FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: SEPTEMBER 30, 1999

OR

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

For the transition period from ________ to ________

Commission file number 0-21055

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.) |
| 1700 LINCOLN STREET, SUITE 1400<br>DENVER, COLORADO | 80203 |
| (Address of principal executive office) | (Zip Code) |

(303) 894-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days.

YES X    NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class of Common Stock | Outstanding at November 2, 1999 |
|---|---|
| Common Stock, par value $.01 per share | 61,380,428 |

TELETECH HOLDINGS, INC.

FORM 10-Q

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Item 1.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| ASSETS | DECEMBER 31, 1998 | SEPTEMBER 30, 1999 |
|---|---|---|
| | | (Unaudited) |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 8,796 | $ 20,254 |
| Short-term investments | 37,082 | 37,273 |
| Accounts receivable, net of allowance for doubtful accounts of $2,900 and $3,448, respectively | 68,830 | 77,014 |
| Prepaids and other assets | 2,811 | 4,350 |
| Deferred tax asset | 3,855 | 4,201 |
| Total current assets | 121,374 | 143,092 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of $38,432 and $56,479, respectively | 77,546 | 100,764 |
| OTHER ASSETS: | | |
| Long-term accounts receivable | 4,274 | 4,232 |
| Goodwill, net of accumulated amortization of $1,599 and $2,692, respectively | 15,022 | 19,372 |
| Contract acquisition cost, net of accumulated amortization of zero and $1,158, respectively | 10,900 | 9,740 |
| Other assets | 1,794 | 2,786 |
| Total assets | $230,910 | $279,986 |

The accompanying notes are an integral part of these condensed consolidated balance sheets.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| LIABILITIES AND STOCKHOLDERS' EQUITY | DECEMBER 31, 1998 | SEPTEMBER 30, 1999 |
|---|---|---|
| | | (Unaudited) |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | $ 7,989 | $ 6,634 |
| Bank overdraft | 778 | 1,085 |
| Accounts payable | 11,814 | 6,072 |
| Accrued employee compensation | 18,134 | 25,584 |
| Accrued income taxes | 4,191 | 2,855 |
| Other accrued expenses | 11,520 | 16,013 |
| Customer advances, deposits and deferred income | 3,803 | 4,309 |
| Total current liabilities | 58,229 | 62,552 |
| DEFERRED TAX LIABILITIES | 835 | 1,026 |
| LONG-TERM DEBT, net of current portion: | | |
| Capital lease obligations | 4,208 | 1,961 |
| Line of credit | -- | 22,000 |
| Other debt | 2,145 | 808 |
| Total liabilities | 65,417 | 88,347 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock; $.01 par value; 150,000,000 shares authorized; 60,769,724 and 61,361,982 shares, respectively, issued and outstanding | 606 | 612 |
| Additional paid-in capital | 111,080 | 115,140 |
| Accumulated other comprehensive income | (1,610) | (627) |
| Retained earnings | 55,417 | 76,514 |
| Total stockholders' equity | 165,493 | 191,639 |
| Total liabilities and stockholders' equity | $230,910 | $279,986 |

The accompanying notes are an integral part of these condensed consolidated balance sheets.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

| | THREE MONTHS ENDED SEPTEMBER 30, 1998 | THREE MONTHS ENDED SEPTEMBER 30, 1999 |
|---|---|---|
| REVENUES | $ 92,366 | $126,131 |
| OPERATING EXPENSES: | | |
| Costs of services | 59,143 | 83,869 |
| Selling, general and administrative Expenses | 25,085 | 31,274 |
| Total operating expenses | 84,228 | 115,143 |
| INCOME FROM OPERATIONS | 8,138 | 10,988 |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (413) | (567) |
| Interest income | 725 | 488 |
| Equity in income of affiliate | (16) | -- |
| Business combination expenses | (440) | -- |
| Gain on settlement of long-term contract | -- | 6,726 |
| Other | (220) | 334 |
| | (364) | 6,981 |
| INCOME BEFORE INCOME TAXES | 7,774 | 17,969 |
| Provision for income taxes | 3,059 | 7,138 |
| NET INCOME | $ 4,715 | $ 10,831 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 60,234 | 61,247 |
| Diluted | 62,040 | 63,280 |
| NET INCOME PER SHARE | | |
| Basic | $ .08 | $ .18 |
| Diluted | $ .08 | $ .17 |

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

| | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1998 | 1999 |
| REVENUES | $ 260,709 | $ 357,334 |
| OPERATING EXPENSES: | | |
| Costs of services | 168,294 | 238,072 |
| Selling, general and administrative Expenses | 69,505 | 91,243 |
| Total operating expenses | 237,799 | 329,315 |
| INCOME FROM OPERATIONS | 22,910 | 28,019 |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (946) | (1,460) |
| Interest income | 2,444 | 1,690 |
| Equity in income of affiliate | 70 | -- |
| Business combination expenses | (1,321) | -- |
| Gain on settlement of long-term contract | -- | 6,726 |
| Other | (371) | 229 |
| | (124) | 7,185 |
| INCOME BEFORE INCOME TAXES | 22,786 | 35,204 |
| Provision for income taxes | 9,055 | 14,108 |
| NET INCOME | $ 13,731 | $ 21,096 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 59,784 | 61,037 |
| Diluted | 62,026 | 62,607 |
| NET INCOME PER SHARE | | |
| Basic | $ .23 | $ .35 |
| Diluted | $ .22 | $ .34 |

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

| | NINE MONTHS ENDED SEPTEMBER 30, 1998 | NINE MONTHS ENDED SEPTEMBER 30, 1999 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 13,731 | $ 21,096 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 13,935 | 21,012 |
| Allowance for doubtful accounts | 387 | 463 |
| Deferred income taxes | (176) | (355) |
| Equity in income of affiliate | 981 | -- |
| Deferred compensation expense | 95 | -- |
| Changes in assets and liabilities: | | |
| Accounts receivable | (8,458) | (7,587) |
| Prepaids and other assets | (1,237) | (618) |
| Accounts payable and accrued expenses | 6,662 | 3,998 |
| Customer advances, deposits and deferred income | (355) | 120 |
| Net cash provided by operating activities | 25,565 | 38,129 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (23,939) | (39,983) |
| Purchase of Intellisystems | (2,000) | -- |
| Purchase of Pamet River, net of $339 cash acquired | -- | (1,462) |
| Purchase of Smart Call | -- | (2,590) |
| Contract acquisition costs | (10,900) | -- |
| Changes in accounts payable and accrued liabilities related to investing activities | (781) | (55) |
| (Increase) decrease in short-term investments | 13,790 | (191) |
| Net cash used in investing activities | (23,830) | (44,281) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in short-term borrowings | 1,549 | 307 |
| Net increase in line of credit | -- | 22,000 |
| Cash received in acquisition | 276 | -- |
| Payments on long-term debt and capital leases | (1,908) | (4,991) |
| Proceeds from exercise of stock options | 2,302 | 2,313 |
| Net cash provided by financing activities | 2,219 | 19,629 |
| Effect of exchange rate changes on cash | (1) | (2,019) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,953 | 11,458 |
| CASH AND CASH EQUIVALENTS, beginning of period | 7,338 | 8,796 |
| CASH AND CASH EQUIVALENTS, end of period | $ 11,291 | $ 20,254 |

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE (1)--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of TeleTech Holdings, Inc. and subsidiaries (the "Company") as of September 30, 1999 and 1998 and for the periods then ended. Operating results for the three and nine months ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1998.

NOTE (2)-- SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS

The Company classified its business activities into four fundamental areas: outsourced operations in the United States, facilities management operations, international outsourced operations, and technology services and consulting. These areas are separately managed and each has significant differences in capital requirements and cost structures. Outsourced, facilities management and international outsourced operations are reportable business segments with their respective financial performance detailed herein. Technology services and consulting is included in corporate activities as it is not a material business segment. Also included in corporate activities are general corporate expenses and overall operational management expenses. Assets of corporate activities include unallocated cash, short-term investments and deferred income taxes. There are no significant transactions between the reported segments for the periods presented. The Company's three largest clients accounted for 51% of consolidated revenue for the three months ended September 30, 1999 as compared to 49% for the three months ended September 30, 1998. Due to the declines in operating income caused largely by decreased capacity utilization in several of the Company's North American shared customer interaction centers, these large clients' contribution to the operating income of the Company has increased.

| | THREE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| (in thousands) | 1998 | 1999 |
| REVENUES: | | |
| Outsourced | $ 50,969 | $ 74,369 |
| Facilities Management | 21,442 | 23,556 |
| International Outsourced | 17,775 | 23,434 |
| Corporate Activities | 2,180 | 4,772 |
| Total | $ 92,366 | $ 126,131 |
| INCOME (LOSS) FROM OPERATIONS: | | |
| Outsourced | $ 11,739 | $ 17,451 |
| Facilities Management | 2,961 | 1,118 |
| International Outsourced | 399 | 2,011 |
| Corporate Activities | (6,961) | (9,592) |
| Total | $ 8,138 | $ 10,988 |

| (in thousands) | NINE MONTHS ENDED SEPTEMBER 30, 1998 | 1999 |
|---|---|---|
| REVENUES: | | |
| Outsourced | $ 140,382 | $ 213,145 |
| Facilities Management | 61,032 | 64,289 |
| International Outsourced | 53,553 | 62,260 |
| Corporate Activities | 5,742 | 17,640 |
| Total | $ 260,709 | $ 357,334 |
| INCOME (LOSS) FROM OPERATIONS: | | |
| Outsourced | $ 28,493 | $ 48,007 |
| Facilities Management | 8,376 | 4,172 |
| International Outsourced | 3,949 | 3,144 |
| Corporate Activities | (17,908) | (27,304) |
| Total | $ 22,910 | $ 28,019 |

| (in thousands) | BALANCE AS OF DECEMBER 31 1998 | SEPTEMBER 30, 1999 |
|---|---|---|
| ASSETS: | | |
| Outsourced Assets | $101,105 | $124,515 |
| Facilities Management Assets | 18,121 | 15,653 |
| International Outsourced Assets | 57,567 | 66,106 |
| Corporate Activities Assets | 54,117 | 73,712 |
| Total | $230,910 | $279,986 |
| GOODWILL (INCLUDED IN TOTAL ASSETS): | | |
| International Outsourced Goodwill, Net | $ 6,803 | $ 8,965 |
| Corporate Activities Goodwill, Net | 8,219 | 10,407 |
| Total | $ 15,022 | $ 19,372 |

The following geographic data include revenues based on the location the services are provided (in thousands).

| | THREE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1998 | 1999 |
| REVENUES: | | |
| United States | $ 70,443 | $ 97,594 |
| Australia | 8,946 | 12,983 |
| Canada | 9,409 | 8,218 |
| Rest of world | 3,568 | 7,336 |
| Total | $ 92,366 | $126,131 |

| | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1998 | 1999 |
| REVENUES: | | |
| United States | $197,221 | $280,248 |
| Australia | 26,672 | 36,930 |
| Canada | 26,789 | 24,622 |
| Rest of world | 10,027 | 15,534 |
| Total | $260,709 | $357,334 |

NOTE (3)--SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES (IN THOUSANDS):

| | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1998 | 1999 |
| Cash paid for interest | $ 946 | $ 1,461 |
| Cash paid for income taxes | $ 5,641 | $15,444 |
| Noncash investing and financing activities: | | |
| Stock issued in purchase of Intellisystems | $ 3,389 | $ -- |
| Stock issued in purchase of Pamet River, Inc. | $ -- | $ 1,753 |

NOTE (4)--ACQUISITIONS

On March 18, 1999, the Company acquired 100% of the common stock of Pamet River, Inc. ("Pamet") for approximately $1,821,000 in cash and 285,711 shares of common stock in the Company. Pamet is a global marketing company offering end-to-end marketing solutions by leveraging Internet and database technologies. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 20 years. The operations of Pamet for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

On March 31, 1999, the Company acquired 100% of the common stock of

Smart Call S.A. ("Smart Call") for approximately $2,350,000 in cash including costs related to the acquisition. Smart Call is based in Buenos Aires, Argentina and provides a wide range of customer management solutions to Latin American and multinational companies. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 20 years. The operations of Smart Call for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

As a part of the Smart Call acquisition, the Company paid $300,000, including costs associated with the transaction, for the option to acquire Connect S.A. ("Connect"), a sister company with additional customer service and systems integration capabilities. The option has been accounted for as an other asset. Refer to Note (6)--Subsequent Event for an update on this acquisition.

