newgen Permitted Amount (provided that client-related performance guaranties shall not be included in the calculation of the Newgen Permitted Amount); or

(ix) other investments of, loans from or guaranties by, the Companies in an aggregate amount not to exceed, for all Companies, the greater of (i) two percent (2%) of Consolidated total assets of

Borrower, or (ii) Five Million Dollars ($5,000,000); provided that (A) client-related performance guaranties shall not be included in the calculation of the foregoing amounts, and (B) no such investments, loans and guaranties shall be in, to or for the benefit of, any of the Newgen Companies.

Section 5.12. Merger and Sale of Assets. No Company shall merge, amalgamate or consolidate with any other Person, or sell, lease or transfer or otherwise dispose of any assets to any Person other than in the ordinary course of business, except that, if no Default or Event of Default shall then exist or immediately thereafter shall begin to exist:

(a) any Domestic Subsidiary may merge with (i) Borrower (provided that Borrower shall be the continuing or surviving Person) or (ii) any one or more Guarantors of Payment (other than any of the Newgen Companies prior to the Newgen Opt-In Date);

(b) any Domestic Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to (i) Borrower or (ii) any Guarantor of Payment (other than any of the Newgen Companies in excess of the Newgen Permitted Amount prior to the Newgen Opt-In Date);

(c) any Domestic Subsidiary (other than a Credit Party) may merge with or sell, lease, transfer or otherwise dispose of any of its assets to any other Domestic Subsidiary (other than any of the Newgen Companies in excess of the Newgen Permitted Amount prior to the Newgen Opt-In Date);

(d) any Foreign Subsidiary may merge with another Foreign Subsidiary or with a Credit Party (other than any of the Newgen Companies prior to the Newgen Opt-In Date), provided that a Credit Party shall be the continuing or surviving Person;

(e) any Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to a Credit Party (other than any of the Newgen Companies in excess of the Newgen Permitted Amount prior to the Newgen Opt-In Date) or any other Foreign Subsidiary;

(f) Borrower may sell its corporate headquarters located at 9197 South Peoria Street, Englewood, Colorado 80112-5833;

(g) Borrower, any Domestic Subsidiary and any Foreign Subsidiary organized under the laws of Canada may sell, lease, transfer or otherwise dispose of any assets to a Person that is not a Credit Party (other than the accounts (and general intangibles relating thereto and proceeds thereof) pledged to Agent, for the benefit of the Lenders, pursuant to the Security Agreement) so long as, after giving pro forma effect to any Disposition with net proceeds in excess of Fifteen Million Dollars ($15,000,000), the Companies are in pro forma compliance with the provisions of Section 5.7 hereof;

(h) any Foreign Subsidiary (other than a Foreign Subsidiary organized under the laws of Canada) may sell, lease, transfer or otherwise dispose of any assets;

(i) Acquisitions may be effected in accordance with the provisions of Section 5.13 hereof; and

(j) prior to the Newgen Opt-In Date, Borrower may sell the Newgen Companies.

Section 5.13. Acquisitions. No Company shall effect an Acquisition; provided, however, that a Credit Party (other than any of the Newgen Companies prior to the Newgen Opt-In Date) may effect an Acquisition so long as:

(a) the business to be acquired shall be similar to the lines of business of the Companies;

(b) the Companies shall be in full compliance with the Loan Documents both prior to and subsequent to such Acquisition;

(c) no Default or Event of Default shall exist prior to or after giving effect to such Acquisition;

(d) such Acquisition is not actively opposed by the board of directors (or similar governing body) of the selling Persons or by a majority of the Persons whose equity interests are to be acquired;

(e) with respect to any Acquisition the Consideration for which is in excess of Twenty-Five Million Dollars ($25,000,000), Borrower shall have provided to Agent and the Lenders, at least ten (10) Business Days prior to such Acquisition, historical financial statements of the target entity and a pro forma financial statement of the Companies accompanied by a certificate of a Financial Officer of Borrower showing pro forma compliance with Section 5.7 hereof, both before and after the proposed Acquisition; and

(f) Borrower shall have a Liquidity Amount of no less than Twenty-Five Million Dollars ($25,000,000) after giving effect to such Acquisition.

Section 5.14. Notice. Borrower shall cause a Financial Officer of Borrower to promptly notify Agent and the Lenders whenever any Default or Event of Default may occur hereunder or any representation or warranty made in Article VI hereof or elsewhere in this Agreement or in any Related Writing may for any reason cease in any material respect to be true and complete.

Section 5.15. Restricted Payments. No Company shall pay or commit itself to pay any Restricted Payment at any time, except that (a) any Subsidiary may make Capital Distributions to Borrower or any other Subsidiary of Borrower, and (b) so long as no Default or Event of Default shall then exist or immediately thereafter shall begin to exist, Borrower may make Restricted Payments (other than with respect to any of the Newgen Companies prior to the Newgen Opt-In Date).

Section 5.16. Environmental Compliance. Each Company shall comply in all material respects with any and all Environmental Laws including, without limitation, all Environmental Laws in jurisdictions in which such Company owns or operates a facility or site, arranges for disposal or treatment of hazardous substances, solid waste or other wastes, accepts for transport any hazardous substances, solid waste or other wastes or holds any interest in real property or otherwise. Borrower shall furnish to the Lenders, promptly after receipt thereof, a copy of any notice such Company may receive from any Governmental Authority or private Person or otherwise that any material litigation or proceeding pertaining to any environmental, health or safety matter has been filed or is threatened against such Company, any real property in which such Company holds any interest or any past or present operation of such Company. No Company shall allow the material release or disposal of hazardous waste, solid waste or other wastes on, under or to any real property in which any Company holds any ownership interest or performs any of its operations, in violation of any Environmental Law. As used in this Section 5.16, “litigation or proceeding” means any demand, claim, notice, suit, suit in equity action, administrative action, investigation or inquiry whether brought by any Governmental Authority or private Person, or otherwise. Borrower shall defend, indemnify and hold Agent and the Lenders harmless against all costs, expenses, claims, damages, penalties and liabilities of every kind or nature whatsoever (including attorneys’ fees) arising out of or resulting from the noncompliance of any Company with any Environmental Law. Such indemnification shall survive any termination of this Agreement.

Section 5.17. Affiliate Transactions. No Company shall, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate (other than a Company that is a Credit Party) on terms that shall be less favorable to such Company than those that might be obtained at the time in a transaction with a non-Affiliate; provided, however, that the foregoing shall not prohibit the payment of customary and reasonable directors’ fees to directors who are not employees of a Company or an Affiliate.

Section 5.18. Use of Proceeds. Borrower’s use of the proceeds of the Loans shall be solely for working capital and other general corporate purposes of the Companies, for capital expenditures, for Restricted Payments and for Acquisitions.

Section 5.19. Corporate Names. No Credit Party shall change its corporate name, unless, in each case, such Credit Party shall provide Agent with at least thirty (30) days prior written notice thereof. Borrower shall also provide Agent with at least thirty (30) days prior written notification of (a) any change in the location of the office

where any Credit Party's records pertaining to the Collateral are kept; and (b) any change in any Credit Party's chief executive office. In the event of any of the foregoing or as a result of any change of applicable law with respect to the taking of security interests, or if determined by Agent to be necessary, Agent is hereby authorized to file new Uniform Commercial Code financing statements describing the Collateral and otherwise in form and substance sufficient for recordation wherever necessary or appropriate, as determined in Agent's reasonable discretion, to perfect or continue perfected the security interest of Agent, for the benefit of the Lenders, in the Collateral, based upon such new places of business or names or such change in applicable law, and Borrower shall pay all filing and recording fees and taxes in connection with the filing or recordation of such financing statements and shall promptly reimburse Agent therefor if Agent pays the same. Such amounts shall be Related Expenses hereunder.

Section 5.20. Lease Rentals. The Companies may enter into operating leases in the ordinary course of business.

Section 5.21. Subsidiary Guaranties, Security Documents and Pledge of Stock or Other Ownership Interest.

(a) Guaranties and Security Documents. Each Domestic Subsidiary (that is not a Dormant Subsidiary) created, acquired or held subsequent to the Closing Date, shall immediately execute and deliver to Agent, for the benefit of the Lenders, a Guaranty of Payment of all of the Obligations and a Security Agreement, such agreements to be in form and substance acceptable to Agent, along with any such other supporting documentation, Security Documents, corporate governance and authorization documents, and an opinion of counsel as may be deemed necessary or advisable by Agent.

(b) Pledge of Stock. With respect to the creation or acquisition of a First-Tier Material Foreign Subsidiary, Borrower shall (i) pledge to Agent, for the benefit of the Lenders, sixty-five percent (65%) of the ownership interest owned by a Credit Party pursuant to the terms of a Pledge Agreement executed by the appropriate Credit Party, and (ii) deliver to Agent, for the benefit of the Lenders, the outstanding shares certificates (or other evidence of equity) evidencing such pledged ownership interest.

(c) Perfection or Registration of Interest in Foreign Shares. With respect to any foreign shares pledged to Agent, for the benefit of the Lenders, on or after the Closing Date, Agent shall at all times, in the discretion of Agent or the Required Lenders, have the right to perfect, at Borrower's cost, payable upon request therefor (including, without limitation, any foreign counsel, or foreign notary, filing, registration or similar, fees, costs or expenses), its security interest in such shares in the respective foreign jurisdiction (subject to the proviso in the definition of First-Tier Material Foreign Subsidiary).

Section 5.22. Restrictive Agreements. Except as set forth in this Agreement, Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) make, directly or indirectly, any Capital Distribution to Borrower, (b) make, directly or indirectly, loans or advances or capital contributions to Borrower or (c) transfer, directly or indirectly, any of the properties or assets of such Subsidiary to Borrower; except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) customary non-assignment provisions in leases or other agreements entered in the ordinary course of business and consistent with past practices, or (iii) customary restrictions in security agreements or mortgages securing Indebtedness or capital leases, of a Company to the extent such restrictions shall only restrict the transfer of the property subject to such security agreement, mortgage or lease.

Section 5.23. Guaranty Under Material Indebtedness Agreement. No Company shall be or become a Guarantor of the Indebtedness incurred pursuant to any Material Indebtedness Agreement unless such Company shall also be Borrower or a Guarantor of Payment under this Agreement prior to or concurrently therewith.

Section 5.24. Pari Passu Ranking. The Obligations shall, and Borrower shall take all necessary action to ensure that the Obligations shall, at all times, rank at least pari passu in right of payment with all other senior Indebtedness of Borrower.

Section 5.25. Amendment of Organizational Documents. No Credit Party or First-Tier Material Foreign Subsidiary shall amend its Organizational Documents to change its name or state, province or other jurisdiction of organization, or otherwise amend its Organizational Documents in any manner adverse to the Lenders, without the prior written consent of Agent.

Section 5.26. Further Assurances. Borrower shall, promptly upon request by Agent, or any Lender through Agent, (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as Agent, or any Lender through Agent, may reasonably require from time to time in order to carry out more effectively the purposes of the Loan Documents.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES

Section 6.1. Corporate Existence; Subsidiaries; Foreign Qualification. Each Company is duly organized, validly existing, and in good standing under the laws of its state or jurisdiction of incorporation or organization and is duly qualified and authorized to do business and is in good standing as a foreign entity in the jurisdictions set forth opposite its name on Schedule 6.1 hereto, which are all of the states or jurisdictions where the character of its property or its business activities makes such qualification necessary, except where a failure to qualify will not result in a Material Adverse Effect. Each Foreign Subsidiary is validly existing under the laws of its jurisdiction of organization. Schedule 6.1 hereto sets forth, as of the Closing Date, each Subsidiary of Borrower (and whether such Subsidiary is a Dormant Subsidiary), its state of formation, its relationship to Borrower, including the percentage of each class of stock owned by a Company, each Person that owns the stock or other equity interest of each Company, the location of its chief executive office and its principal place of business. Except as set forth in Schedule 6.1, Borrower owns all of the equity interests of each of its Subsidiaries.

Section 6.2. Corporate Authority. Each Credit Party has the right and power and is duly authorized and empowered to enter into, execute and deliver the Loan Documents to which it is a party and to perform and observe the provisions of the Loan Documents. The Loan Documents to which each Credit Party is a party have been duly authorized and approved by such Credit Party's board of directors or other governing body, as applicable, and are the valid and binding obligations of such Credit Party, enforceable against such Credit Party in accordance with their respective terms. The execution, delivery and performance of the Loan Documents do not conflict with, result in a breach in any of the provisions of, constitute a default under, or result in the creation of a Lien (other than Liens permitted under Section 5.9 hereof) upon any assets or property of any Company under the provisions of, such Company's Organizational Documents or any material agreement.

Section 6.3. Compliance with Laws and Contracts. Each Company:

(a) holds permits, certificates, licenses, orders, registrations, franchises, authorizations, and other approvals from any Governmental Authority reasonably necessary for the conduct of its business and is in compliance in all material respects with all applicable laws relating thereto;

(b) is in compliance in all material respects with all federal, state, local, or foreign applicable statutes, rules, regulations, and orders including, without limitation, those relating to environmental protection, occupational safety and health, and equal employment practices;

(c) is not in violation of or in default under any agreement to which it is a party or by which its assets are subject or bound unless such violation or default could not reasonably be expected to result in a Material Adverse Effect;

(d) has ensured that no Person who owns a controlling interest in or otherwise controls a Company is (i) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, or any other similar lists maintained by OFAC pursuant to any authorizing statute, executive order or regulation, or (ii) a Person designated under Section 1(b), (c) or (d) of

Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar executive orders;

(e) is in material compliance with all applicable Bank Secrecy Act ("BSA") and anti-money laundering laws and regulations; and

(f) is in compliance, in all material respects, with the Patriot Act.

Section 6.4. Litigation and Administrative Proceedings. Except as disclosed on Schedule 6.4 hereto, there are (a) no lawsuits, actions, investigations, or other proceedings pending or threatened against any Company, or in respect of which any Company may have any liability, in any court or before any Governmental Authority, arbitration board, or other tribunal, (b) no orders, writs, injunctions, judgments, or decrees of any court or Governmental Authority to which any Company is a party or by which the property or assets of any Company are bound, and (c) no grievances, disputes, or controversies outstanding with any union or other organization of the employees of any Company, or threats of work stoppage, strike, or pending demands for collective bargaining, in each case other than those that could not reasonably be expected to result in a Material Adverse Effect.

Section 6.5. Title to Assets. Each Company has good title to and ownership of all property it purports to own, which property is free and clear of all Liens, except those permitted under Section 5.9 hereof.

Section 6.6. Liens and Security Interests. On and after the Closing Date, except for Liens permitted pursuant to Section 5.9 hereof, (a) there is and will be no U.C.C. Financing Statement or similar notice of Lien outstanding covering any personal property of any Company; (b) there is and will be no mortgage outstanding covering any real property of any Company; and (c) no real or personal property of any Company is subject to any Lien of any kind. Agent, for the benefit of the Lenders, has a valid and enforceable first consensual Lien on the Collateral. No Company has entered into any contract or agreement (other than a contract or agreement entered into in connection with the purchase or lease of fixed assets that prohibits Liens on such fixed assets) that exists on or after the Closing Date that would prohibit Agent or the Lenders from acquiring a Lien on, or a collateral assignment of, any of the property or assets of any Company.

Section 6.7. Tax Returns. All federal, state, provincial and all material local tax returns and other reports required by law to be filed in respect of the income, business, properties and employees of each Company have been filed and all taxes, assessments, fees and other governmental charges that are due and payable have been paid, except as otherwise permitted herein and with respect to foreign tax returns, except as may be filed beyond the due date without material penalties. The provision for taxes on the books of each Company is adequate for all years not closed by applicable statutes and for the current fiscal year.

Section 6.8. Environmental Laws. Each Company is in material compliance with all Environmental Laws, including, without limitation, all Environmental Laws in all jurisdictions in which any Company owns or operates, or has owned or operated, a facility or site, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other wastes, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise. No material litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best knowledge of each Company, threatened, against any Company, any real property in which any Company holds or has held an interest or any past or present operation of any Company. No material release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or has occurred (other than those that are currently being cleaned up in accordance with Environmental Laws), on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation of any Environmental Law. As used in this Section 6.8, "litigation or proceeding" means any demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any Governmental Authority or private Person, or otherwise.

Section 6.9. Locations. The Companies have places of business or maintain their accounts receivable at the locations set forth on Schedule 6.9 hereto. Each Company's chief executive office is set forth on Schedule 6.9 hereto. Schedule 6.9 further specifies whether each location, as of the Closing Date, that is owned by the Companies.

Section 6.10. Continued Business. Except as described in Borrower's 10-K, 10-Q or other public filings with the Securities and Exchange Commission, there exists no actual, pending, or, to Borrower's knowledge, any threatened termination, cancellation or limitation of, or any modification or change in the business relationship of any Company and any customer or supplier, or any group of customers or suppliers, which termination, cancellation or limitation would have a Material Adverse Effect, and there exists no present condition or state of facts or circumstances that would have a Material Adverse Effect or prevent a Company from conducting such business or the transactions contemplated by this Agreement in substantially the same manner in which it was previously conducted.

Section 6.11. Employee Benefits Plans. Schedule 6.11 hereto identifies each ERISA Plan as of the Closing Date. No ERISA Event has occurred or is reasonably expected to occur with respect to an ERISA Plan. No Controlled Group member has failed to make a required material installment or other required material payment under Section 412(a) of the Code on or before the due date or within a reasonable time after such due date. No Controlled Group member has failed to make contributions to an ERISA Plan that is a Multiemployer Plan in accordance with the applicable governing documents which is reasonably likely to result in a material liability to the Controlled Group member. No Benefit Plan (other than a Multiemployer Plan) has any accumulated funding deficiency (as defined in Section 412(a) of the Code). None of the Companies have adopted or plans to adopt any amendments that could reasonably result in a material increase in the cost of providing benefits under the ERISA Plan. With respect to each ERISA Plan (other than a Multiemployer Plan) that is intended to be qualified under Code Section 401(a), (a) the ERISA Plan and any associated trust operationally comply (or as soon as reasonably practicable are corrected to comply) with the applicable requirements of Code Section 401(a); (b) the ERISA Plan and any associated trust have been amended to comply with all such requirements as currently in effect, other than those requirements for which a retroactive amendment can be made within the "remedial amendment period" available under Code Section 401(b) (as extended under Treasury Regulations and other Treasury pronouncements upon which taxpayers may rely); (c) the ERISA Plan and any associated trust have received a favorable determination letter from the Internal Revenue Service stating that the ERISA Plan qualifies under Code Section 401(a), that the associated trust qualifies under Code Section 501(a) and, if applicable, that any cash or deferred arrangement under the ERISA Plan qualifies under Code Section 401(k), unless the ERISA Plan was first adopted at a time for which the above-described "remedial amendment period" has not yet expired; (d) the ERISA Plan currently satisfies the requirements of Code Section 410(b), subject to any retroactive amendment that may be made within the above-described "remedial amendment period"; and (e) no contribution made to the ERISA Plan is subject to an excise tax under Code Section 4972. With respect to any Pension Plan, the "accumulated benefit obligation" of Controlled Group members with respect to the Pension Plan (as determined in accordance with Statement of Accounting Standards No. 87, "Employees Accounting for Pensions") does not exceed the fair market value of Pension Plan assets by an amount that would have a Material Adverse Effect. Each Foreign Employee Benefit Plan is in compliance in all material respects with all laws, regulations and rules applicable thereto and the respective requirements of the governing documents for Foreign Employee Benefit Plan. With respect to any Foreign Employee Benefit Plan, reasonable reserves have been established in accordance with local laws or prudent business practice or where required by ordinary accounting practices in the jurisdiction in which Foreign Employee Benefit Plan is maintained.

Section 6.12. Consents or Approvals. No consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person is required to be obtained or completed by any Company in connection with the execution, delivery or performance of any of the Loan Documents, that has not already been obtained or completed.

Section 6.13. Solvency. Borrower has received consideration that is the reasonable equivalent value of the obligations and liabilities that Borrower has incurred to Agent and the Lenders. Borrower is not insolvent as defined in any applicable state, federal or relevant foreign statute, nor will Borrower be rendered insolvent by the execution and delivery of the Loan Documents to Agent and the Lenders. Borrower is not engaged or about to engage in any business or transaction for which the assets retained by it are or will be an unreasonably small amount of capital, taking into consideration the obligations to Agent and the Lenders incurred hereunder. Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature.

Section 6.14. Financial Statements. The Consolidated financial statements of Borrower for the fiscal year ended December 31, 2005, furnished to Agent and the Lenders, have been prepared in accordance with GAAP, and

fairly present the financial condition of the Companies as of the dates of such financial statements and the results of their operations for the periods then ending. The unaudited Consolidated financial statements of Borrower for the fiscal quarter ended June 30, 2006, furnished to Agent and the Lenders, are materially true and complete to the best knowledge of the Companies, have been prepared in accordance with GAAP, except for the absence of footnotes and subject to year-end adjustments consistent with past practice, and fairly present the financial condition of the Companies as of the dates of such financial statements and the results of their operations for the periods then ending. Since the dates of such statements, there has been no material adverse change in any Company's financial condition, properties or business or any change in any Company's accounting procedures.