NOTE (5)--COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). The purpose of SFAS 130 is to report a measure of all changes in equity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. The only item of other comprehensive income reported by the Company is the cumulative translation adjustment.

The Company's comprehensive income for the three and nine months ended September 30, 1998 and 1999 was as follows (in thousands):

| | THREE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1998 | 1999 |
| Net income for the period | $ 4,715 | $10,831 |
| Change in cumulative translation adjustment | (191) | 307 |
| Comprehensive income | $ 4,524 | $11,138 |

| | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|
| | 1998 | 1999 |
| Net income for the period | $ 13,731 | $ 21,096 |
| Change in cumulative translation adjustment | (758) | 983 |
| Comprehensive income | $ 12,973 | $ 22,079 |

NOTE (6)--SUBSEQUENT EVENT

On October 12, 1999, the Company acquired 100% of the common stock of Connect (See "Note (4)--Acquisitions" above) for approximately $2,300,000 in cash including costs related to the acquisition. The former owners of Connect will also be entitled to an earn-out premium based on the results of the Company's consolidated operations in Argentina in 2000. Connect is located in Buenos Aires, Argentina and provides customer relationship management solutions, as well as help desk, systems integration and information technology solutions to Latin American and multinational companies in a variety of industries. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 20 years. The operations of Connect for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

## INTRODUCTION

Management's discussion and analysis of financial condition and results of operations in this Form 10-Q should be read in conjunction with the risk factors included in the Company's Form 10-K for the year ended December 31, 1998. Specifically, the Company has experienced, and in the future could experience, quarterly variations in revenues and earnings as a result of a variety of factors, many of which are outside the Company's control, including: the timing of new contracts; the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; the timing of increased expenses resulting from addressing potential Year 2000 problems; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company has concentrated its marketing efforts towards obtaining larger, more complex, strategic customer care programs. As a result, the time required to negotiate and execute an agreement with the client has increased. This may lead to short-term delays in the anticipated start-up of new client programs and in the Company achieving full capacity utilization.

## FORWARD-LOOKING STATEMENTS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this quarterly report that are not statements of historical fact are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements include, without limitation (i) the expectation that selling, general, and administrative expenses will decline in periods of significant revenue increases; (ii) the anticipated level of capital expenditures for 1999; (iii) the Company's belief that existing cash, available borrowings and cash from operations will be sufficient to finance the Company's near term operations; (iv) the Company's estimate of the impact of the Year 2000 issues; (v) the Company's belief that near-term interest rate fluctuations will not result in a material effect on future earnings, fair values or cash flows of the Company; (vi) the Company's belief that foreign currency rate fluctuations may positively or negatively affect revenues and net income attributable to the Company's foreign subsidiaries; and (vii) statements relating to the Company or its operations that are preceded by terms such as "anticipates", "expects," "believes," "intends," "will," "plans" and similar expressions.

The Company's actual results, performance or achievements may differ materially from expectations implied by such forward-looking statements as a result of various factors, including, without limitation, the following:

- agreements with its clients do not ensure that the Company will generate a specific level of revenue and may be canceled by the clients on short notice;

- amount of revenue the Company generates from a particular client is dependent upon customers' interest in and use of the client's products or services, some of which are recently introduced or untested;

- loss of a significant client or the termination or completion of a significant client program may have a material adverse effect on the Company's capacity utilization and results of operations;

- there can be no assurance that the Company will be successful in integrating acquired companies into the Company's existing businesses or that any completed acquisition will enhance the Company's business, results of operations or financial condition;

- certain risks inherent in conducting international business, including without limitation exposure to currency fluctuations, longer payment cycles and greater difficulties in accounts receivable collection; and

- management's view of the most reasonably likely worst case Year 2000 scenario may be too optimistic.

These cautionary statements should not be construed as an exhaustive list. The Company cannot always predict what factors would cause actual results to differ materially from those indicated by its forward-looking statements. All cautionary statements should be read as being applicable to all forward-looking statements.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Total consolidated revenues increased $33.8 million or 37% to $126.1 million for the three months ended September 30, 1999 from $92.4 million for the three months ended September 30, 1998. Revenues from the Company's Outsourced segment increased $23.4 million to $74.4 million for the three months ended September 30, 1999 from $51.0 million for the three months ended September 30, 1998. This revenue growth was derived as follows. This increase resulted from $5.7 million in revenues from new client programs and $18.5 million in increased revenue from existing client programs. Contract expirations and other client reductions offset a portion of these increases. Revenues for the three months ended September 30, 1999 include $23.6 million from the Facilities Management segment as compared with $21.4 million for the three months ended September 30, 1998 due to increased client volumes. Revenues from the Company's International Outsourced segment increased $5.7 million to $23.4 million for the three months ended September 30, 1999 from $17.8 million for the three months ended September 30, 1998. This increase is primarily due to increased revenue from existing clients in Australia and Latin America offset by declines in revenue in Canada. Revenues from the Corporate Activities segment (which includes technology-related revenues) increased $2.6 million to $4.8 million for the three months ended September 30, 1999 from $2.2 million for the three months ended September 30, 1998. This is primarily related to revenues from the Cygnus and Pamet River acquisitions completed in the fourth quarter of 1998 and the first quarter of 1999, respectively.

Costs of services increased $24.7 million, or 42%, to $83.9 million for the three months ended September 30, 1999 from $59.1 million for the three months ended September 30, 1998. Costs of services as a percentage of revenues increased from 64.0% for the three months ended September 30, 1998 to 66.5% for the three months ended September 30, 1999. This is primarily due to gross margin declines resulting from the decreased revenue in the Facilities Management segment. Also, increased revenues in several large client programs as they matured through the start-up phase caused a change in the revenue and service mix and resulted in cost of services as a higher percentage of revenues.

Selling, general and administrative expenses increased $6.2 million, or 25% to $31.3 million for the three months ended September 30, 1999 from $25.1 million for the three months ended September 30, 1998. Selling, general and administrative expenses as a percentage of revenues decreased from 27.2% for the three months ended September 30, 1998 to 24.8% for the three months ended September 30, 1999 due to significant cost containment measures.

As a result of the foregoing factors, income from operations increased $2.9 million or 35%, to $11.0 million for the three months ended September 30, 1999 from $8.1 million for the three months ended September 30, 1998. Operating income as a percentage of revenues decreased slightly from 8.8% for the three months ended September 30, 1998 to 8.7% for the three months ended September 30, 1999. Income from operations from the Company's Outsourced segment increased $5.7 million to $17.5 million for the three months ended September 30, 1999 from $11.7 million for the three months ended September 30, 1998. Income from operations as a percentage of revenue for the outsourced segment increased from 23.0% for the three months ended September 30, 1998 to 23.5% for the three months ended September 30, 1999. This increase resulted from significant increases in revenues in several large client programs offset by excess capacity in several customer interaction centers. Income from operations for the three months ended September 30, 1999 includes approximately $1.1 million from the Facilities Management segment as compared with $3.0 million for the three months ended September 30, 1998. Income from operations as a percentage of revenue for the Facilities Management segment decreased from 13.8% for the three months ended September 30, 1998 to 4.7% for the three months ended September 30, 1999. This decrease resulted primarily from increased healthcare costs in one of the Company's Facilities Management contracts and decreased volumes in another Facilities Management contract. Income from operations in the Company's International Outsourced segment increased $1.6 million to $2.0 million for the three months ended September 30, 1999 from $399,000 for the three months ended September 30, 1998. Income from operations as a percentage of revenue for the International Outsourced segment increased from 2.2% for the three months ended September 30, 1998 to 8.6% for the three months ended September 30, 1999. This increase resulted primarily from increased revenues in Australia and Latin America offset by lower volumes in Canada. The operating loss from operations from the Corporate Activities segment (which includes technology-related operations) increased $2.6 million to $9.6 million for the three months ended September 30, 1999 from $7.0 million for the three months ended September 30, 1998. This increase is primarily related to the increased expenses resulting from the Company's significant growth over the period and the Company's increased investment in technology. The Company's three largest clients accounted for 51% of the Company's revenues for the three months ended September 30, 1999. Due to the declines in operating income caused largely by the capacity utilization in several of the Company's North American shared customer interaction centers, these large clients contribution to the operating income of the Company has increased from prior periods.

Other income totaled $7.0 million for the three months ended September 30, 1999 compared with a $364,000 loss during the three months ended September 30, 1998. This is primarily related to a $6.7 million gain on the settlement of a long-term contract (See "Part II. Other Information, Item 1. Legal Proceedings.") and a decrease in business combination expenses.

As a result of the foregoing factors, net income increased $6.1 million or 129.7%, to $10.8 million for the three months ended September 30, 1999 from $4.7 million for the three months ended September 30, 1998. Exclusive of the impact of the one time gain on settlement of the long term contract in 1999 and the business combination expenses in 1998, net income increased $1.8 million or 36.0% from $5.0 million for the three months ended September 30, 1998 to $6.8 million for the three months ended September 30, 1999.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Revenues increased $96.6 million or 37% to $357.3 million for the nine months ended September 30, 1999 from $260.7 million for the nine months ended September 30, 1998. This revenue growth was derived as follows. Revenues from the Company's Outsourced segment increased $72.8 million to $213.1 million for the nine months ended September 30, 1999 from $140.4 million for the nine months ended September 30, 1998. This increase resulted from $13.4 million in revenues from new client programs and $66.7 million in increased revenue from existing client programs. Contract expirations and other client reductions offset a portion of these increases. Revenues for the nine months ended September 30, 1999 include $64.3 million from the Facilities Management segment as compared with $61.0 million for the nine months ended September 30, 1998. This increase is due to increased volumes in one of the Company's facilities management contracts and lower volumes in another contract. Revenues from the Company's International Outsourced segment increased $8.7 million to $62.3 million for the nine months ended September 30, 1999 from $53.6 million for the nine months ended September 30, 1998. This increase is primarily due to increased revenue from existing clients in Australia and Latin America offset by declines in volumes in Canada. Revenues from the Corporate Activities segment (which includes technology-related revenues) increased $11.9 million to $17.6 million for the nine months ended September 30, 1999 from $5.7 million for the nine months ended September 30, 1998. This is primarily related to revenues from the Cygnus and Pamet River acquisitions completed in the fourth quarter of 1998 and the first quarter of 1999, respectively.

Costs of services increased $69.8 million, or 42%, to $238.1 million for the nine months ended September 30, 1999 from $168.3 million for the nine months ended September 30, 1998. Costs of services as a percentage of revenues increased from 64.6% for the nine months ended September 30, 1998 to 66.6% for the nine months ended September 30, 1999. This is primarily a result of increased revenues in several large client programs as they matured through the start-up phase caused a change in the revenue and service mix and resulted in cost of services as a higher percentage of revenues. Also decreased revenue in the Facilities Management segment contributed to gross margin declines.

Selling, general and administrative expenses increased $21.7 million, or 31% to $91.2 million for the nine months ended September 30, 1999 from $69.5 million for the nine months ended September 30, 1998. Selling, general and administrative expenses as a percentage of revenues decreased from 26.7% for the nine months ended September 30, 1998 to 25.5% for the nine months ended September 30, 1999 due to significant cost containment measures.

As a result of the foregoing factors, income from operations increased $5.1 million or 22%, to $28.0 million for the nine months ended September 30, 1999 from $22.9 million for the nine months ended September 30, 1998. Operating income as a percentage of revenues decreased from 8.8% for the nine months ended September 30, 1998 to 7.8% for the nine months ended September 30, 1999. Income from operations from the Company's outsourced segment increased $19.5 million to $48.0 million for the nine months ended September 30, 1999 from $28.5 million for the nine months ended September 30, 1998. Income from operations as a percentage of revenue for the Outsourced segment increased from 20.3% for the nine months ended September 30, 1998 to 22.5% for the nine months ended September 30, 1999. This increase resulted from significant increases in revenues in several large client programs offset by excess capacity in several customer interaction centers. Income from operations for the nine months ended September 30, 1999 includes approximately $4.2 million from the Facilities Management segment as compared with $8.4 million for the nine months ended September 30, 1998. Income from operations as a percentage of revenue for the Facilities Management segment decreased from 13.7% for the nine months ended September 30, 1999 to 6.5% for the nine months ended September 30, 1998. This decrease resulted primarily from decreased volumes and increased healthcare costs in one of the Company's Facilities Management contracts. Income from operations from the Company's International Outsourced segment decreased $805,000 to $3.1 million for the nine months ended September 30, 1999 from $3.9 million for the nine months ended September 30, 1998. Income from operations as a percentage of revenue for the International Outsourced segment decreased from 7.3% for the nine months ended September 30, 1999 to 5.0% for the nine months ended September 30, 1998. This decrease resulted primarily from lower volumes in Canada. The loss from operations from the Corporate Activities segment (which includes technology-related operations) increased $9.4 million to $27.3 million for the nine months ended September 30, 1999 from $17.9 million for the nine months ended September 30, 1998. This increase is primarily related to the increased expenses resulting from the Company's significant growth over the period and the Company's increased investment in technology.

Other income totaled $7.2 million for the nine months ended September 30, 1999 compared with a $124,000 loss during the nine months ended September 30, 1998. This is primarily related to a $6.7 million gain on the settlement of a long-term contract (See "Part II. Other Information, Item 1. Legal Proceedings.") and a decrease in business combination expenses offset by an increase in interest expense.

As a result of the foregoing factors, net income increased $7.4 million or 53.6%, to $21.1 million for the nine months ended September 30, 1999 from $13.7 million for the nine months ended September 30, 1998. Exclusive of the impact of the one time gain on settlement of the long term contract in 1999 and the business combination expenses in 1998, net income increased $2.5 million or 17.4% from $14.5 million for the nine months ended September 30, 1998 to $17.0 million for the nine months ended September 30, 1999.

## LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1999 the Company had cash and cash equivalents of $20.3 million and short-term investments of $37.3 million. Cash provided by operating activities was $38.1 million for the nine months ended September 30, 1999, which primarily resulted from income from operations and increased collections of accounts receivable during the period.

Cash used in investing activities was $44.3 million for the nine months ended September 30, 1999 resulting primarily from $40.0 million in capital expenditures, $1.5 million toward the purchase of Pamet River and $2.6 million toward the purchase of Smart Call (see Note 4 accompanying the condensed financial statements).

Cash provided by financing activities was $19.6 million resulting from the increase in borrowings of $22.0 million on the Company's line of credit offset in part by pay downs of capital leases and other debt.

The Company has a $50.0 million unsecured revolving line of credit with a syndicate of five banks. The Company also has the option to secure at any time up to $25.0 million of the line with available cash investments. The Company has two interest rate options: an offshore rate option or a bank base rate option. The Company will pay interest at a spread of 50 to 150 basis points over the applicable offshore or bank base rate, depending upon the Company's leverage. Interest on the secured portion is based on the applicable rate plus 22.5 basis points. Borrowings under this agreement totaled $22.0 million at September 30, 1999 of which $15.0 million was secured at the Company's option with temporary short term investments disclosed on the balance sheet. Interest rates under these borrowings averaged 6.4% at September 30, 1999. Under this line of credit, the Company has agreed to maintain certain financial ratios and capital expenditure limits. The Company is in compliance with all covenants of this agreement as of September 30, 1999.

The Company currently expects total capital expenditures in 1999 to be approximately $50 million of which $40.0 million was expended in the first nine months. The Company believes that existing cash on hand and available borrowings under the line of credit together with cash from operations should be sufficient to finance the Company's operations, planned capital expenditures and anticipated growth through 2000.

## YEAR 2000

The Year 2000 problem results from date-sensitive computer programs being written using two digits, rather than four digits, to define the applicable year. Computer programs that are not Year 2000 compliant will be unable, for example, to determine whether date references to "00" refers to the year 1900 or 2000. Determining whether the Company's and its clients' systems are Year 2000 compliant is critical because the Company utilizes a significant number of software programs and operating systems throughout its organization, and the Company's systems regularly interface with the various information systems of its clients. The Company's or its clients' failure to detect and remediate Year 2000 related problems in its or their computer and information systems could have a material adverse effect on the business, results of operations or financial condition of the Company.

The Company, with the assistance of two outside consulting firms, has implemented a multiphased program to inventory, assess, remediate and test its information technology ("IT") and non-ITsystems for Year 2000 compliance (the "Program"). The Company has completed the enterprisewide inventory, assessment, analysis and most of the remediation activities associated with Year 2000 issues. The Company is currently conducting an intensive Year 2000 follow up audit of each of its sites which has resulted in minor additional remediation activities.

The Company's Year 2000 consulting firms work with full-time Company employees who are dedicated to the Program. The assessments completed to date have led to the need to migrate several human resource- and payroll-oriented applications to Year 2000 compliant software, upgrade several telephone switches and procure several hundred replacement workstations. Analysis and testing of Company-generated software applications has been completed and only minor remediation has been required. The Company does not anticipate a significant need for software conversion due to Year 2000 issues, given the Company's extensive use of off-the-shelf products.

Although the Company has completed its assessment of its internal systems, many of the Company's client programs interact with and are at least partially dependent upon the clients' internal computer systems. The Company has sought representations from each of its clients as to the Year 2000-compliance status of their systems. The Company has only received positive responses from five of its clients, which represent approximately 10% of the Company's consolidated revenues, the remainder of the Company's clients have indicated that they are in process of reviewing these systems or have referred the Company to their website for Year 2000 updates. The Company will continue to monitor the progress of its clients Year 2000 readiness and is in the process of developing contingency plans for each client program in the event that clients' systems experience Year 2000 problems.

While the estimated cost to address Year 2000 issues are subject to change as the project nears completion, the Company currently anticipates that the total cost of assessment and remediation will be between $4 million and $5 million. Of this total estimated costs approximately 70% is anticipated to be new capital expenditures to replace non-compliant computer hardware and software. For the nine months ended September 30, 1999, the Company has incurred approximately $3.5 million in inventory, assessment and remediation and equipment and software replacement work on Year 2000 issues. Of this amount, $1.4 million was expensed in the accompanying statement of operations ($300,000 related to the third quarter of 1999) and were funded through cash flow from operations. The remaining expenditures in 1999 will be funded primarily through cash flow from operations and available cash on hand.

In management's view, the most reasonably likely worst case Year 2000 scenario is that one or more of the Company's client programs are unable to interact with the client's computer systems. In addition, a limited number of applications may unexpectedly fail. The Company's inability to interact with the client computer systems or the failure of certain applications could result in a disruption of the Company's ability to service customers of the Company's clients.

In the event that the Company's most reasonably likely worst case scenario occurs, the Company will assist its clients customers with systems that are operational and return calls and e-mail at the earliest opportunity in the event that a particular system or application is temporarily unavailable. The Company also plans to have key managers and staff available to address any problems that may arise.

Item 3.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows of the Company due to adverse changes in financial and commodity market prices and rates. The Company is exposed to market risk in the areas of changes in U.S. interest rates and changes in foreign currency exchange rates as measured against the U.S. dollar. These exposures are directly related to its normal operating and funding activities. Historically, and as of September 30, 1999, the Company has not used derivative instruments or engaged in hedging activities.

### INTEREST RATE RISK

The interest on the Company's line of credit and its Canadian subsidiary's operating loan is variable based on the bank's base rate or offshore rate, and therefore, affected by changes in market interest rates. At September 30, 1999, there was approximately $25 million in borrowings subject to interest rate risk. The Company monitors interest rates frequently and has sufficient cash balances to pay off the line of credit and any early termination penalties, should interest rates increase significantly. The Company's investments are typically short-term in nature and as a result do not expose the Company to significant risk from interest rate fluctuations. Therefore, the Company does not believe that reasonably possible near-term changes in interest rates will result in a material effect on future earnings, fair values or cash flows of the Company.

### FOREIGN CURRENCY RISK

The Company has wholly owned subsidiaries in Argentina, Australia, Brazil, Canada, Mexico, New Zealand, Singapore and the United Kingdom. The substantial majority of revenues and expenses from these operations are typically denominated in local currency, thereby creating financial statement translation exposures to changes in exchange rates. The changes in the exchange rates may positively or negatively affect the Company's revenues and net income attributed to these subsidiaries.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in the Company's 1998 Annual Report on Form 10-K, in December 1996, TeleTech filed suit against CompuServe in the Federal District Court for the Southern District of Ohio to enforce termination provisions and collect the termination fee. CompuServe filed a counterclaim in December 1996 alleging that the Company breached other provisions of this agreement and seeking unspecified monetary damages. In March 1997, CompuServe asserted a right to offset certain accounts receivable it owes to the Company for services rendered against the amount that may be awarded to CompuServe on its counterclaim, if any. These accounts receivable total $4.3 million. In July 1999, the Company reached a settlement with CompuServe and other parties whereby the Company would receive $12.0 million in final settlement, of which $5.5 million was received on August 10, 1999 and the remainder is required to be paid in the fourth quarter of 1999.

From time to time, the Company is involved in litigation, most of which is incidental to its business. In the Company's opinion, no litigation to which the Company currently is a party is likely to have a material adverse effect on the Company's results of operations or financial condition.

Item 5. Recent Developments

On October 18, 1999, TeleTech named systems integration, solutions, and services industry expert, Scott D. Thompson ("Mr. Thompson") as president and chief executive officer. Mr. Thompson also joined the TeleTech board of directors.

Mr. Thompson, 43, was formerly president of Lucent Technologies' Netcare Professional Services Division. Netcare designs, installs, maintains, manages and operates broadband networks that deliver converged voice, data and video. Prior to Lucent, Mr. Thompson was executive vice president of Global Integration Services for Ascend Communications, which was acquired by Lucent. His background also includes executive management internationally and domestically at Compaq Computer Corporation and Tandem Computers Incorporated.