Section 6.15. Regulations. No Company is engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States of America). Neither the granting of any Loan (or any conversion thereof) or Letter of Credit nor the use of the proceeds of any Loan or Letter of Credit will violate, or be inconsistent with, the provisions of Regulation T, U or X or any other Regulation of such Board of Governors.

Section 6.16. Material Agreements. Except as disclosed on Schedule 6.16 hereto, as of the Closing Date no Company is a party to any (a) debt instrument (excluding the Loan Documents); (b) lease (capital, operating or otherwise), whether as lessee or lessor thereunder; (c) contract, commitment, agreement, or other arrangement involving the purchase or sale of any inventory by it, or the license of any right to or by it; (d) contract, commitment, agreement, or other arrangement with any of its "Affiliates" (as such term is defined in the Securities Exchange Act of 1934, as amended) other than a Company; (e) management or employment contract or contract for personal services with any of its Affiliates that is not otherwise terminable at will or on less than ninety (90) days' notice without liability; (f) collective bargaining agreement; or (g) other contract, agreement, understanding, or arrangement with a third party that, as to subsections (a) through (g), requires the future payment of an amount in excess of Thirty Million Dollars ($30,000,000) during any twelve-month period.

Section 6.17. Intellectual Property. Each Company owns or has the right to use all of the material patents, patent applications, industrial designs, designs, trademarks, service marks, copyrights and licenses, and rights with respect to the foregoing necessary for the conduct of its business without any known conflict with the rights of others.

Section 6.18. Insurance. Each Company maintains with financially sound and reputable insurers insurance with coverage and limits as required by law and as is customary with Persons engaged in the same businesses as the Companies. Schedule 6.18 hereto sets forth all insurance carried by the Companies on the Closing Date, setting forth in detail the amount and type of such insurance.

Section 6.19. Accurate and Complete Statements. Neither the Loan Documents nor any written statement made by any Company in connection with any of the Loan Documents contains, to the best knowledge of such Company, any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein or in the Loan Documents not misleading. After due inquiry by Borrower, there is no known fact that any Company has not disclosed to Agent and the Lenders that has or is more than likely to have a Material Adverse Effect.

Section 6.20. Defaults. No Default or Event of Default exists hereunder, nor will any begin to exist immediately after the execution and delivery hereof.

ARTICLE VII. EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default hereunder:

Section 7.1. Payments. If (a) the interest on any Loan or any commitment or other fee, or any other Obligation not listed in subpart (b) hereof, shall not be paid in full when due and payable or within five Business Days thereafter, or (b) the principal of any Loan or any obligation under any Letter of Credit shall not be paid in full when due and payable.

Section 7.2. Special Covenants. If any Company shall fail or omit to perform and observe Section 5.7, 5.8, 5.9, 5.11, 5.12, 5.13 or 5.15 hereof.

Section 7.3. Other Covenants. If any Company shall fail or omit to perform and observe any agreement or other provision (other than those referred to in Section 7.1 or 7.2 hereof) contained or referred to in this Agreement or any Loan Document that is on such Company's part to be complied with, and that Default shall not have been fully corrected within thirty (30) days after the earlier of (a) any Financial Officer of such Company becomes aware of the occurrence thereof, or (b) the giving of written notice thereof to Borrower by Agent or the Required Lenders that the specified Default is to be remedied.

Section 7.4. Representations and Warranties. If any representation, warranty or statement made in or pursuant to this Agreement or any Related Writing or any other material information furnished by any Company to Agent or the Lenders or any thereof or any other holder of any Note, shall be false or erroneous in any material respect.

Section 7.5. Cross Default. If any Company shall default in the payment of principal or interest due and owing under any Material Indebtedness Agreement (other than the Newgen Lease prior to the Newgen Opt-In Date) beyond any period of grace provided with respect thereto or in the performance or observance of any other provision, term or condition contained in any Material Indebtedness Agreement under which such obligation is created, if the effect of such default is to allow the acceleration of the maturity of such Indebtedness or to permit the holder thereof to cause such Indebtedness to become due prior to its stated maturity.

Section 7.6. ERISA Default. The occurrence of one or more ERISA Events that (a) the Required Lenders determine could have a Material Adverse Effect, or (b) results in a Lien on any of the assets of any Company.

Section 7.7. Change in Control. If any Change in Control shall occur.

Section 7.8. Money Judgment. A final judgment or order for the payment of money shall be rendered against any Company (other than any of the Newgen Companies prior to the Newgen Opt-In Date) by a court of competent jurisdiction, that remains unpaid or unstayed and undischarged for a period (during which execution shall not be effectively stayed) of sixty (60) days after the date on which the right to appeal has expired; provided that such occurrence shall constitute an Event of Default only if the aggregate of all such judgments for all such Companies shall exceed Ten Million Dollars ($10,000,000).

Section 7.9. Material Adverse Change. There shall have occurred any condition or event that Agent or the Required Lenders determine has or is more likely than not to have a Material Adverse Effect.

Section 7.10. Security. If any Lien granted in this Agreement or any other Loan Document in favor of Agent, on behalf of the Lenders, shall be determined to be (a) void, voidable or invalid, or is subordinated or not otherwise given the priority contemplated by this Agreement and the Credit Parties have failed to promptly execute appropriate documents to correct such matters, or (b) unperfected as to any material amount of Collateral (as determined by Agent, in its reasonable discretion).

Section 7.11. Validity of Loan Documents. (a) Any material provision, in the reasonable opinion of Agent, of any Loan Document shall at any time for any reason cease to be valid, binding and enforceable against any Credit Party; (b) the validity, binding effect or enforceability of any Loan Document against any Credit Party shall be contested by any Credit Party; (c) any Credit Party shall deny that it has any or further liability or obligation under any Loan Document; or (d) any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to Agent and the Lenders the benefits purported to be created thereby. In addition to any other material Loan Documents, this Agreement, each Note and each Guaranty of Payment shall be deemed to be "material".

Section 7.12. Solvency. If any Company (other than any of the Newgen Companies prior to the Newgen Opt-In Date, or a Dormant Subsidiary) shall (a) except as permitted pursuant to Section 5.12 hereof, discontinue business, (b) generally not pay its debts as such debts become due, (c) make a general assignment for the benefit of

creditors, (d) apply for or consent to the appointment of a receiver, a custodian, a trustee, an interim trustee or liquidator of all or a substantial part of its assets, (e) be adjudicated a debtor or insolvent or have entered against it an order for relief under Title 11 of the United States Code, or under any other bankruptcy insolvency, liquidation, winding-up, corporate or similar statute or law, foreign, federal state or provincial, in any applicable jurisdiction, now or hereafter existing, as any of the foregoing may be amended from time to time, or other applicable statute for jurisdictions outside of the United States, as the case may be, (f) file a voluntary petition in bankruptcy, or have an involuntary proceeding filed against it and the same shall continue undismissed for a period of sixty (60) days from commencement of such proceeding or case, or file a petition or an answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal or state, or, if applicable, other jurisdiction) relating to relief of debtors, or admit (by answer, by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal or state, or, if applicable, other jurisdiction) relating to relief of debtors, (g) suffer or permit to continue unstayed and in effect for sixty (60) consecutive days any judgment, decree or order entered by a court of competent jurisdiction, that approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator of all or a substantial part of its assets, or (h) have an administrative receiver appointed over the whole or substantially the whole of its assets.

ARTICLE VIII. REMEDIES UPON DEFAULT

Notwithstanding any contrary provision or inference herein or elsewhere:

Section 8.1. Optional Defaults. If any Event of Default referred to in Section 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10 or 7.11 hereof shall occur, Agent may, with the consent of the Required Lenders, and shall, at the written request of the Required Lenders, give written notice to Borrower to:

(a) terminate the Commitment, if not previously terminated, and, immediately upon such election, the obligations of the Lenders, and each thereof, to make any further Loan and the obligation of the Fronting Lender to issue any Letter of Credit immediately shall be terminated; and/or

(b) accelerate the maturity of all of the Obligations (if the Obligations are not already due and payable), whereupon all of the Obligations shall become and thereafter be immediately due and payable in full without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

Section 8.2. Automatic Defaults. If any Event of Default referred to in Section 7.12 hereof shall occur:

(a) all of the Commitment shall automatically and immediately terminate, if not previously terminated, and no Lender thereafter shall be under any obligation to grant any further Loan, nor shall the Fronting Lender be obligated to issue any Letter of Credit; and

(b) the principal of and interest then outstanding on all of the Loans, and all of the other Obligations, shall thereupon become and thereafter be immediately due and payable in full (if the Obligations are not already due and payable), all without any presentment, demand or notice of any kind, which are hereby waived by Borrower.

Section 8.3. Letters of Credit. If the maturity of the Obligations shall be accelerated pursuant to Section 8.1 or 8.2 hereof, Borrower shall immediately deposit with Agent, as security for the obligations of Borrower and any Guarantor of Payment to reimburse Agent and the Lenders for any then outstanding Letters of Credit, cash equal to the sum of the aggregate undrawn balance of any then outstanding Letters of Credit. Agent and the Lenders are hereby authorized, at their option, to deduct any and all such amounts from any deposit balances then owing by any Lender (or any affiliate of such Lender) to or for the credit or account of any Company, as security for the obligations of Borrower and any Guarantor of Payment to reimburse Agent and the Lenders for any then outstanding Letters of Credit.

Section 8.4. Offsets. If there shall occur or exist any Event of Default referred to in Section 7.12 hereof or if the maturity of the Obligations is accelerated pursuant to Section 8.1 or 8.2 hereof, each Lender shall have the

right at any time to set off against, and to appropriate and apply toward the payment of, any and all of the Obligations then owing by Borrower or a Guarantor of Payment to such Lender (including, without limitation, any participation purchased or to be purchased pursuant to Sections 2.2(b), 2.2(c) or 8.5 hereof), whether or not the same shall then have matured, any and all deposit (general or special) balances and all other indebtedness then held or owing by such Lender (including, without limitation, by branches and agencies or any affiliate of such Lender, wherever located) to or for the credit or account of Borrower or any Guarantor of Payment, all without notice to or demand upon Borrower or any other Person, all such notices and demands being hereby expressly waived by Borrower.