Kenneth D. Tuchman, (" Mr. Tuchman") 40, will continue as TeleTech chairman of the board. Mr. Tuchman has served as TeleTech chairman and CEO since he founded the company in 1982. As chairman, he will share in providing strategic direction and developing alliances and customer relationships. Mr. Thompson will lead development and execution of the company's strategic direction, provide day-to-day management of the company's operations and contribute to corporate relations activities.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following documents are filed as an exhibit to this report:

| | |
|---|---|
| 3.1 | Restated Certificate of Incorporation of TeleTech[1] {Exhibit 3.1} |
| 3.2 | Amended and Restated Bylaws of TeleTech [1] {Exhibit 3.2} |
| 10.19* | Employment Agreement dated October 2, 1999 between Scott D. Thompson and TeleTech |
| 10.20* | Stock Option Agreement dated October 18, 1999 between Scott D. Thompson and TeleTech |
| 10.21* | Stock Option Agreement dated October 18, 1999 between Scott D. Thompson and TeleTech |
| 27.1* | Financial Data Schedule |

PART II. OTHER INFORMATION (CONTINUED)

Item 6. Exhibits and Reports on Form 8-K (continued)

* Filed herewith

[ ]Such exhibit previously filed with the Securities and Exchange Commission as exhibits to the filing indicated below, under the exhibit number indicated in brackets {}, and is incorporated by reference.

[1] TeleTech's Registration Statement on Form S-1, as amended (Registration Statement No. 333-04097)

## SIGNATURES

Pursuant to the requirements 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.

TELETECH HOLDINGS, INC.
(Registrant)

Date: November 11, 1999
By: /s/ SCOTT D. THOMPSON
Scott D. Thompson
President and Chief Executive Officer

Date: November 11, 1999
By: /s/ NORMAN A. BLOME
Norman A. Blome, Acting Chief
Financial Officer

# EMPLOYMENT AGREEMENT

This Agreement is between TeleTech Holdings, Inc. ("TeleTech") and Scott Thompson ("Thompson"), and shall be effective as of October 2, 1999.

1. APPOINTMENT.

a. TeleTech hereby employs Thompson as Chief Executive Officer, and Thompson hereby accepts such employment with TeleTech. Thompson's first day of regular, full-time active employment with TeleTech (the "Start Date") shall be on or before October 18, 1999, unless Thompson and TeleTech agree, in advance, that Thompson may begin work on a different date. TeleTech shall appoint Thompson to the Board of Directors of TeleTech (the "Board") for a term ending in May 2000 at the next annual meeting to TeleTech shareholders. Thereafter, upon the expiration of any Board term to which Thompson is appointed or elected, and so long as Thompson serves as TeleTech's Chief Executive Officer, TeleTech shall nominate him for re-election to the Board.

b. Reporting to the Board, the Chief Executive Officer shall be responsible for providing vision and setting TeleTech's strategic direction, as well as ensuring its successful execution. Those efforts should result in TeleTech assuming and maintaining market leadership and sustained growth in shareholder value. The Chief Executive Officer will manage external and internal relationships to solidify and enhance credibility and visibility with customers, employees, the financial community, governments, and the media. The Chief Executive Officer shall have all functional and operational responsibility for TeleTech and its affiliates. All employees and departments of TeleTech and its affiliates shall report directly or indirectly to the Chief Executive Officer. TeleTech represents, warrants, covenants and agrees that the office of Chief Executive Officer is and shall remain, so long as this Agreement is in effect, the most senior and highest-ranking officer of TeleTech. As such Thompson shall only be required to report to the Board

c. Thompson shall devote his full-time and best efforts to the performance of all duties as shall be assigned to him from time to time by TeleTech and shall use his best efforts to promote the business and prospects of TeleTech. Unless otherwise specifically authorized in writing by TeleTech, Thompson shall not engage in any other business activity, or be gainfully employed, if such other activity or employment materially affects or limits Thompson's performance of his obligations to TeleTech. Further, except as otherwise provided in any TeleTech securities-related policy that is applicable generally to TeleTech's senior executives and/or any other agreement between Thompson and Teletech, Thompson shall not be prohibited from making investments in other businesses or enterprises provided such investments do not require the provision of substantial services by Thompson to the operations or the affairs of such businesses or enterprises such that the provisions thereof would interfere in any material respect with the performance of Thompson's duties hereunder.

d. Thompson acknowledges that, as part of his employment duties hereunder, Thompson may be required to perform services for, and serve as an officer and/or director of, subsidiaries and affiliates of TeleTech, on behalf of and as requested by TeleTech, and Thompson agrees to perform such duties.

e. Thompson warrants and represents that neither his execution of this Agreement or any other agreement in connection herewith nor his performance of his duties hereunder shall breach his contractual or other obligations or duties to any prior employer, including without limitation Lucent Technologies.

2. COMPENSATION.

a. SALARY AND SALARY REVIEW. Thompson's starting base salary shall be $425,000 per year, payable in equal installments in accordance with TeleTech's standard payroll practice, less legally required withholdings. TeleTech may, in its sole discretion, increase (but not decrease) Thompson's base salary, as and when TeleTech deems appropriate.

b. SIGN-ON BONUS. Thompson shall receive, as a one-time sign-on bonus, one or the other, but not both, of the benefits described in paragraphs 2(b)(i) and 2(b)(ii), below. Thompson shall make his election in writing before the Start Date. If he fails to do so, TeleTech may make the election, in its sole discretion.

i. Thompson may elect to receive 100,000 shares of TeleTech common stock (the "Stock"), restricted so as to prevent Thompson from selling, transferring, encumbering or otherwise disposing of or alienating the Stock or any interest therein. Upon Thompson's continued employment by TeleTech as of the last day of each of the eleven calendar months following the Start Date, the restrictions on 8,333 shares of the Stock shall be removed, and on the first anniversary of the Start Date the restrictions on the remaining 8,337 shares of the Stock shall be removed. If Thompson is discharged without cause pursuant to paragraph 8(c), below, before the first anniversary of the Start Date, all remaining restrictions on the Stock shall be removed as of the discharge date. If, before the first anniversary of the Start Date, Thompson resigns or is discharged for cause pursuant to paragraph 8(d), below, he shall be required to return to TeleTech only that portion of the Stock from which the restrictions had not, as of the termination date, been removed, as provided above. Thompson understands and agrees that the removal of the restrictions on the Stock, or any part thereof, at any time may result in taxable income to Thompson, and that such removal may give rise to a tax withholding obligation on the part of TeleTech, and Thompson agrees to satisfy any such tax withholdings, to the extent, and only to the extent, that such tax withholdings relate to the employee's share, but not the employer's matching share, if any, of any such tax withholdings.

ii. Thompson may elect to receive a loan (the "Loan"), the proceeds of which shall be distributed when Thompson executes a promissory note evidencing the loan. Interest shall accrue on all unpaid principal at the rate of 6% per annum. The principal amount of the loan shall be $900,000 if the Start Date is on or before October 18, 1999, and $500,000 if the Start Date is after October 18, 1999, and before December 1, 1999. No loan shall be made if the Start Date is on or after December 1, 1999. Upon Thompson's continued employment by TeleTech as of the last day of each of the eleven calendar months following the Start Date, TeleTech shall forgive one-twelfth of the principal amount of the loan, and all interest accrued on the principal amount then forgiven, and upon the first anniversary of the Start Date all remaining unpaid principal, and all remaining accrued interest, shall be forgiven. If Thompson is discharged without cause pursuant to paragraph 8(c), below, before the first anniversary of the Start Date, all remaining unpaid principal, and all remaining accrued interest, shall be forgiven. If, before the first anniversary of the Start Date, Thompson resigns or is discharged for cause pursuant to paragraph 8(d), below, he shall be required to repay only that portion of the Loan that had not, as of the termination date, been forgiven, as provided above. Thompson understands and agrees that TeleTech's forgiveness of the loan or any part thereof at any time may result in taxable income to Thompson, and that such forgiveness may give rise to a tax withholding obligation on the part of TeleTech, and Thompson agrees to satisfy any such tax withholdings, to the extent, and only to the extent, that such tax withholdings relate to the employee's share, but not the employer's matching share, if any, of any such tax withholdings.

c. ANNUAL BONUS.

i. Upon Thompson's continued employment by TeleTech as of December 31, 2000, Thompson shall be entitled to an annual bonus in an amount determined by TeleTech but no less than $340,000, payable in a lump sum, less legally required withholdings, no later than March 31, 2001.

ii. In connection with Thompson's work during calendar 2001 and each full calendar year thereafter, Thompson shall be eligible for an annual bonus targeted at between eighty percent and one hundred fifty percent (or more) of his then-current base salary. The precise amount of that bonus shall be determined based on the achievement of Thompson's Management Bonus Opportunity ("MBO") performance goals, which goals shall be determined in good faith and in advance jointly by Thompson and the Board. Any such bonus shall be payable in a lump sum, less legally required withholdings, no later than March 31 of the year following the calendar year with respect to which the bonus is earned.

3. STOCK OPTIONS.

a. Thompson shall receive a one-time sign-on option award of 1,000,000 non-qualified stock options with an exercise price equal the fair market value of TeleTech common stock on the Start Date, calculated as the last sale price for TeleTech common stock reported by the Nasdaq Stock Market, Inc., as of the close of business on the Start Date. This grant shall be reflected in a stock option agreement providing, among other things, that upon Thompson's continued employment by TeleTech, these options shall vest in equal installments on the first five anniversaries of the Start Date, and that the vesting of such options shall be accelerated upon a change of control, or the attainment of stock price targets, as described in detail in the stock option agreement.

b. Thompson shall be eligible to participate in a management stock option program ("MSOP") designed to grant stock options to specified executives at the end of each year. As CEO, Thompson shall be eligible for an award of up to 75,000 options per year, which would, if awarded, vest in equal annual installments over four years. The Board may from time to time increase the maximum recommended grant. Grants of options in connection with the MSOP shall be made when and in an amount determined by TeleTech in its sole discretion, and shall be subject to the terms and conditions of a separate stock option agreement to be executed by Thompson and TeleTech, and to any terms or conditions of TeleTech's MSOP that may be established, modified or amended from time to time.

4. FRINGE BENEFITS.

a. EXECUTIVE MEDICAL AND DENTAL INSURANCE. Thompson and his dependents shall be eligible for coverage under the group medical and dental insurance plans made available from time to time to TeleTech's executive and management employees, beginning on the Start Date. TeleTech shall pay premiums for Thompson and his dependents under such group medical and dental insurance plans pursuant to the same premium-payment formula applicable to TeleTech's other senior executives.

b. LIFE INSURANCE. Subject to Thompson's satisfactory completion of a standard medical examination, Thompson shall be eligible for, and TeleTech shall provide Thompson with, a $5,000,000 term life insurance policy. TeleTech shall pay all premiums relating to such a policy. Such insurance policy will be maintained by TeleTech on behalf of Thompson so long as Thompson is employed by TeleTech. Thompson shall be the owner of such policy and shall have the right to designate the beneficiary or beneficiaries thereof. Upon termination of Thompson's employment for any reason whatsoever, Thompson shall have the right to continue and maintain such policy by his payment of future premiums due under the policy.

c. DISABILITY INSURANCE. Thompson shall be eligible to participate in TeleTech's group disability insurance program, as that program may be modified from time to time, under which, in the event of a qualifying disability and subject to the other terms and conditions of that program, Thompson shall be eligible to receive no less than 50% of his base salary and annual bonus under paragraph 2(c), above, (calculated at 80% of his then-base salary) beginning on the ninety-first day of a qualifying disability.

d. EXPENSES. TeleTech shall reimburse Thompson for all reasonable and necessary expenses incurred by Thompson in connection with his performance of his duties under this Agreement.

e. OFFICE. Thompson shall initially be assigned the chief executive's office located on the 14th Floor of 1700 Lincoln Street, Denver, Colorado 80203, or such other office space as TeleTech shall from time to time designate for use by its chief executive, provided that such office space shall at all times befit an executive of Thompson's stature and responsibilities.

f. FINANCIAL PLANNING SERVICES. TeleTech shall reimburse Thompson for the actual expenses he incurs in securing personal financial planning services, up to a maximum reimbursement of $10,000 per calendar year.

g. MISCELLANEOUS BENEFITS. Thompson shall receive all fringe benefits that other TeleTech executive and management employees may from time to time receive.