Section 8.5. Equalization Provision. Each Lender agrees with the other Lenders that if it, at any time, shall obtain any Advantage over the other Lenders or any thereof in respect of the Obligations (except as to Swing Loans and Letters of Credit prior to Agent's giving of notice to participate and except under Article III hereof), it shall purchase from the other Lenders, for cash and at par, such additional participation in the Obligations as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Lender receiving the Advantage, each such purchase shall be rescinded, and the purchase price restored (but without interest unless the Lender receiving the Advantage is required to pay interest on the Advantage to the Person recovering the Advantage from such Lender) ratably to the extent of the recovery. Each Lender further agrees with the other Lenders that if it at any time shall receive any payment for or on behalf of Borrower on any Indebtedness owing by Borrower pursuant to this Agreement (whether by voluntary payment, by realization upon security, by reason of offset of any deposit or other indebtedness, by counterclaim or cross-action, by the enforcement of any right under any Loan Document, or otherwise), it will apply such payment first to any and all Obligations owing by Borrower to that Lender (including, without limitation, any participation purchased or to be purchased pursuant to this Section 8.5 or any other Section of this Agreement). Borrower agrees that any Lender so purchasing a participation from the other Lenders or any thereof pursuant to this Section 8.5 may exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender was a direct creditor of Borrower in the amount of such participation.

Section 8.6. Other Remedies. The remedies in this Article VIII are in addition to, not in limitation of, any other right, power, privilege, or remedy, either in law, in equity, or otherwise, to which the Lenders may be entitled. Agent shall exercise the rights under this Article VIII and all other collection efforts on behalf of the Lenders and no Lender shall act independently with respect thereto, except as otherwise specifically set forth in this Agreement.

ARTICLE IX. THE AGENT

The Lenders authorize KeyBank National Association and KeyBank National Association hereby agrees to act as agent for the Lenders in respect of this Agreement upon the terms and conditions set forth elsewhere in this Agreement, and upon the following terms and conditions:

Section 9.1. Appointment and Authorization. Each Lender hereby irrevocably appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers hereunder as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Neither Agent nor any of its affiliates, directors, officers, attorneys or employees shall (a) be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct (as determined by a court of competent jurisdiction), or be responsible in any manner to any of the Lenders for the effectiveness, enforceability, genuineness, validity or due execution of this Agreement or any other Loan Documents, (b) be under any obligation to any Lender to ascertain or to inquire as to the performance or observance or any of the terms, covenants or conditions hereof or thereof on the part of Borrower or any other Company, or the financial condition of Borrower or any other Company, or (c) be liable to any of the Companies for consequential damages resulting from any breach of contract, tort or other wrong in connection with the negotiation, documentation, administration or collection of the Loans or Letters of Credit or any of the Loan Documents. Notwithstanding any provision to the contrary contained in this Agreement or in any other Loan Document, Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent"

herein and in other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 9.2. Note Holders. Agent may treat the payee of any Note as the holder thereof (or, if there is no Note, the holder of the interest as reflected on the books and records of Agent) until written notice of transfer shall have been filed with Agent, signed by such payee and in form satisfactory to Agent.

Section 9.3. Consultation With Counsel. Agent may consult with legal counsel selected by Agent and shall not be liable for any action taken or suffered in good faith by Agent in accordance with the opinion of such counsel.

Section 9.4. Documents. Agent shall not be under any duty to examine into or pass upon the validity, effectiveness, genuineness or value of any Loan Document or any other Related Writing furnished pursuant hereto or in connection herewith or the value of any collateral obtained hereunder, and Agent shall be entitled to assume that the same are valid, effective and genuine and what they purport to be.

Section 9.5. Agent and Affiliates. KeyBank National Association ("KeyBank") and its affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, financial advisory, underwriting or other business with the Companies and Affiliates as though KeyBank were not Agent hereunder and without notice to or consent of any Lender. Each Lender acknowledges that, pursuant to such activities, KeyBank or its affiliates may receive information regarding any Company or any Affiliate (including information that may be subject to confidentiality obligations in favor of such Company or such Affiliate) and acknowledge that Agent shall be under no obligation to provide such information to other Lenders. With respect to Loans and Letters of Credit (if any), KeyBank and its affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though KeyBank were not Agent, and the terms "Lender" and "Lenders" include KeyBank and its affiliates, to the extent applicable, in their individual capacities.

Section 9.6. Knowledge of Default. It is expressly understood and agreed that Agent shall be entitled to assume that no Default or Event of Default has occurred, unless Agent has been notified by a Lender in writing that such Lender believes that a Default or Event of Default has occurred and is continuing and specifying the nature thereof or has been notified by Borrower pursuant to Section 5.14 hereof.

Section 9.7. Action by Agent. Subject to the other terms and conditions hereof, so long as Agent shall be entitled, pursuant to Section 9.6 hereof, to assume that no Default or Event of Default shall have occurred and be continuing, Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights that may be vested in it by, or with respect to taking or refraining from taking any action or actions that it may be able to take under or in respect of, this Agreement. Agent shall incur no liability under or in respect of this Agreement by acting upon any notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything that it may do or refrain from doing in the reasonable exercise of its judgment, or that may seem to it to be necessary or desirable in the premises. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent's acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

Section 9.8. Release of Collateral or Guarantor of Payment. In the event of a transfer of assets permitted by Section 5.12 hereof (or otherwise permitted pursuant to this Agreement) where the proceeds of such transfer are applied in accordance with the terms of this Agreement to the extent required to be so applied, Agent, at the request and expense of Borrower, is hereby authorized by the Lenders to (a) release such Collateral from this Agreement, (b) release a Guarantor of Payment in connection with such permitted transfer, and (c) duly assign, transfer and deliver to the affected Company (without recourse and without any representation or warranty) such Collateral as is then (or has been) so transferred or released and as may be in possession of Agent and has not theretofore been released pursuant to this Agreement.

Section 9.9. Notice of Default. In the event that Agent shall (a) have been notified by a Lender in writing that such Lender believes that a Default or Event of Default has occurred and is continuing or (b) have actual knowledge of a Default or Event of Default due to the default in the payment of principal, interest and fees required to be paid to Agent for the account of the Lenders, Agent shall promptly notify the Lenders and shall take such action and assert such rights under this Agreement as the Required Lenders shall direct and Agent shall inform the other Lenders in writing of the action taken. Agent may take such action and assert such rights as it deems to be advisable, in its discretion, for the protection of the interests of the holders of the Obligations.

Section 9.10. Delegation of Duties. Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct, as determined by a court of competent jurisdiction.

Section 9.11. Indemnification of Agent. The Lenders agree to indemnify Agent (to the extent not reimbursed by Borrower) ratably, according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent in its capacity as agent in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by Agent with respect to this Agreement or any Loan Document, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements resulting from Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction, or from any action taken or omitted by Agent in any capacity other than as agent under this Agreement or any other Loan Document. No action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 9.11. The undertaking in this Section 9.11 shall survive repayment of the Loans, cancellation of the Notes, if any, expiration or termination of the Letters of Credit, termination of the Commitment, any foreclosure under, or modification, release or discharge of, any or all of the Loan Documents, termination of this Agreement and the resignation or replacement of the agent.

Section 9.12. Successor Agent. Agent may resign as agent hereunder by giving not fewer than thirty (30) days prior written notice to Borrower and the Lenders. If Agent shall resign under this Agreement, then either (a) the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders (with the consent of Borrower so long as an Event of Default has not occurred and which consent shall not be unreasonably withheld), or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following Agent's notice to the Lenders of its resignation, then Agent shall appoint a successor agent that shall serve as agent until such time as the Required Lenders appoint a successor agent. Upon its appointment, such successor agent shall succeed to the rights, powers and duties as agent, and the term "Agent" shall mean such successor effective upon its appointment, and the former agent's rights, powers and duties as agent shall be terminated without any other or further act or deed on the part of such former agent or any of the parties to this Agreement.

Section 9.13. Fronting Lender. The Fronting Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by the Fronting Lender and the documents associated therewith. The Fronting Lender shall have all of the benefits and immunities (a) provided to Agent in Article IX hereof with respect to any acts taken or omissions suffered by the Fronting Lender in connection with the Letters of Credit and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Agent", as used in Article IX hereof, included the Fronting Lender with respect to such acts or omissions, and (b) as additionally provided in this Agreement with respect to the Fronting Lender.

Section 9.14. Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, (a) Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Agent shall have made any demand on Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise, to (i) file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to

have the claims of the Lenders and Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and Agent and their respective agents and counsel and all other amounts due the Lenders and Agent) allowed in such judicial proceedings, and (ii) collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and (b) any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Agent and, in the event that Agent shall consent to the making of such payments directly to the Lenders, to pay to Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Agent and its agents and counsel, and any other amounts due Agent. Nothing contained herein shall be deemed to authorize Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE X. MISCELLANEOUS

Section 10.1. Lenders' Independent Investigation. Each Lender, by its signature to this Agreement, acknowledges and agrees that Agent has made no representation or warranty, express or implied, with respect to the creditworthiness, financial condition, or any other condition of any Company or with respect to the statements contained in any information memorandum furnished in connection herewith or in any other oral or written communication between Agent and such Lender. Each Lender represents that it has made and shall continue to make its own independent investigation of the creditworthiness, financial condition and affairs of the Companies in connection with the extension of credit hereunder, and agrees that Agent has no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than such notices as may be expressly required to be given by Agent to the Lenders hereunder), whether coming into its possession before the first Credit Event hereunder or at any time or times thereafter. Each Lender further represents that it has reviewed each of the Loan Documents.

Section 10.2. No Waiver; Cumulative Remedies. No omission or course of dealing on the part of Agent, any Lender or the holder of any Note or, if there is no Note, the holder of the interest as reflected on the books and records of Agent) in exercising any right, power or remedy hereunder or under any of the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or under any of the Loan Documents. The remedies herein provided are cumulative and in addition to any other rights, powers or privileges held by operation of law, by contract or otherwise.