5. PAID LEAVE.

a. VACATION. During each calendar year of Thompson's continuous, full-time active employment with TeleTech, Thompson shall earn twenty days of paid vacation time. Any unused vacation time in any given calendar year shall be carried forward to succeeding calendar years. Vacation time shall be earned incrementally during the year, so that, upon termination of Thompson's employment, TeleTech shall pay Thompson the cash value, less legally required withholdings, of the prorated portion of his vacation entitlement during the year of termination, less the value of the vacation time used during that year, plus the cash value, less legally required withholdings, of any accrued unused vacation time from previous calendar years.

b. SICK LEAVE AND HOLIDAYS. Thompson shall receive paid sick leave and holidays under the guidelines for such leave applicable from time to time to TeleTech's executive and management employees.

6. RELOCATION EXPENSES. TeleTech shall reimburse Thompson for his reasonable expenses in relocating to the Denver, Colorado metropolitan area up to $150,000, including, without limitation, expenses, such as the payment of any agent's or broker's fee and other closing costs, incurred by Thompson in connection with the sale of his home, travel expenses for Thompson and his wife between his present residence and Denver, Colorado, and closing costs associated with Thompson's purchase of a new home in the Denver, Colorado metropolitan area. All such

reimbursements shall, if necessary, be grossed up to make Thompson whole on an after-tax basis for his actual out-of-pocket expenses, up to the $150,000 limit.

7. RELATIONSHIP BETWEEN THIS AGREEMENT AND OTHER TELETECH PUBLICATIONS. In the event of any conflict between any term of this Agreement and any TeleTech contract, policy, procedure, guideline or other publication, the terms of this Agreement shall control.

8. TERM AND TERMINATION.

a. TERM. The term of this Agreement shall be three years, commencing on the Start Date and ending on the third anniversary thereof. This Agreement shall be renewed for successive one-year terms if the parties agree to such renewal in writing at least sixty days before the expiration of the initial three-year term or any renewal term, as the case may be.

b. TERMINATION BY CONSENT. This Agreement may be terminated at any time by the parties' mutual agreement, expressed in writing.

c. TERMINATION BY TELETECH WITHOUT CAUSE. If TeleTech terminates Thompson's employment without cause during Thompson's first twelve months of continuous, full-time active employment, then after Thompson executes a separation agreement and legal release in a form satisfactory to TeleTech (provided that any such agreement shall preserve Thompson's right, if any, to indemnification under TeleTech's bylaws, articles of incorporation, insurance policies and/or applicable law, and shall not modify Thompson's obligations, under applicable law or any agreement, concerning the confidentiality of information, competition, solicitation or the assignment of intellectual property rights, or remedies pertaining thereto): (i) TeleTech shall pay Thompson severance compensation equal to the sum of eighteen months of Thompson's then-current base salary under paragraph 2(a), above, plus one and one half times eighty percent of Thompson's then-current base salary, which shall be payable in eighteen equal monthly installments, less legally required withholdings, on the first business day of each month, beginning in the month following the termination date; and (ii) all of Thompson's unvested stock options that would have vested during the remainder of the Thompson's first year of employment shall immediately vest and become exercisable. If TeleTech terminates this Agreement at any time without cause under this paragraph 8(c), pays Thompson all salary and vacation compensation earned and unpaid as of the termination date, and offers to provide Thompson severance compensation and accelerated option vesting in the amount and on the terms specified above, TeleTech's acts in doing so shall be in complete accord and satisfaction of any claim that Thompson has or may at any time have for compensation or payments of any kind from TeleTech arising from or relating in whole or part to Thompson's employment with TeleTech and/or this Agreement. Because this paragraph 8(c) is intended to provide compensation to enable Thompson to support himself in the event of Thompson's loss of employment under certain circumstances specified herein, Thompson's right to severance pay under this paragraph 8(c) shall not be triggered by the sale of all or a portion of TeleTech's stock or assets, unless such sale results in Thompson's loss of employment, or Thompson thereafter terminates this Agreement for "Good Cause," as that term is defined in paragraph 8(g), below.

d. TERMINATION BY TELETECH FOR CAUSE. TeleTech may terminate this Agreement effective immediately upon notice to Thompson, with TeleTech's only obligation being the payment of salary and accrued, unused vacation compensation earned as of the date of termination and without liability for severance compensation of any kind, if Thompson violates any material term of this Agreement or any material TeleTech policy, procedure or guideline or if Thompson engages in any of the following forms of misconduct: conviction of, or a plea of nolo contendere to, any felony or of any misdemeanor involving dishonesty or moral turpitude; theft or misuse of TeleTech's property or time; use of alcohol or controlled substances on TeleTech's premises or appearing on such premises while intoxicated or under the influence of drugs not prescribed by a physician, or after having knowingly abused prescribed medications (provided, however, that the use of alcohol or appearing intoxicated on TeleTech's premises at a TeleTech-sanctioned or sponsored event shall not constitute "Cause" for termination); illegal use of any controlled substance; illegal gambling on TeleTech's premises; discriminatory or harassing behavior, whether or not illegal under federal, state or local law; willful misconduct in connection with Thompson's activities under this Agreement; or intentionally falsifying any document or making any false or misleading statement relating to Thompson's employment by TeleTech. Notwithstanding any other provision of this Agreement, TeleTech shall not be entitled to give notice of termination for discriminatory or harassing behavior until the following occurs: (i) TeleTech gives Thompson at least fifteen (15) days' written notice of any such claims or allegations of harassment or discrimination, stating with particularity the facts and circumstances forming the basis of such claims or allegations and, prior to any hearing thereon as provided in clause (ii) below, provides to Thompson copies of all witness statements and other written records and documentation supporting such claims or allegations; and (ii) Thompson is given, with the presence of counsel, a hearing before the Board prior to any determination by TeleTech of the existence of cause pursuant to this provision, at which hearing Thompson shall have a full and fair opportunity to present evidence and argument concerning the existence of such cause; and PROVIDED, FURTHER, that TeleTech shall not act upon any claim or allegation of harassment or discrimination concerning Thompson unless and until TeleTech has received information giving rise to a duty of inquiry or investigation on TeleTech's part under applicable law. With respect to conduct other than discriminatory or harassing behavior, TeleTech shall not be entitled to give notice of termination of this Agreement for cause unless it first gives Thompson no less than thirty days' written notice of the specific violation and which notice describes with particularity the actions required on the part of Thompson to cure such violation; provided that such prior notice shall not be required where the conduct in question is of such a character that it cannot reasonably be cured.

f. TERMINATION UPON THOMPSON'S DEATH. This Agreement shall terminate immediately upon Thompson's death. Thereafter, TeleTech shall pay to Thompson's estate all compensation fully earned, and benefits fully vested, as of the last date of Thompson's continuous, full-time active employment with TeleTech, but shall not be required to pay any form of severance or other compensation concerning or on account of Thompson's employment with TeleTech or the termination thereof. The principal amount of any loan made to Thompson pursuant to paragraph 2(b)(ii), above, to the extent not forgiven under that paragraph before the date of Thompson's death, shall be forgiven upon Thompson's death.

g. TERMINATION BECAUSE OF DISABILITY. During the first ninety calendar days of any period during which a medical condition renders Thompson continuously unable to perform the essential functions of his position (the "Initial Disability Period"), he shall continue to receive his base salary pursuant to paragraph 2(a), above. Thereafter, if Thompson qualifies for benefits under TeleTech's long term disability insurance plan (the "LTD Plan"), then he shall remain on leave for so long as he continues to qualify for such benefits, during which time he shall be entitled to any benefits to which the LTD Plan entitles him, but no additional compensation from TeleTech. If at any time after the Initial Disability Period Thompson remains unable to perform the essential functions of his position but is denied or otherwise becomes ineligible for benefits under the LTD Plan, then TeleTech may terminate this Agreement and/or Thompson's employment.

h. TERMINATION BY THOMPSON. Upon the occurrence of "Good Cause," as that term is defined below, Thompson may terminate this Agreement upon ninety days' prior written notice. If Thompson terminates this Agreement for Good Cause, as defined below, any unpaid principal balance of the Loan and all interest accrued thereon shall be forgiven, provided that Thompson understands and agrees that TeleTech's forgiveness of the loan or any part thereof at any time may result in taxable income to Thompson, and that such forgiveness may give rise to a tax withholding obligation on the part of TeleTech, and Thompson agrees to satisfy any such tax withholdings, to the extent, and only to the extent, that such tax withholdings relate to the employee's share, but not the employer's matching share, if any, of any such tax withholdings. As used in this paragraph 8(c), "Good Cause" shall mean (i) a substantial and material diminution of Thompson's responsibilities and duties concerning the operation of TeleTech's business; (ii) a material decrease in Thompson's base salary and/or a material decrease in Thompson's annual bonus amount (other than for TeleTech performance) and/or a material decrease in Thompson's employee benefits (other than pursuant to a general reduction or modification of such benefits that is applicable to all of TeleTech's senior executives); or (iii) a material change in the responsibilities or duties assigned to Thompson, as measured against Thompson's responsibilities or duties immediately prior to such change, that causes Thompson to be of materially reduced stature or responsibility; or (iv) a material change in Thompson's reporting responsibilities or duties, as measured against Thompson's reporting responsibilities or duties immediately prior to such change, that materially curtails Thompson's ability to perform the services required of Thompson's position; or (v) the permanent non-voluntary relocation, to a site outside the Denver, Colorado metropolitan area, of Thompson's current principal place of performance of services for TeleTech; or (vi) the occurrence of circumstances establishing constructive discharge under the common law of the State of Colorado. If Thompson terminates this agreement for Good Cause before the first anniversary of the Start Date and executes a separation agreement in the form prescribed in paragraph 8(c), above, he shall be entitled to the severance compensation specified in paragraph 8(c), above.

9. SUCCESSORS AND ASSIGNS. TeleTech, its successors and assigns may in their sole discretion assign this Agreement to any person or entity, with or without Thompson's consent. This Agreement thereafter shall bind, and inure to the benefit of, TeleTech's successor or assign. Thompson shall not assign either this Agreement or any right or obligation arising hereunder.

10. DISPUTE RESOLUTION.

a. Thompson and TeleTech agree that in the event of any controversy or claim arising out of or relating to Thompson's employment with and/or separation from TeleTech, they shall negotiate in good faith to resolve the controversy or claim privately, amicably and confidentially. Each party may consult with counsel in connection with such negotiations.

b. Excepting only: (1) worker's compensation claims; (2) unemployment compensation claims; (3) proceedings to enforce the terms of any confidentiality covenant or to protect Confidential Information and/or Confidential Records; and (4) claims brought under the Colorado Wage Act, C.R.S. Sections 8-4-101, ET SEQ., all controversies and claims arising from or relating to Thompson's employment with TeleTech and/or the termination of that employment that cannot be resolved by good-faith negotiations ("Arbitrable Disputes") shall be resolved only by final and binding arbitration conducted privately and confidentially in the Denver, Colorado, metropolitan area by a single arbitrator who is a member of the panel of former judges that makes up the Judicial Arbiter Group ("JAG"); any successor of JAG; or, if JAG or any successor is not in existence, any entity that can provide a former judge to serve as arbitrator (collectively, the "Dispute Resolution Service"). Without limiting the generality of the foregoing, the parties understand and agree that this paragraph 10 shall require arbitration of all disputes and claims that may arise at common law, such as breach of contract, express or implied, promissory estoppel, wrongful discharge, tortious interference with contractual rights, infliction of emotional distress, defamation, or under federal, state or local laws, such as the Fair Labor Standards Act, the Employee Retirement Income Security Act, the National Labor Relations Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Rehabilitation Act of 1973, the Equal Pay Act, the Americans with Disabilities Act, and the Colorado Civil Rights Act. The parties understand and agree that this Agreement evidences a transaction involving commerce within the meaning of 9 U.S.C. Section 2, and that this Agreement shall therefore be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1, ET SEQ.

c. Notwithstanding any statute or rule governing limitations of actions, any arbitration relating to or arising from any Arbitrable Dispute shall be commenced by service of an arbitration demand before the earlier of the one-year anniversary of the accrual of the aggrieved party's claim pursuant to Colorado law or the one-year anniversary of Thompson's last day of employment with TeleTech. Otherwise, all claims that were or could have been brought by the aggrieved party against the other party shall be forever barred.

d. To commence an arbitration pursuant to this Agreement, a party shall serve a written arbitration demand (the "Demand") on the other party by certified mail, return receipt requested, and at the same time submit a copy of the Demand to the Dispute Resolution Service, together with a check payable to the Dispute Resolution Service in the amount of that entity's then-current arbitration filing fee; provided that in no event shall the Thompson be required to pay an arbitration filing fee exceeding the sum then required to file a civil action in the United States District Court for the District of Colorado. The claimant shall attach a copy of this Agreement to the Demand, which shall also describe the dispute in sufficient detail to advise the respondent of the nature of the dispute, state the date on which the dispute first arose, list the names and addresses of every current or former employee of TeleTech or any affiliate whom the claimant believes does or may have information relating to the dispute, and state with particularity the relief requested by the claimant, including a specific monetary amount, if the claimant seeks a monetary award of any kind. Within thirty days after receiving the Demand, the respondent shall mail to the claimant a written response to the Demand (the "Response"), and submit a copy of the Response to the Dispute Resolution Service, together with a check for the difference, if any, between the filing fee paid by the claimant and the Dispute Resolution Service's then-current arbitration filing fee.

e. Promptly after service of the Response, the parties shall confer in good faith to attempt to agree upon a suitable arbitrator. If the parties are unable to agree upon an arbitrator, the Dispute Resolution Service shall select the arbitrator, based, if possible, on his or her expertise with respect to the subject matter of the Arbitrable Dispute.

f. Notwithstanding the choice-of-law principles of any jurisdiction, the arbitrator shall be bound by and shall resolve all Arbitrable Disputes in accordance with the substantive law of the State of Colorado, federal law as enunciated by the federal courts situated in the Tenth Circuit, and all Colorado and Federal rules relating to the admissibility of evidence, including, without limitation, all relevant privileges and the attorney work product doctrine.

g. Before the arbitration hearing, TeleTech shall be entitled to take a discovery deposition of Thompson and Thompson shall be entitled to take a discovery deposition of one TeleTech representative with knowledge of the dispute. Upon the written request of either party, the other party shall promptly produce documents relevant to the Arbitrable Dispute or reasonably likely to lead to the discovery of admissible evidence. The manner, timing and extent of any further discovery shall be committed to the arbitrator's sound discretion, provided that under no circumstances shall the arbitrator allow more depositions or interrogatories than permitted by the presumptive limitations set forth in F.R.Civ.P. 30(a)(2)(A) and 33(a). The arbitrator shall levy appropriate sanctions, including an award of reasonable attorneys' fees, against any party that fails to cooperate in good faith in discovery permitted by this paragraph 10 or ordered by the arbitrator.

h. Before the arbitration hearing, any party may by motion seek judgment on the pleadings as contemplated by F.R.Civ.P. 12(c) and/or summary judgment as contemplated by F.R.Civ.P. 56. The other party may file a written response to any such motion, and the moving party may file a written reply to the response. The arbitrator: may in his or her discretion conduct a hearing on any such motion; shall give any such motion due and serious consideration, resolving the motion in accordance with F.R.Civ.P. 12(c) and/or a F.R.Civ.P. 56, as the case may be, and other governing law, pursuant to paragraph 10(f), above; and shall issue a written award concerning any such motion no fewer than ten days before any evidentiary hearing conducted on the merits of any claim asserted in the arbitration.

i. Within thirty days after the arbitration hearing is closed, the arbitrator shall issue a written award setting forth his or her decision and the reasons therefor. If a party prevails on a statutory claim that affords the prevailing party the right to recover attorneys' fees and/or costs, then the arbitrator shall award to the party that substantially prevails in the arbitration its costs and expenses, including reasonable attorneys' fees. The arbitrator's award shall be final, nonappealable and binding upon the parties, subject only to the provisions of 9 U.S.C. Section 10, and may be entered as a judgment in any court of competent jurisdiction.

j. The parties agree that reliance upon courts of law and equity can add significant costs and delays to the process of resolving disputes. Accordingly, they recognize that an essence of this Agreement is to provide for the submission of all Arbitrable Disputes to binding arbitration. Therefore, if any court concludes that any provision of this paragraph 10 is void or voidable, the parties understand and agree that the court shall reform each such provision to render it enforceable, but only to the extent absolutely necessary to render the provision enforceable and only in view of the parties' express desire that Arbitrable Disputes be resolved by arbitration and, to the greatest extent permitted by law, in accordance with the principles, limitations and procedures set forth in this Agreement.

11. MISCELLANEOUS.

a. GOVERNING LAW. This Agreement, and all other disputes or issues arising from or relating in any way to TeleTech's relationship with Thompson, shall be governed by the internal laws of the State of Colorado, irrespective of the choice of law rules of any jurisdiction.

b. SEVERABILITY. If any court of competent jurisdiction declares any provision of this Agreement invalid or unenforceable, the remainder of the Agreement shall remain fully enforceable. To the extent that any court concludes that any provision of this Agreement is void or voidable, the court shall reform such provision(s) to render the provision(s) enforceable, but only to the extent absolutely necessary to render the provision(s) enforceable.

c. INTEGRATION. This Agreement constitutes the entire agreement of the parties and a complete merger of prior negotiations and agreements and, except as provided in the preceding subparagraph 10(j), shall not be modified by word or deed, except in a writing signed by Thompson and the Chairman of TeleTech's Board.

d. WAIVER. No provision of this Agreement shall be deemed waived, nor shall there be an estoppel against the enforcement of any such provision, except by a writing signed by the party charged with the waiver or estoppel. No waiver shall be deemed continuing unless specifically stated therein, and the written waiver shall operate only as to the specific term or condition waived, and not for the future or as to any act other than that specifically waived.

e. CONSTRUCTION. Headings in this Agreement are for convenience only and shall not control the meaning of this Agreement. Whenever applicable, masculine and neutral pronouns shall equally apply to the feminine genders; the singular shall include the plural and the plural shall include the singular. The parties have reviewed and understand this Agreement, and each has had a full opportunity to negotiate the agreement's terms and to consult with counsel of their own choosing. Therefore, the parties expressly waive all applicable common law and statutory rules of construction that any provision of this Agreement should be construed against the agreement's drafter, and agree that this Agreement and all amendments thereto shall be construed as a whole, according to the fair meaning of the language used.

f. COUNTERPARTS AND TELECOPIES. This agreement may be executed in counterparts, or by copies transmitted by telecopier, which counterparts and/or facsimile transmissions shall have the same force and effect as had the contract been executed in person and in original form.

THOMPSON ACKNOWLEDGES AND AGREES: THAT HE UNDERSTANDS THIS AGREEMENT; THAT HE ENTERS INTO IT FREELY, KNOWINGLY, AND MINDFUL OF THE FACT THAT IT CREATES IMPORTANT LEGAL OBLIGATIONS AND AFFECTS HIS LEGAL RIGHTS; AND THAT HE UNDERSTANDS THE NEED TO

CONSULT CONCERNING THIS AGREEMENT WITH LEGAL COUNSEL OF HIS OWN CHOOSING, AND HAS HAD A FULL AND FAIR OPPORTUNITY TO DO SO.

[SIGNATURES FOLLOW]

TeleTech Holdings, Inc.

| | |
|---|---|
| - -------------------------------- | By: -------------------------------- |
| Scott Thompson | Print name: ------------------------ |
| Date: --------------------- | As its: ---------------------------- |
| | Date: --------------------- |

TELETECH HOLDINGS, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (the "AGREEMENT") is entered into between TELETECH HOLDINGS, INC., a Delaware corporation ("TELETECH"), and Scott Thompson ("OPTIONEE"), as of October 18, 1999 (the "GRANT DATE"). In consideration of the mutual promises and covenants made herein, the parties hereby agree as follows:

1. GRANT OF OPTION. Subject to the terms and conditions of the TeleTech Holdings, Inc. 1999 Stock Option and Incentive Plan (the "PLAN"), a copy of which is attached hereto as Exhibit A and incorporated herein by this reference, TeleTech grants to Optionee an option (the "OPTION") to purchase 300,000 shares (the "SHARES") of TeleTech's common stock, $.01 par value (the "COMMON STOCK"), at a price equal to $13.125 per share (the "OPTION PRICE"). The Option Price has been determined by the Compensation Committee of the Board of Directors of TeleTech (the "COMMITTEE"), acting in good faith, to be the fair market value of the Common Stock on the Grant Date based upon the last sale price for Common Stock reported by The Nasdaq Stock Market, Inc. ("Nasdaq") as of the close of business on the Grant Date.

The Option is not intended to qualify as an incentive stock option described in Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE"). All provisions of this Agreement are to be construed in conformity with this intention.

2. TERM: OPTION RIGHTS. Except as provided below, the Option shall be valid for a term commencing on the Grant Date and ending 10 years after the Grant Date (the "EXPIRATION DATE").

(a) RIGHTS UPON TERMINATION OF EMPLOYMENT. If Optionee ceases to be employed by TeleTech or any of its subsidiaries or affiliates (collectively, the "SUBSIDIARIES") for any reason other than (i) for "Cause" (as defined herein), (ii) Optionee's death, or (iii) Optionee's mental, physical or emotional disability or condition (a "DISABILITY"), the Option shall be exercisable at any time prior to the earlier of the Expiration Date or the date three months after the date of termination of Optionee's employment.

(b) RIGHTS UPON TERMINATION FOR CAUSE. If Optionee's employment with TeleTech and/or its Subsidiaries is terminated for Cause, the Option shall be immediately cancelled, no portion of the Option may be exercised thereafter and Optionee shall forfeit all rights to the Option. The term "Cause" shall have the meaning given to such term or to the term "For Cause" or other similar phrase in Optionee's Employment Agreement with TeleTech or any Subsidiary; provided, however, that (i) if at any time Optionee's employment with TeleTech or any Subsidiary is not governed by an employment agreement, then the term "Cause" shall have the meaning given to such term in the Plan, and (ii) "Cause" shall exclude Optionee's death or Disability.

(c) RIGHTS UPON OPTIONEE'S DEATH OR DISABILITY. If Optionee's employment with TeleTech and/or its Subsidiaries is terminated as a result of (i) Optionee's death, the Option may be exercised at any time prior to the earlier of the Expiration Date or the date six months after the date of Optionee's death, or (ii) Optionee's Disability, the Option may be exercised at any time prior to the earlier of the Expiration Date or the date six months after the date of Optionee's employment is terminated as a result of Optionee's Disability.