Section 10.3. Amendments, Consents. No amendment, modification, termination, or waiver of any provision of any Loan Document nor consent to any variance therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Anything herein to the contrary notwithstanding, unanimous consent of the Lenders shall be required with respect to (a) any increase in the Commitment hereunder (except as specified in Section 2.9(b) hereof), (b) the extension of the maturity of the Loans, the payment date of interest or any scheduled principal payment, the date of payment of commitment fees payable hereunder, (c) any reduction in the rate of interest on the Loans (provided that the institution of the Default Rate and a subsequent removal of the Default Rate shall not constitute a decrease in interest rate of this Section), or in any amount of interest or scheduled principal due on any Loan, or the payment of commitment fees hereunder, (d) any change in the manner of pro rata application of any payments made by Borrower to the Lenders hereunder, (e) any change in any percentage voting requirement, voting rights, or the Required Lenders definition in this Agreement, (f) the release of any Guarantor of Payment or material amount of Collateral securing the Obligations, except as contemplated in Section 9.8 hereof and as otherwise permitted under this Agreement (including without limitation, releases which occur automatically and without any additional consent by Agent or any Lender), or (g) any amendment to this Section 10.3 or Section 8.5 hereof. Notice of amendments or consents ratified by the Lenders hereunder shall be forwarded by Agent to all of the Lenders. Each Lender or other holder of a Note (or interest in any Loan) shall be bound by any amendment, waiver or consent obtained as authorized by this Section, regardless of its failure to agree thereto.

Section 10.4. Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing and, if to Borrower, mailed or delivered to it, addressed to it at the address specified on the

signature pages of this Agreement, if to a Lender, mailed or delivered to it, addressed to the address of such Lender specified on the signature pages of this Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to each of the other parties. All notices, statements, requests, demands and other communications provided for hereunder shall be given by overnight delivery or first class mail with postage prepaid by registered or certified mail, addressed as aforesaid, or sent by facsimile with telephonic confirmation of receipt, except that all notices hereunder shall not be effective until received.

Section 10.5. Costs, Expenses and Taxes. Borrower agrees to pay on demand all reasonable costs and expenses of Agent and all Related Expenses, including, but not limited to, (a) syndication, administration, travel and out-of-pocket expenses, including but not limited to reasonable attorneys' fees and expenses, of Agent in connection with the preparation, negotiation and closing of the Loan Documents and the administration of the Loan Documents, the collection and disbursement of all funds hereunder and the other instruments and documents to be delivered hereunder, (b) extraordinary expenses of Agent in connection with the administration of the Loan Documents and the other instruments and documents to be delivered hereunder, and (c) the reasonable fees and out-of-pocket expenses of special counsel for Agent, with respect to the foregoing, and of local counsel, if any, who may be retained by said special counsel with respect thereto. Borrower also agrees to pay on demand all reasonable costs and expenses of Agent and the Lenders, including reasonable attorneys' fees and expenses, in connection with the restructuring or enforcement of the Obligations, this Agreement or any Related Writing. In addition, Borrower shall pay any and all stamp, transfer, documentary and other taxes, assessments, charges and fees payable or determined to be payable in connection with the execution and delivery of the Loan Documents, and the other instruments and documents to be delivered hereunder, and agrees to hold Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or failure to pay such taxes or fees.

Section 10.6. Indemnification. Borrower agrees to defend, indemnify and hold harmless Agent and the Lenders (and their respective affiliates, officers, directors, attorneys, agents and employees) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent or any Lender in connection with any investigative, administrative or judicial proceeding (whether or not such Lender or Agent shall be designated a party thereto) or any other claim by any Person relating to or arising out of any Loan Document or any actual or proposed use of proceeds of the Loans or any of the Obligations, or any activities of any Company or its Affiliates; provided that no Lender nor Agent shall have the right to be indemnified under this Section 10.6 for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. All obligations provided for in this Section 10.6 shall survive any termination of this Agreement.

Section 10.7. Obligations Several; No Fiduciary Obligations. The obligations of the Lenders hereunder are several and not joint. Nothing contained in this Agreement and no action taken by Agent or the Lenders pursuant hereto shall be deemed to constitute Agent or the Lenders a partnership, association, joint venture or other entity. No default by any Lender hereunder shall excuse the other Lenders from any obligation under this Agreement; but no Lender shall have or acquire any additional obligation of any kind by reason of such default. The relationship between Borrower and the Lenders with respect to the Loan Documents and the Related Writings is and shall be solely that of debtor and creditors, respectively, and neither Agent nor any Lender shall have any fiduciary obligation toward any Credit Party with respect to any such documents or the transactions contemplated thereby.

Section 10.8. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts and by facsimile signature, each of which counterparts when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 10.9. Binding Effect; Borrower's Assignment. This Agreement shall become effective when it shall have been executed by Borrower, Agent and each Lender and thereafter shall be binding upon and inure to the benefit of Borrower, Agent and each of the Lenders and their respective successors and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Agent and all of the Lenders.

Section 10.10. Lender Assignments.

(a) Assignments of Commitments. Each Lender shall have the right at any time or times to assign to an Eligible Transferee (other than to a Lender that shall not be in compliance with this Agreement), without recourse, all or a percentage of all of the following: (i) such Lender's Commitment, (ii) all Loans made by that Lender, (iii) such Lender's Notes, if any, and (iv) such Lender's interest in any Letter of Credit or Swing Loan, and any participation purchased pursuant to Section 2.2(b), 2.2(c) or 8.5 hereof. If a Lender (that is also a Fronting Lender) shall, through an assignment made pursuant to this Section 10.10, cease to be a Lender under this Agreement, the Letters of Credit issued by such Lender shall be terminated and replaced by a Letter of Credit issued by another Fronting Lender on or prior to the date of such assignment (or be otherwise dealt with in a manner acceptable to Agent, Borrower and the Fronting Lender that is assigning its interest as a Lender).

(b) Prior Consent. No assignment may be consummated pursuant to this Section 10.10 without the prior written consent of Borrower and Agent (other than an assignment by any Lender to any affiliate of such Lender which affiliate is an Eligible Transferee and either wholly-owned by a Lender or is wholly-owned by a Person that wholly owns, either directly or indirectly, such Lender, or to another Lender), which consent of Borrower and Agent shall not be unreasonably withheld; provided, however, that Borrower's consent shall not be required if, at the time of the proposed assignment, any Default or Event of Default shall then exist. Anything herein to the contrary notwithstanding, any Lender may at any time make a collateral assignment of all or any portion of its rights under the Loan Documents to a Federal Reserve Bank, and no such assignment shall release such assigning Lender from its obligations hereunder.

(c) Minimum Amount. Each such assignment shall be in a minimum amount of the lesser of Five Million Dollars ($5,000,000) of the assignor's Commitment and interest herein or the entire amount of the assignor's Commitment and interest herein.

(d) Assignment Fee. Unless the assignment shall be to an affiliate of the assignor or the assignment shall be due to merger of the assignor or for regulatory purposes, either the assignor or the assignee shall remit to Agent, for its own account, an administrative fee of Three Thousand Five Hundred Dollars ($3,500).

(e) Assignment Agreement. Unless the assignment shall be due to merger of the assignor or a collateral assignment for regulatory purposes, the assignor shall (i) cause the assignee to execute and deliver to Borrower and Agent an Assignment Agreement, and (ii) execute and deliver, or cause the assignee to execute and deliver, as the case may be, to Agent such additional amendments, assurances and other writings as Agent may reasonably require.

(f) Non-U.S. Assignee. If the assignment is to be made to an assignee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the assignor Lender shall cause such assignee, at least five Business Days prior to the effective date of such assignment, (i) to represent to the assignor Lender (for the benefit of the assignor Lender, Agent and Borrower) that under applicable law and treaties no taxes will be required to be withheld by Agent, Borrower or the assignor with respect to any payments to be made to such assignee in respect of the Loans hereunder, (ii) to furnish to the assignor Lender (and, in the case of any assignee registered in the Register (as defined below), Agent and Borrower) either U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN, as applicable (wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder), and (iii) to agree (for the benefit of the assignor, Agent and Borrower) to provide to the assignor Lender (and, in the case of any assignee registered in the Register, to Agent and Borrower) a new Form W-8ECI or Form W-8BEN, as applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(g) Deliveries by Borrower. Upon satisfaction of all applicable requirements specified in subsections (a) through (f) above, Borrower shall execute and deliver (i) to Agent, the assignor and the assignee, any consent or release (of all or a portion of the obligations of the assignor) required to be delivered by Borrower in connection with the Assignment Agreement, and (ii) to the assignee, if requested, and the assignor, if applicable, an appropriate Note or Notes. After delivery of the new Note or Notes, the assignor's Note or Notes, if any, being replaced shall be returned to Borrower marked "replaced".

(h) Effect of Assignment. Upon satisfaction of all applicable requirements set forth in subsections (a) through (g) above, and any other condition contained in this Section 10.10, (i) the assignee shall become and thereafter be deemed to be a "Lender" for the purposes of this Agreement, (ii) the assignor shall be released from its obligations hereunder to the extent that its interest has been assigned, (iii) in the event that the assignor's entire interest has been assigned, the assignor shall cease to be and thereafter shall no longer be deemed to be a "Lender" and (iv) the signature pages hereto and Schedule 1 hereto shall be automatically amended, without further action, to reflect the result of any such assignment.

(i) Agent to Maintain Register. Agent shall maintain at the address for notices referred to in Section 10.4 hereof a copy of each Assignment Agreement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

Section 10.11. Sale of Participations. Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell participations to one or more Eligible Transferees (each a "Participant") in all or a portion of its rights or obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of the Commitment and the Loans and participations owing to it and the Note, if any, held by it); provided that:

(a) any such Lender's obligations under this Agreement and the other Loan Documents shall remain unchanged;

(b) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(c) the parties hereto shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and each of the other Loan Documents;

(d) such Participant shall be bound by the provisions of Section 8.5 hereof, and the Lender selling such participation shall obtain from such Participant a written confirmation of its agreement to be so bound; and

(e) no Participant (unless such Participant is itself a Lender) shall be entitled to require such Lender to take or refrain from taking action under this Agreement or under any other Loan Document, except that such Lender may agree with such Participant that such Lender will not, without such Participant's consent, take action of the type described as follows:

(i) increase the portion of the participation amount of any Participant over the amount thereof then in effect, or extend the Commitment Period, without the written consent of each Participant affected thereby; or

(ii) reduce the principal amount of or extend the time for any payment of principal of any Loan, or reduce the rate of interest or extend the time for payment of interest on any Loan, or reduce the commitment fee, without the written consent of each Participant affected thereby.

Borrower agrees that any Lender that sells participations pursuant to this Section shall still be entitled to the benefits of Article III hereof, notwithstanding any such transfer; provided, however, that the obligations of Borrower shall not increase as a result of such transfer and Borrower shall have no obligation to any Participant.