3. VESTING. The Option may only be exercised to the extent vested. Any vested portion of the Option may be exercised at any time in whole or from time to time in part. The Option shall vest in accordance with the following schedule (each date set forth below, a "VESTING DATE"):

| Vesting Date | Cumulative Percentage of Option Vested |
|---|---|
| October 18, 2000 | 20% |
| October 18, 2001 | 40% |
| October 18, 2002 | 60% |
| October 18, 2003 | 80% |
| October 18, 2004 | 100% |

Optionee must be employed by TeleTech or any Subsidiary on any Vesting Date, in order to vest in the portion of the Option set forth in the chart above that vests on such Vesting Date. Except as provided in Section 3A below, no portion of the Option shall vest between Vesting Dates; if Optionee ceases to be employed by TeleTech or any Subsidiary, then any portion of the Option that is scheduled to vest on any Vesting Date after the date Optionee's employment is terminated automatically shall be forfeited as of the termination of employment. Except as provided in Section 3A below, if Optionee's employment with TeleTech or any Subsidiary is terminated for any reason, any portion of the Option which is not then vested shall be immediately forfeited; provided, however, that a transfer or reassignment of Optionee from TeleTech to any Subsidiary, or VICE VERSA, shall not constitute a termination of employment for purposes of this Agreement.

3A. ACCELERATED VESTING.

(a) VESTING FOLLOWING A CHANGE IN CONTROL. Notwithstanding the vesting schedule contained in Section 3,

(i) upon a Change in Control (as hereinafter defined), any unvested portion of the Option that is scheduled to vest (pursuant to Section 3) within 24 months following the date the Change of Control becomes effective shall vest and become immediately exercisable as of the effective date of the Change of Control, with the remainder of the unvested portion of the Option vesting pursuant to Section 3, as accelerated by this Section 3A and clarified by the following example:

> For example, assume that on June 1, 1999 an optionee was granted an option to acquire 10,000 shares of Common Stock, which option vests over five years, pro rata, on each anniversary of the grant date. On June 5, 2000, a Change of Control is consummated. As of June 5, 2000, the optionee will be fully vested in the option with respect to 6,000 shares (i.e., the 2,000 shares that vested on June 1, 2000, plus an additional 4,000 shares that vested on June 5, 2000 in accordance with the accelerated vesting provisions of this Section 3A), and the remaining unvested portion of the option would vest (assuming all other conditions to vesting are satisfied) with respect to the remaining 4,000 shares on each of June 1, 2001 (2,000 shares) and June 2, 2002 (2,000 shares).

(ii) if Optionee's employment with TeleTech or any Subsidiary is terminated within 24 months following a Change in Control, then the entire amount of the Option shall become 100% vested and immediately exercisable as of the Termination Date (as defined herein); PROVIDED, HOWEVER, that the accelerated vesting described in the foregoing clause (ii) shall not apply if Optionee's employment with TeleTech is terminated (A) by Optionee for any reason other than for "Good Reason" (as defined herein), or (B) by TeleTech for "Cause" (as defined herein).

(b) DEFINITION OF "CHANGE IN CONTROL". For purposes of this Agreement, "CHANGE IN CONTROL" means the occurrence of any one of the following events:

(i) any consolidation, merger or other similar transaction (A) involving TeleTech, if TeleTech is not the continuing or surviving corporation, or (B) which contemplates that all or substantially all of the business and/or assets of TeleTech will be controlled by another corporation;

(ii) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all of the assets of TeleTech (a "DISPOSITION"); PROVIDED, HOWEVER, that the foregoing shall not apply to any Disposition to a corporation with respect to which, following such Disposition, more than 51% of the combined voting power of the then outstanding voting securities of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of at least 51% of the then outstanding Common

Stock and/or other voting securities of TeleTech immediately prior to such Disposition, in substantially the same proportion as their ownership immediately prior to such Disposition;

(iii) approval by the stockholders of TeleTech of any plan or proposal for the liquidation or dissolution of TeleTech, unless such plan or proposal is abandoned within 60 days following such approval;

(iv) the acquisition by any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), or two or more persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 51% or more of the outstanding shares of voting stock of TeleTech; PROVIDED, HOWEVER, that for purposes of the foregoing, "person" excludes Kenneth D. Tuchman and his affiliates; PROVIDED, FURTHER that the foregoing shall exclude any such acquisition (A) by any person made directly from TeleTech, (B) made by TeleTech or any Subsidiary, or (C) made by an employee benefit plan (or related trust) sponsored or maintained by TeleTech or any Subsidiary; or

(v) if, during any period of 15 consecutive calendar months commencing on September 1, 1999, those individuals (the "CONTINUING DIRECTORS") who either (A) were directors of TeleTech on the first day of each such 15-month period, or (B) subsequently became directors of TeleTech and whose actual election or initial nomination for election subsequent to that date was approved by a majority of the Continuing Directors then on the board of directors of TeleTech, cease to constitute a majority of the board of directors of TeleTech.

(c) OTHER DEFINITIONS. For purposes of this Section 3A, the following terms have the meanings ascribed to them below:

(i) "CAUSE" has the meaning given to such term, or to the term "For Cause" or other similar phrase, in Optionee's Employment Agreement with TeleTech or any Subsidiary, if any; PROVIDED, HOWEVER, that if at any time Optionee's employment with TeleTech or any Subsidiary is not governed by an employment agreement, then the term "Cause" shall have the meaning given to such term in the Plan; PROVIDED, FURTHER, that, notwithstanding the provisions of Optionee's Employment Agreement or of the Plan, for purposes of this Agreement, TeleTech shall have the burden to prove that Optionee's employment was terminated for "Cause."

(ii) "TERMINATION DATE" means the latest day on which Optionee is expected to report to work and is responsible for the performance of services to or on behalf of TeleTech or any Subsidiary, notwithstanding that Optionee may be entitled to receive payments from TeleTech (e.g., for unused vacation or sick time, severance payments, deferred compensation or otherwise) after such date; and

(iii) "GOOD REASON" means (A) any reduction in Optionee's base salary; PROVIDED THAT a reduction in Optionee's base salary of 10% or less does not constitute "Good Reason" if such reduction is effected in connection with a reduction in compensation that is applicable generally to officers and senior management of TeleTech; (B) Optionee's responsibilities or areas of supervision within TeleTech or its Subsidiaries are substantially reduced; or (C) Optionee's principal office is relocated outside the metropolitan area in which Optionee's office was located immediately prior to the Change in Control; PROVIDED, HOWEVER, that temporary assignments made for the good of TeleTech's business shall not constitute such a move of office location; or (D) for any reason defined as "Good Cause" in Optionee's Employment Agreement with TeleTech or any subsidiary.

(d) VESTING FOLLOWING TERMINATION BY TELETECH OTHER THAN FOR CAUSE. In the event that Optionee's employment with TeleTech is terminated by TeleTech for any reason other than for "Cause" (as defined above) within one year of the Grant Date, the unvested portion of the Option that is scheduled to vest on October 18, 2000, including any portion of the Option which has vested in accordance with Section 3A(e) below as of the Termination Date, shall vest and become immediately exercisable as of the day after Optionee's last day of employment with TeleTech.

(e) VESTING BASED ON PERFORMANCE CRITERIA. In the event that TeleTech's closing stock price, as reported by Nasdaq, is equal to, or exceeds, any one of the per share prices set forth below for 120 consecutive days (the "Price Period"), the following percentage of the portion of the Option then remaining unvested shall vest and become immediately exercisable as of the last day of such Price Period:

| Price Per Share | Percentage of Option Vested |
|---|---|
| $ 25.00 | 25% |
| $ 30.00 | 50% |
| $ 40.00 | 75% |
| $ 50.00 | 100% |

4. PROCEDURE FOR EXERCISE. Exercise of the Option or a portion thereof shall be effected by the giving of written notice to TeleTech in accordance with the Plan and payment of the aggregate Option Price for the number of Shares to be acquired pursuant to such exercise.

5. PAYMENT FOR SHARES. Payment of the Option Price (or portion thereof) shall be made in cash or by such other method as may be permitted by the Committee in accordance with the provisions of the Plan. No Shares shall be delivered upon exercise of the Option until full payment has been made and all applicable withholding requirements satisfied.

6. OPTIONS NOT TRANSFERABLE AND SUBJECT TO CERTAIN RESTRICTIONS. The Option may

not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined in Section 414(p) of the Code. During Optionee's lifetime, the Option may be exercised only by the Optionee or by a legally authorized representative. In the event of Optionee's death, the Option may be exercised by the distributee to whom Optionee's rights under the Option shall pass by will or by the laws of descent and distribution.

7. ACCEPTANCE OF PLAN. Optionee hereby accepts and agrees to be bound by all the terms and conditions of the Plan.

8. NO RIGHT TO EMPLOYMENT. Nothing herein contained shall confer upon Optionee any right to continuation of employment by TeleTech or any Subsidiary, or interfere with the right of TeleTech or any Subsidiary to terminate at any time the employment of Optionee. Nothing contained herein shall confer any rights upon Optionee as a stockholder of TeleTech, unless and until Optionee actually receives Shares.

9. COMPLIANCE WITH SECURITIES LAWS. The Option shall not be exercisable and Shares shall not be issued pursuant to exercis e of the Option unless the exercise of the Option and the issuance and delivery of Shares pursuant thereto shall comply with all relevant provisions of law including, without limitation, the Securities Act of 1933, as amended (the "SECURITIES ACT"), the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which Common Stock may then be listed, and shall be further subject to the approval of counsel for TeleTech with respect to such compliance. If, in the opinion of counsel for TeleTech, a representation is required to be made by Optionee in order to satisfy any of the foregoing relevant provisions of law, TeleTech may, as a condition to the exercise of the Option, require Optionee to represent and warrant at the time of exercise that the Shares to be delivered as a result of such exercise are being acquired solely for investment and without any present intention to sell or distribute such Shares.

10. ADJUSTMENTS. Subject to the sole discretion of the Board of Directors, TeleTech may, with respect to any unexercised portion of the Option, make any adjustments necessary to prevent accretion, or to protect against dilution, in the number and kind of shares covered by the Option and in the applicable exercise price thereof in the event of a change in the corporate structure or shares of TeleTech; provided, however, that no adjustment shall be made for the issuance of preferred stock of TeleTech or the conversion of convertible preferred stock of TeleTech. For purposes of this Section 10, a change in the corporate structure or shares of TeleTech includes, without limitation, any change resulting from a recapitalization, stock split, stock dividend, consolidation, rights offering, spin-off, reorganization or liquidation, and any transaction in which shares of Common Stock are changed into or exchanged for a different number or kind of shares of stock or other securities of TeleTech or another entity.

11. NO OTHER RIGHTS. Optionee hereby acknowledges and agrees that, except as set forth herein, no other representations or promises, either oral or written, have been made by TeleTech, any Subsidiary or anyone acting on their behalf with respect to Optionee's right to

acquire any shares of Common Stock, stock options or awards under the Plan, and Optionee hereby releases, acquits and forever discharges TeleTech, the Subsidiaries and anyone acting on their behalf of and from all claims, demands or causes of action whatsoever relating to any such representations or promises and waives forever any claim, demand or action against TeleTech, any Subsidiary or anyone acting on their behalf with respect thereto.

12. CONFIDENTIALITY. OPTIONEE AGREES NOT TO DISCLOSE, DIRECTLY OR INDIRECTLY, TO ANY OTHER EMPLOYEE OF TELETECH AND TO KEEP CONFIDENTIAL ALL INFORMATION RELATING TO ANY OPTIONS OR OTHER AWARDS GRANTED TO OPTIONEE, PURSUANT TO THE PLAN OR OTHERWISE, INCLUDING THE AMOUNT OF ANY SUCH AWARD, THE EXERCISE PRICE AND THE RATE OF VESTING THEREOF; PROVIDED THAT OPTIONEE SHALL BE ENTITLED TO DISCLOSE SUCH INFORMATION TO SUCH OF OPTIONEE'S ADVISORS, REPRESENTATIVES OR AGENTS, OR TO SUCH OF TELETECH'S OFFICERS, ADVISORS, REPRESENTATIVES OR AGENTS (INCLUDING LEGAL AND ACCOUNTING ADVISORS), WHO HAVE A NEED TO KNOW SUCH INFORMATION FOR LEGITIMATE TAX, FINANCIAL PLANNING OR OTHER SUCH PURPOSES.