Section 10.12. Patriot Act Notice. Each Lender and Agent (for itself and not on behalf of any other party) hereby notifies the Credit Parties that, pursuant to the requirements of the Patriot Act, such Lender and Agent are required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender or Agent, as applicable, to identify the Credit Parties in accordance with the Patriot Act. Borrower shall provide, to the extent commercially

reasonable, such information and take such actions as are reasonably requested by Agent or a Lender in order to assist Agent or such Lender in maintaining compliance with the Patriot Act.

Section 10.13. Severability of Provisions; Captions; Attachments. Any provision of this Agreement that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. The several captions to sections and subsections herein are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. Each schedule or exhibit attached to this Agreement shall be incorporated herein and shall be deemed to be a part hereof.

Section 10.14. Investment Purpose. Each of the Lenders represents and warrants to Borrower that it is entering into this Agreement with the present intention of acquiring any Note issued pursuant hereto (or, if there is no Note, the interest as reflected on the books and records of Agent) for investment purposes only and not for the purpose of distribution or resale, it being understood, however, that each Lender shall at all times retain full control over the disposition of its assets.

Section 10.15. Entire Agreement. This Agreement, any Note and any other Loan Document or other agreement, document or instrument attached hereto or executed on or as of the Closing Date integrate all of the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof.

Section 10.16. Legal Representation of Parties. The Loan Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement or any other Loan Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

Section 10.17. Governing Law; Submission to Jurisdiction. This Agreement, each of the Notes and any Related Writing shall be governed by and construed in accordance with the laws of the State of Ohio and the respective rights and obligations of Borrower, Agent, and the Lenders shall be governed by Ohio law, without regard to principles of conflict of laws. Borrower hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Agreement, the Obligations or any Related Writing, and Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Borrower, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Borrower agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

[Remainder of page left intentionally blank]

Section 10.18. Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the parties have executed and delivered this Amended and Restated Credit Agreement as of the date first set forth above.

Address: 9197 South Peoria Street
Englewood, Colorado 80112-5833
Attn: Vice President — Treasurer

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

Address: 127 Public Square
Cleveland, Ohio 44114-1306
Attn: Institutional Banking

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Lender

By: _____
Jeff Kalinowski
Senior Vice President

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

Address: 1125 17th Street, 3rd Floor
Denver, Colorado 80202
Attn: _____

JPMORGAN CHASE BANK, N.A.

By: _____
Name: _____
Title: _____

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

Address: 231 South LaSalle Street
Chicago, Illinois 60697
Attn: _____

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

Address: 191 Peachtree Street NE
Atlanta, Georgia 30303
Attn: _____

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

Address: 50 South LaSalle Street, B-2
Chicago, Illinois 60675
Attn: _____

THE NORTHERN TRUST COMPANY

By: _____
Name: _____
Title: _____

SCHEDULE 1

LENDERS	COMMITMENT PERCENTAGE	REVOLVING CREDIT COMMITMENT AMOUNT	MAXIMUM AMOUNT
KeyBank National Association	43.35%	$ 65,000,000	$ 65,000,000
JPMorgan Chase Bank, N.A.	16.66%	$ 25,000,000	$ 25,000,000
Bank of America, N.A.	16.66%	$ 25,000,000	$ 25,000,000
Wachovia Bank, National Association	13.33%	$ 20,000,000	$ 20,000,000
The Northern Trust Company	10%	$ 15,000,000	$ 15,000,000
Total Commitment Amount	100%	$ 150,000,000	$ 150,000,000

SCHEDULE 2

GUARANTORS OF PAYMENT

Newgen Results Corporation
TeleTech Customer Care Management (Colorado), LLC
TeleTech Stockton, LLC
TeleTech Services Corporation
TeleTech Customer Care Management (West Virginia), Inc.
TeleTech Government Solutions, LLC
TeleTech International Holdings, Inc.
TTEC Nevada, Inc.
TeleTech Customer Service, Inc.
Direct Alliance Corporation

SCHEDULE 2.2

EXISTING LETTERS OF CREDIT

Amount USD	Bank	Maturity	L/C No.	Beneficiary
US LOC's				
$ 1,250,000	Key Bank	6/23/2007	S309219	State of Arizona
881,500	BofA	8/1/2007	7410023	Royal Indemnity Company
750,000	BofA	8/1/2007	7403379	Royal Indemnity Company
2,700,000	BofA	9/30/2007	7405878	Liberty Mutual Insurance
1,394,985	BofA	3/31/2007	7412262	Union Bank of California
3,800,000	Key Bank	10/31/2007	S309677	Old Republic Insurance Co.
INT'L LOC's				
(Est. USD Equivalent)				
$236,400 (EUR185,000)	BofA	6/29/2007	68001653	TPI – Client guarantee
$61,300 (EUR 48,000)	BofA	6/29/2007	68001666	TPI – Client guarantee
$76,700 (EUR 60,000)	BofA	6/29/2007	68001657	TPI – Client guarantee
$85,600 (EUR 67,000)	BofA	6/29/2007	68001672	TPI – Client guarantee
$102,200 (EUR 80,000)	BofA	6/29/2007	68001673	TPI – Client guarantee
$76,700 (EUR 60,000)	BofA	6/29/2007	68001671	TPI – Client guarantee
$11,415,385	Total			

SCHEDULE 3

PLEDGED SECURITIES

TeleTech Canada, Inc. (Ontario, Canada)
TeleTech Customer Services Spain S.L.

EXHIBIT A
FORM OF
REVOLVING CREDIT NOTE

$_____ September 28, 2006

FOR VALUE RECEIVED, the undersigned, TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower"), promises to pay, on the last day of the Commitment Period, as defined in the Credit Agreement (as hereinafter defined), to the order of ___("Lender") at the main office of KEYBANK NATIONAL ASSOCIATION, as Agent, as hereinafter defined, 127 Public Square, Cleveland, Ohio 44114-1306, the principal sum of

..... DOLLARS

or the aggregate unpaid principal amount of all Revolving Loans, as defined in the Credit Agreement made by Lender to Borrower pursuant to Section 2.2(a) of the Credit Agreement, whichever is less, in lawful money of the United States of America.

As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of September 28, 2006, among Borrower, the Lenders, as defined therein, and KeyBank National Association, as lead arranger, sole book runner and administrative agent for the Lenders ("Agent"), as the same may from time to time be amended, restated or otherwise modified. Each capitalized term used herein that is defined in the Credit Agreement and not otherwise defined herein shall have the meaning ascribed to it in the Credit Agreement.

Borrower also promises to pay interest on the unpaid principal amount of each Revolving Loan from time to time outstanding, from the date of such Revolving Loan until the payment in full thereof, at the rates per annum that shall be determined in accordance with the provisions of Section 2.3(a) of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.3(a); provided, however, that interest on any principal portion that is not paid when due shall be payable on demand.

The portions of the principal sum hereof from time to time representing Base Rate Loans and Eurodollar Loans, and payments of principal of any thereof, shall be shown on the records of Lender by such method as Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligations of Borrower under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind. This Note shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to conflicts of laws provisions.

JURY TRIAL WAIVER. BORROWER, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT B
FORM OF
SWING LINE NOTE

$ 25,000,000 September 28, 2006

FOR VALUE RECEIVED, the undersigned, TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower"), promises to pay to the order of KEYBANK NATIONAL ASSOCIATION ("Swing Line Lender") at the main office of KEYBANK NATIONAL ASSOCIATION, as Agent, as hereinafter defined, 127 Public Square, Cleveland, Ohio 44114-1306, the principal sum of

TWENTY-FIVE MILLION AND 00/100..... DOLLARS

or the aggregate unpaid principal amount of all Swing Loans, as defined in the Credit Agreement (as hereinafter defined) made by Swing Line Lender to Borrower pursuant to Section 2.2(c) of the Credit Agreement, whichever is less, in lawful money of the United States of America on the earlier of the last day of the applicable Commitment Period, as defined in the Credit Agreement, or, with respect to each Swing Loan, the Swing Loan Maturity Date applicable thereto.

As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of September 28, 2006, among Borrower, the Lenders, as defined therein, KeyBank National Association, as lead arranger, sole book runner and administrative agent for the Lenders ("Agent"), as the same may from time to time be amended, restated or otherwise modified. Each capitalized term used herein that is defined in the Credit Agreement and not otherwise defined herein shall have the meaning ascribed to it in the Credit Agreement.

Borrower also promises to pay interest on the unpaid principal amount of each Swing Loan from time to time outstanding, from the date of such Swing Loan until the payment in full thereof, at the rates per annum that shall be determined in accordance with the provisions of Section 2.3(b) of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.3(b); provided, however, that interest on any principal portion that is not paid when due shall be payable on demand.

The principal sum hereof from time to time and the payments of principal and interest thereon, shall be shown on the records of Swing Line Lender by such method as Swing Line Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligation of Borrower under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is the Swing Line Note referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind. This Note shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to conflicts of laws provisions.

JURY TRIAL WAIVER. BORROWER, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS NOTE OR ANY OTHER

NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT C
FORM OF
NOTICE OF LOAN

[Date]_____, 20____

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: Institutional Banking

Ladies and Gentlemen:

The undersigned, Teletech Holdings, Inc., refers to the Amended and Restated Credit Agreement, dated as of September 28, 2006 (the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent, and hereby gives you notice, pursuant to Section 2.5 of the Credit Agreement that the undersigned hereby requests a Loan under the Credit Agreement, and in connection therewith sets forth below the information relating to the Loan (the "Proposed Loan") as required by Section 2.5 of the Credit Agreement:

(a) The Business Day of the Proposed Loan is _____, 20___.

(b) The amount of the Proposed Loan is $_____.

(c) The Proposed Loan is to be a Base Rate Loan ___/ Eurodollar Loan ___ / Swing Loan ___.
(Check one.)

(d) If the Proposed Loan is a Eurodollar Loan, the Interest Period requested is one month ___, two months ___, three months ___, six months ___.
(Check one.)

The undersigned hereby certifies on behalf of Borrower that the following statements are true on the date hereof, and will be true on the date of the Proposed Loan:

(i) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Proposed Loan and the application of the proceeds therefrom, as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Proposed Loan, or the application of proceeds therefrom, that constitutes a Default or Event of Default; and

(iii) the conditions set forth in Section 2.5 and Article IV of the Credit Agreement have been satisfied.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT D
FORM OF
COMPLIANCE CERTIFICATE

For Fiscal Quarter ended _____

THE UNDERSIGNED HEREBY CERTIFIES THAT:

(1) I am the duly elected Chief Financial Officer or Treasurer of Teletech Holdings, Inc., a Delaware corporation ("Borrower");

(2) I am familiar with the terms of that certain Amended and Restated Credit Agreement, dated as of September 28, 2006, among the undersigned, the lenders named on Schedule 1 thereto (together with their respective successors and assigns, collectively, the "Lenders"), as defined in the Credit Agreement, and KeyBank National Association, as Agent (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement", the terms defined therein being used herein as therein defined), and the terms of the other Loan Documents, and I have made, or have caused to be made under my supervision, a review in reasonable detail of the transactions and condition of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

(3) The review described in paragraph (2) above did not disclose, and I have no knowledge of, the existence of any condition or event that constitutes or constituted a Default or Event of Default, at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate;

(4) The representations and warranties made by Borrower contained in each Loan Document are true and correct as though made on and as of the date hereof; and

(5) Set forth on Attachment I hereto are calculations of the financial covenants set forth in Section 5.7 of the Credit Agreement, which calculations show compliance with the terms thereof.

IN WITNESS WHEREOF, I have signed this certificate the ___day of ___, 20___.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT E
FORM OF
ASSIGNMENT AND ACCEPTANCE AGREEMENT

This Assignment and Acceptance Agreement (this "Assignment Agreement") between _____ (the "Assignor") and _____ (the "Assignee") is dated as of ___, 20_. The parties hereto agree as follows:

1. Preliminary Statement. Assignor is a party to an Amended and Restated Credit Agreement, dated as of September 28, 2006 (as the same may from time to time be amended, restated, or otherwise modified, the "Credit Agreement"), among Teletech Holdings, Inc., a Delaware corporation ("Borrower"), the lenders named on Schedule 1 thereto (together with their respective successors and assigns, collectively, the "Lenders" and, individually, each a "Lender"), and KEYBANK NATIONAL ASSOCIATION, As lead arranger, sole book runner and administrative agent for the Lenders ("Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

2. Assignment and Assumption. Assignor hereby sells and assigns to Assignee, and Assignee hereby purchases and assumes from Assignor, an interest in and to Assignor's rights and obligations under the Credit Agreement, effective as of the Assignment Effective Date (as hereinafter defined), equal to the percentage interest specified on Annex 1 hereto (hereinafter, the "Assigned Percentage") of Assignor's right, title and interest in and to (a) the Commitment, (b) any Loan made by Assignor that is outstanding on the Assignment Effective Date, (c) Assignor's interest in any Letter of Credit outstanding on the Assignment Effective Date, (d) any Note delivered to Assignor pursuant to the Credit Agreement, and (e) the Credit Agreement and the other Related Writings. After giving effect to such sale and assignment and on and after the Assignment Effective Date, Assignee shall be deemed to have a "Commitment Percentage" under the Credit Agreement equal to the Commitment Percentage set forth in subpart II.A on Annex 1 hereto and an Assigned Amount as set forth on subpart I.B of Annex 1 hereto (hereinafter, the "Assigned Amount").

3. Assignment Effective Date. The Assignment Effective Date (the "Assignment Effective Date") shall be [___, ___] (or such other date agreed to by Agent). On or prior to the Assignment Effective Date, Assignor shall satisfy the following conditions:

(a) receipt by Agent of this Assignment Agreement, including Annex 1 hereto, properly executed by Assignor and Assignee and accepted and consented to by Agent and, if necessary pursuant to the provisions of Section 10.10(b) of the Credit Agreement, by Borrower;

(b) receipt by Agent from Assignor of a fee of Three Thousand Five Hundred Dollars ($3,500), if required by Section 10.10 of the Credit Agreement;

(c) receipt by Agent from Assignee of an administrative questionnaire, or other similar document, which shall include (i) the address for notices under the Credit Agreement, (ii) the address of its Lending Office, (iii) wire transfer instructions for delivery of funds by Agent, (iv) and such other information as Agent shall request; and

(d) receipt by Agent from Assignor or Assignee of any other information required pursuant to Section 10.10 of the Credit Agreement or otherwise necessary to complete the transaction contemplated hereby.

4. Payment Obligations. In consideration for the sale and assignment of Loans hereunder, Assignee shall pay to Assignor, on the Assignment Effective Date, the amount agreed to by Assignee and Assignor. Any interest, fees and other payments accrued prior to the Assignment Effective Date with respect to the Assigned Amount shall be for the account of Assignor. Any interest, fees and other payments accrued on and after the Assignment Effective Date with respect to the Assigned Amount shall be for the account of Assignee. Each of Assignor and Assignee agrees that it will hold in trust for the other party any interest, fees or other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and to pay the other party any such amounts which it may receive promptly upon receipt thereof.

5. Credit Determination; Limitations on Assignor's Liability. Assignee represents and warrants to Assignor, Borrower, Agent and the Lenders (a) that it is capable of making and has made and shall continue to make its own credit determinations and analysis based upon such information as Assignee deemed sufficient to enter into the transaction contemplated hereby and not based on any statements or representations by Assignor, (b) Assignee confirms that it meets the requirements to be an assignee as set forth in Section 10.10 of the Credit Agreement; (c) Assignee confirms that it is able to fund the Loans and the Letters of Credit as required by the Credit Agreement; (d) Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the Related Writings are required to be performed by it as a Lender thereunder; and (e) Assignee represents that it has reviewed each of the Loan Documents. It is understood and agreed that the assignment and assumption hereunder are made without recourse to Assignor and that Assignor makes no representation or warranty of any kind to Assignee and shall not be responsible for (i) the due execution, legality, validity, enforceability, genuineness, sufficiency or collectability of the Credit Agreement or any Related Writings, (ii) any representation, warranty or statement made in or in connection with the Credit Agreement or any of the Related Writings, (iii) the financial condition or creditworthiness of Borrower or Guarantor of Payment, (iv) the performance of or compliance with any of the terms or provisions of the Credit Agreement or any of the Related Writings, (v) the inspection of any of the property, books or records of Borrower, or (vi) the validity, enforceability, perfection, priority, condition, value or sufficiency of any collateral securing or purporting to secure the Loans or Letters of Credit. Neither Assignor nor any of its officers, directors, employees, agents or attorneys shall be liable for any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans, the Letters of Credit, the Credit Agreement or the Related Writings, except for its or their own bad faith or willful misconduct. Assignee appoints Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to Agent by the terms thereof.

6. Indemnity. Assignee agrees to indemnify and hold Assignor harmless against any and all losses, cost and expenses (including, without limitation, attorneys' fees) and liabilities incurred by Assignor in connection with or arising in any manner from Assignee's performance or non-performance of obligations assumed under this Assignment Agreement.

7. Subsequent Assignments. After the Assignment Effective Date, Assignee shall have the right, pursuant to Section 10.10 of the Credit Agreement to assign the rights which are assigned to Assignee hereunder, provided that (a) any such subsequent assignment does not violate any of the terms and conditions of the Credit Agreement, any of the Related Writings, or any law, rule, regulation, order, writ, judgment, injunction or decree and that any consent required under the terms of the Credit Agreement or any of the Related Writings has been obtained, (b) the assignee under such assignment from Assignee shall agree to assume all of Assignee's obligations hereunder in a manner satisfactory to Assignor, and (c) Assignee is not thereby released from any of its obligations to Assignor hereunder.

8. Reductions of Aggregate Amount of Commitments. If any reduction in the Total Commitment Amount occurs between the date of this Assignment Agreement and the Assignment Effective Date, the percentage of the Total Commitment Amount assigned to Assignee shall remain the percentage specified in Section 1 hereof and the dollar amount of the Commitment of Assignee shall be recalculated based on the reduced Total Commitment Amount.

9. Acceptance of Agent; Notice by Assignor. This Assignment Agreement is conditioned upon the acceptance and consent of Agent and, if necessary pursuant to Section 10.10 of the Credit Agreement, upon the acceptance and consent of Borrower; provided, that the execution of this Assignment Agreement by Agent and, if necessary, by Borrower is evidence of such acceptance and consent.

10. Entire Agreement. This Assignment Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

11. Governing Law. This Assignment Agreement shall be governed by the laws of the State of Ohio, without regard to conflicts of laws.

12. Notices. Notices shall be given under this Assignment Agreement in the manner set forth in the Credit Agreement. For the purpose hereof, the addresses of the parties hereto (until notice of a change is delivered) shall be the address set forth under each party's name on the signature pages hereof.

[Remainder of page intentionally left blank.]

13. JURY TRIAL WAIVER. EACH OF THE UNDERSIGNED, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG AGENT, ANY OF THE LENDERS, AND BORROWER, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS INSTRUMENT OR ANY NOTE OR OTHER AGREEMENT, INSTRUMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED HERETO.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their duly authorized officers as of the date first above written.

Address: _____

_____

_____

Attn: _____

ASSIGNOR:

_____

By: _____

Name: _____

Title: _____

Address: _____

_____

_____

Attn: _____

ASSIGNEE:

_____

By: _____

Name: _____

Title: _____

Accepted and Consented to this __ day of _____, 20__:

KEYBANK NATIONAL ASSOCIATION,
as Agent

By: _____

Name: _____

Title: _____

Accepted and Consented to this __ day of _____, 20__:

TELETECH HOLDINGS, INC.

By: _____

Name: _____

Title: _____

ANNEX 1
TO
ASSIGNMENT AND ACCEPTANCE AGREEMENT

On and after the Assignment Effective Date, after giving effect to all other assignments being made by Assignor on the Assignment Effective Date, the Commitment of Assignee, and, if this is less than an assignment of all of Assignor's interest, Assignor, shall be as follows:

I. INTEREST BEING ASSIGNED TO ASSIGNEE		
A.	Assigned Percentage	_____%
B.	Assigned Amount	$_____
II. ASSIGNEE'S COMMITMENT (as of the Assignment Effective Date)		
A.	Assignee's Commitment Percentage under the Credit Agreement	_____%
B.	Assignee's Commitment Amount under the Credit Agreement	$_____
III. ASSIGNOR'S COMMITMENT (as of the Assignment Effective Date)		
A.	Assignor's Commitment Percentage under the Credit Agreement	_____%
B.	Assignor's Commitment Amount under the Credit Agreement	$_____

EXHIBIT F
FORM OF
REQUEST FOR EXTENSION

_____, 20__

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: Institutional Banking

Ladies and Gentlemen:

The undersigned, Teletech Holdings, Inc. ("Borrower"), refers to the Amended and Restated Credit Agreement, dated as of September 28, 2006 (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Borrower, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as lead arranger, sole book runner and administrative agent for the Lenders ("Agent"), and hereby gives you notice, pursuant to Section 2.12 of the Credit Agreement that the undersigned hereby requests an extension as set forth below (the "Extension") under the Credit Agreement, and in connection with the Extension sets forth below the information relating to the Extension as required by Section 2.12 of the Credit Agreement.

The undersigned hereby requests Agent and the Lenders to extend the Commitment Period from _____ ___, 200___to _____ ___, 200_.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Extension: (a) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Extension and the application of the proceeds therefrom, as though made on and as of such date; (b) no event has occurred and is continuing, or would result from such Extension, or the application of proceeds therefrom, which constitutes a Default or an Event of Default; and (c) the conditions set forth in Section 2.12 and Article IV of the Credit Agreement have been satisfied.

Very truly yours,

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

Exhibit 10.40

FIRST AMENDMENT AGREEMENT

This FIRST AMENDMENT AGREEMENT (this "Amendment") is made as of the 24th day of October, 2006 among:

(a) TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower");

(b) the Lenders, as defined in the Credit Agreement; and

(c) KEYBANK NATIONAL ASSOCIATION, as the lead arranger, sole book runner and administrative agent for the Lenders under this Agreement ("Agent").

WHEREAS, Borrower, Lenders and Agent are parties to that certain Amended and Restated Credit Agreement, dated as of September 28, 2006, that provides, among other things, for loans and letters of credit aggregating One Hundred Fifty Million Dollars ($150,000,000), all upon certain terms and conditions (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement");

WHEREAS, Borrower desires to increase the Total Commitment Amount by exercising the accordion provision set forth in Section 2.9(b) of the Credit Agreement;

WHEREAS, Borrower, Agent and the Lenders desire to amend the Credit Agreement to modify certain provisions thereof and add certain provisions thereto;

WHEREAS, each capitalized term used herein and defined in the Credit Agreement, but not otherwise defined herein, shall have the meaning given such term in the Credit Agreement; and

WHEREAS, unless otherwise specifically provided herein, the provisions of the Credit Agreement revised herein are amended effective as of the date of this Amendment;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein and for other valuable consideration, Borrower, Agent and the Lenders agree as follows:

1. Amendment to Introduction. The Credit Agreement is hereby amended to delete its introductory paragraph therefrom and to insert in place thereof the following:

This AMENDED AND RESTATED CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this "Agreement") is made effective as of the 28th day of September, 2006 among:

(a) TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower");

(b) the lenders listed on Schedule 1 hereto and each other Eligible Transferee, as hereinafter defined, that from time to time becomes a party hereto pursuant to Section 2.9(b) or 10.10 hereof (collectively, the "Lenders" and, individually, each a "Lender");

(c) KEYBANK NATIONAL ASSOCIATION, as lead arranger, sole book runner and administrative agent for the Lenders under this Agreement ("Agent"); and

(d) WELLS FARGO BANK, N.A., as syndication agent ("Syndication Agent").

2. Amendment to Definitions. Section 1.1 of the Credit Agreement is hereby amended to delete the definition of "Total Commitment Amount" therefrom and to insert in place thereof the following:

"Total Commitment Amount" shall mean (a) for any date prior to the First Amendment Effective Date, the Closing Commitment Amount, and (b) on the First Effective Date and thereafter, One Hundred Eighty Million Dollars ($180,000,000), as such amount may be increased up to the Maximum Commitment Amount pursuant to Section 2.9(b) hereof, or decreased pursuant to Section 2.9(a) hereof.

3. Addition to Definitions. Section 1.1 of the Credit Agreement is hereby amended to add the following new definition thereto:

"First Amendment Effective Date" shall mean October 24, 2006.

4. Addition to Agency Provisions. Article IX of the Credit Agreement is hereby amended to add the following new Section 9.15 thereto:

Section 9.15. Other Agents. As used in this Agreement, the term "Agent" shall only include Agent. The Syndication Agent shall not have any rights, obligations or responsibilities hereunder in such capacity.

5. Amendment to Schedule 1. The Credit Agreement is hereby amended to delete Schedule 1 (Commitments of Lenders) therefrom and to insert in place thereof a new Schedule 1 in the form of Schedule 1 hereto.

6. Closing Deliveries. Concurrently with the execution of this Amendment, Borrower shall:

(a) deliver to Agent, for delivery to Wells Fargo Bank, N.A., a Revolving Credit Note in the amount specified in Schedule 1 to the Credit Agreement;

(b) execute and deliver to Agent, for its sole benefit, the First Amendment Agent Fee Letter, and pay to Agent, for its sole account, the fees stated therein;

(c) execute and deliver to Agent the First Amendment Closing Fee Letter and pay to Agent, for the benefit of Wells Fargo Bank, N.A., the fees stated therein;

(d) cause each Guarantor of Payment to execute the attached Acknowledgement and Agreement; and

(e) pay all legal fees and expenses of Agent in connection with this Amendment.

7. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Lenders that (a) Borrower has the legal power and authority to execute and deliver this Amendment; (b) the officers executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof; (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower; (d) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof; (e) Borrower is not aware of any claim or offset against, or defense or counterclaim to, Borrower's obligations or liabilities under the Credit Agreement or any Related Writing; and (f) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.

8. References to Credit Agreement. Each reference that is made in the Credit Agreement or any Related Writing shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all terms and provisions of the Credit Agreement are confirmed and ratified and shall remain in full force and effect and be unaffected hereby. This Amendment is a Related Writing. The notice address for Wells Fargo Bank, N.A. set forth on the signature pages of this Amendment shall be the notice address of Wells Fargo Bank, N.A. for purposes of Section 10.4 of the Credit Agreement.

9. Waiver. Borrower, by signing below, hereby waives and releases Agent and each of the Lenders, and their respective directors, officers, employees, attorneys, affiliates and subsidiaries, from any and all claims, offsets, defenses and counterclaims of which Borrower is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

10. Counterparts. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

11. Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

12. Severability. Any term or provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the term or provision so held to be invalid or unenforceable.

13. Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.

[Remainder of page intentionally left blank.]

14. JURY TRIAL WAIVER. BORROWER, THE LENDERS AND AGENT, TO THE EXTENT PERMITTED BY LAW, EACH HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, THE LENDERS AND AGENT, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AMENDMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first set forth above.

TELETECH HOLDINGS, INC.

By: /s/ Christy T. O' Connor
Name: Christy T. O' Connor
Title: Asst. Secretary

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Lender

By: /s/ Jeff Kalinowski
Jeff Kalinowski
Senior Vice President

Address: Commercial Banking
1700 Lincoln Street, 8th Floor
Denver, Colorado 80274
Attn: Joe Gavan

WELLS FARGO BANK, N.A.,
as Syndication Agent and as a Lender

By: /s/ Joe Gavan
Joe Gavan
Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ David L. Ericsion
Name: David L. Ericsion
Title: Senior Vice President

BANK OF AMERICA, N.A.

By: /s/ Jonathan M. Phillips
Name: Jonathan M. Phillips
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Jiong Liu
Name: Jiong Liu
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Morgan A. Lyons
Name: Morgan A. Lyons
Title: Vice President

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Carabunga.com. Inc.
Direct Alliance Corporation
Global One Insurance Company (name change from Global One Captive Insurance Company)
Global One Colorado, Inc.
Newgen Results Corporation
Percepta Holdings, Inc.
Percepta, LLC
TeleTech@Home, Inc.
TeleTech Customer Care Management (CA), LLC
TeleTech Customer Care Management (CO), LLC
OnDemand, LLC
TeleTech Loan Services, LLC
InCulture, LLC
TeleTech Customer Care Management (WV), Inc.
TeleTech Customer Services, Inc.
TeleTech Facilities Management (Postal Customer Support), Inc.
TeleTech Financial Services Management, LLC
TeleTech Government Solutions, LLC
TeleTech International Holdings, Inc.
TeleTech Services Corporation
TeleTech South America Holdings, Inc.
TeleTech Stockton, LLC
TTEC Nevada, Inc.
Customer Solutions Mauritius
Finsource, Inc.
TeleTech Financial Solutions Pty Ltd.
Percepta Philippines, Inc.
Sevtoy PTY Limited
TeleTech Asia Limited
TeleTech (Hong Kong) Limited
TeleTech Customer Care Management Philippines, Inc.
TeleTech Customer Management Pte. Ltd.
TeleTech Korea, Ltd.
TeleTech New Zealand
TT Interaction Management SDN. BHD
Newgen Results Canada, Ltd.
Percepta, ULC
TeleTech Canada, Inc.
TeleTech Services (India) Ltd.
TeleTech Offshore Investments, BV
Percepta Germany GmbH
Percepta UK Limited
TeleTech UK Ltd.
TeleTech Customer Care Management (Ireland) Limited
TeleTech Customer Services Spain S.L.
TeleTech Europe BV
TeleTech Germany GmbH
TeleTech International Pty Ltd.
TT International C.V.
Apoyo Empresarial de Servicios, S. de R.L. de C.V.
Comlink, S.A.
Servicios SSI Integrales
Servicios y Administraciones de Bajio S. de R.L. de C.V.
TeleTech Argentina S.A.
TeleTech Brasil Servicios De Informatica Ltda
TeleTech Mexico, S.A. de C.V.
TeleTech Venezuela, C.A.
TeleTech Customer Care Management Costa Rica, S.A.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement File Nos. 333-17569, 333-60001, 333-64575, 333-78477, 333-82405, 333-47142, 333-48190, 333-51550, 333-52352 of our reports dated February 7, 2007, with respect to the consolidated financial statements of TeleTech Holdings, Inc., TeleTech Holdings Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of TeleTech Holdings, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

Denver, Colorado
February 7, 2007

EXHIBIT 31.1

CERTIFICATION

I, Kenneth D. Tuchman, Chairman and Chief Executive Officer of TeleTech Holdings, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of TeleTech Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Kenneth D. Tuchman

Kenneth D. Tuchman
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 7, 2007

EXHIBIT 31.2

CERTIFICATION

I, John R. Troka, Jr. Interim Chief Financial Officer of TeleTech Holdings, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of TeleTech Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ John R. Troka, Jr.
John R. Troka, Jr.
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: February 7, 2007

EXHIBIT 32

Written Statement of Chief Executive Officer and Acting Chief Financial Officer
Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

The undersigned, the Chief Executive Officer and the Acting Chief Financial Officer of TeleTech Holdings, Inc. (the "Company"), each hereby certifies that, to his knowledge on the date hereof:

a. The Annual Report on Form 10-K of the Company for the year ended December 31, 2006 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chief Executive Officer

February 7, 2007

By: /s/ JOHN R. TROKA, JR.
John R. Troka, Jr.
Interim Chief Financial Officer

February 7, 2007