13. SEVERABILITY. Any provision of this Agreement (or portion thereof) that is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section 13, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction.

14. REFERENCES. Capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Plan.

15. ENTIRE AGREEMENT. This Agreement (including the Plan, which is incorporated herein) constitutes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior and contemporaneous agreements, oral or written, between TeleTech and Optionee relating to Optionee's entitlement to stock options, Common Stock or similar benefits, under the Plan or otherwise.

16. AMENDMENT. This Agreement may be amended and/or terminated at any time by mutual written agreement of TeleTech and Optionee.

17. NO THIRD PARTY BENEFICIARY. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than Optionee and Optionee's respective successors and assigns expressly permitted herein, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

18. GOVERNING LAW. The construction and operation of this Agreement are governed

by the laws of the State of Delaware (without regard to its conflict of laws provisions).

Executed as of the date first written above.

TELETECH HOLDINGS, INC.

By:
---------------------------------------
Norman Blome,
Chief Financial Officer

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Signature of Optionee

Scott Thompson
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Printed Name of Optionee

###-##-####
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Optionee's Social Security Number

TELETECH HOLDINGS, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (the "AGREEMENT") is entered into between TELETECH HOLDINGS, INC., a Delaware corporation ("TELETECH"), and Scott Thompson ("OPTIONEE"), as of October 18, 1999 (the "GRANT DATE"). In consideration of the mutual promises and covenants made herein, the parties hereby agree as follows:

1. GRANT OF OPTION. Subject to the terms and conditions of the TeleTech Holdings, Inc. Stock Plan (the "PLAN"), a copy of which is attached hereto as Exhibit A and incorporated herein by this reference, TeleTech grants to Optionee an option (the "OPTION") to purchase 700,000 shares (the "SHARES") of TeleTech's common stock, $.01 par value (the "COMMON STOCK"), at a price equal to $13.125 per share (the "OPTION PRICE"). The Option Price has been determined by the Compensation Committee of the Board of Directors of TeleTech (the "COMMITTEE"), acting in good faith, to be the fair market value of the Common Stock on the Grant Date based upon the last sale price for Common Stock reported by The Nasdaq Stock Market, Inc. ("Nasdaq") as of the close of business on the Grant Date.

The Option is not intended to qualify as an incentive stock option described in Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE"). All provisions of this Agreement are to be construed in conformity with this intention.

2. TERM: OPTION RIGHTS. Except as provided below, the Option shall be valid for a term commencing on the Grant Date and ending 10 years after the Grant Date (the "EXPIRATION DATE").

(a) RIGHTS UPON TERMINATION OF EMPLOYMENT. If Optionee ceases to be employed by TeleTech or any of its subsidiaries or affiliates (collectively, the "SUBSIDIARIES") for any reason other than (i) for "Cause" (as defined herein), (ii) Optionee's death, or (iii) Optionee's mental, physical or emotional disability or condition (a "DISABILITY"), the Option shall be exercisable at any time prior to the earlier of the Expiration Date or the date three months after the date of termination of Optionee's employment.

(b) RIGHTS UPON TERMINATION FOR CAUSE. If Optionee's employment with TeleTech and/or its Subsidiaries is terminated for Cause, the Option shall be immediately cancelled, no portion of the Option may be exercised thereafter and Optionee shall forfeit all rights to the Option. The term "Cause" shall have the meaning given to such term or to the term "For Cause" or other similar phrase in Optionee's Employment Agreement with TeleTech or any Subsidiary; provided, however, that (i) if at any time Optionee's employment with TeleTech or any Subsidiary is not governed by an employment agreement, then the term "Cause" shall have the meaning given to such term in the Plan, and (ii) "Cause" shall exclude Optionee's death or Disability.

(c) RIGHTS UPON OPTIONEE'S DEATH OR DISABILITY. If Optionee's employment with TeleTech and/or its Subsidiaries is terminated as a result of (i) Optionee's death, the Option may be exercised at any time prior to the earlier of the Expiration Date or the date six months after the date of Optionee's death, or (ii) Optionee's Disability, the Option may be exercised at any time prior to the earlier of the Expiration Date or the date six months after the date of Optionee's employment is terminated as a result of Optionee's Disability.

3. VESTING. The Option may only be exercised to the extent vested. Any vested portion of the Option may be exercised at any time in whole or from time to time in part. The Option shall vest in accordance with the following schedule (each date set forth below, a "VESTING DATE"):

| Vesting Date | Cumulative Percentage of Option Vested |
|---|---|
| October 18, 2000 | 20% |
| October 18, 2001 | 40% |
| October 18, 2002 | 60% |
| October 18, 2003 | 80% |
| October 18, 2004 | 100% |

Optionee must be employed by TeleTech or any Subsidiary on any Vesting Date, in order to vest in the portion of the Option set forth in the chart above that vests on such Vesting Date. Except as provided in Section 3A below, no portion of the Option shall vest between Vesting Dates; if Optionee ceases to be employed by TeleTech or any Subsidiary, then any portion of the Option that is scheduled to vest on any Vesting Date after the date Optionee's employment is terminated automatically shall be forfeited as of the termination of employment. Except as provided in Section 3A below, if Optionee's employment with TeleTech or any Subsidiary is terminated for any reason, any portion of the Option which is not then vested shall be immediately forfeited; provided, however, that a transfer or reassignment of Optionee from TeleTech to any Subsidiary, or VICE VERSA, shall not constitute a termination of employment for purposes of this Agreement.

3A. ACCELERATED VESTING.

(a) VESTING FOLLOWING A CHANGE IN CONTROL. Notwithstanding the vesting schedule contained in Section 3,

(i) upon a Change in Control (as hereinafter defined), any unvested portion of the Option that is scheduled to vest (pursuant to Section 3) within 24 months following the date the Change of Control becomes effective shall vest and become immediately exercisable as of the effective date of the Change of Control, with the remainder of the unvested portion of the Option vesting pursuant to Section 3, as accelerated by this Section 3A and clarified by the following example:

> For example, assume that on June 1, 1999 an optionee was granted an option to acquire 10,000 shares of Common Stock, which option vests over five years, pro rata, on each anniversary of the grant date. On June 5, 2000, a Change of Control is consummated. As of June 5, 2000, the optionee will be fully vested in the option with respect to 6,000 shares (i.e., the 2,000 shares that vested on June 1, 2000, plus an additional 4,000 shares that vested on June 5, 2000 in accordance with the accelerated vesting provisions of this Section 3A), and the remaining unvested portion of the option would vest (assuming all other conditions to vesting are satisfied) with respect to the remaining 4,000 shares on each of June 1, 2001 (2,000 shares) and June 2, 2002 (2,000 shares).

(ii) if Optionee's employment with TeleTech or any Subsidiary is terminated within 24 months following a Change in Control, then the entire amount of the Option shall become 100% vested and immediately exercisable as of the Termination Date (as defined herein); PROVIDED, HOWEVER, that the accelerated vesting described in the foregoing clause (ii) shall not apply if Optionee's employment with TeleTech is terminated (A) by Optionee for any reason other than for "Good Reason" (as defined herein), or (B) by TeleTech for "Cause" (as defined herein).

(b) DEFINITION OF "CHANGE IN CONTROL". For purposes of this Agreement, "CHANGE IN CONTROL" means the occurrence of any one of the following events:

(i) any consolidation, merger or other similar transaction (A) involving TeleTech, if TeleTech is not the continuing or surviving corporation, or (B) which contemplates that all or substantially all of the business and/or assets of TeleTech will be controlled by another corporation;

(ii) any sale, lease, exchange or transfer (in one transaction or series of related transactions) of all or substantially all of the assets of TeleTech (a "DISPOSITION"); PROVIDED, HOWEVER, that the foregoing shall not apply to any Disposition to a corporation with respect to which, following such Disposition, more than 51% of the combined voting power of the then outstanding voting securities of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of at least 51% of the then outstanding Common

Stock and/or other voting securities of TeleTech immediately prior to such Disposition, in substantially the same proportion as their ownership immediately prior to such Disposition;

(iii) approval by the stockholders of TeleTech of any plan or proposal for the liquidation or dissolution of TeleTech, unless such plan or proposal is abandoned within 60 days following such approval;

(iv) the acquisition by any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), or two or more persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 51% or more of the outstanding shares of voting stock of TeleTech; PROVIDED, HOWEVER, that for purposes of the foregoing, "person" excludes Kenneth D. Tuchman and his affiliates; PROVIDED, FURTHER that the foregoing shall exclude any such acquisition (A) by any person made directly from TeleTech, (B) made by TeleTech or any Subsidiary, or (C) made by an employee benefit plan (or related trust) sponsored or maintained by TeleTech or any Subsidiary; or

(v) if, during any period of 15 consecutive calendar months commencing on September 1, 1999, those individuals (the "CONTINUING DIRECTORS") who either (A) were directors of TeleTech on the first day of each such 15-month period, or (B) subsequently became directors of TeleTech and whose actual election or initial nomination for election subsequent to that date was approved by a majority of the Continuing Directors then on the board of directors of TeleTech, cease to constitute a majority of the board of directors of TeleTech.

(c) OTHER DEFINITIONS. For purposes of this Section 3A, the following terms have the meanings ascribed to them below:

(i) "CAUSE" has the meaning given to such term, or to the term "For Cause" or other similar phrase, in Optionee's Employment Agreement with TeleTech or any Subsidiary, if any; PROVIDED, HOWEVER, that if at any time Optionee's employment with TeleTech or any Subsidiary is not governed by an employment agreement, then the term "Cause" shall have the meaning given to such term in the Plan; PROVIDED, FURTHER, that, notwithstanding the provisions of Optionee's Employment Agreement or of the Plan, for purposes of this Agreement, TeleTech shall have the burden to prove that Optionee's employment was terminated for "Cause."

(ii) "TERMINATION DATE" means the latest day on which Optionee is expected to report to work and is responsible for the performance of services to or on behalf of TeleTech or any Subsidiary, notwithstanding that Optionee may be entitled to receive payments from TeleTech (e.g., for unused vacation or sick time, severance payments, deferred compensation or otherwise) after such date; and

(iii) "GOOD REASON" means (A) any reduction in Optionee's base salary; PROVIDED THAT a reduction in Optionee's base salary of 10% or less does not constitute "Good Reason" if such reduction is effected in connection with a reduction in compensation that is applicable generally to officers and senior management of TeleTech; (B) Optionee's responsibilities or areas of supervision within TeleTech or its Subsidiaries are substantially reduced; or (C) Optionee's principal office is relocated outside the metropolitan area in which Optionee's office was located immediately prior to the Change in Control; PROVIDED, HOWEVER, that temporary assignments made for the good of TeleTech's business shall not constitute such a move of office location; or (D) for any reason defined as "Good Cause" in Optionee's Employment Agreement with TeleTech or any subsidiary.

(d) VESTING FOLLOWING TERMINATION BY TELETECH OTHER THAN FOR CAUSE. In the event that Optionee's employment with TeleTech is terminated by TeleTech for any reason other than for "Cause" (as defined above) within one year of the Grant Date, the unvested portion of the Option that is scheduled to vest on October 18, 2000, including any portion of the Option which has vested in accordance with Section 3A(e) below as of the Termination Date, shall vest and become immediately exercisable as of the day after Optionee's last day of employment with TeleTech.

(e) VESTING BASED ON PERFORMANCE CRITERIA. In the event that TeleTech's closing stock price, as reported by Nasdaq, is equal to, or exceeds, any one of the per share prices set forth below for 120 consecutive days (the "Price Period"), the following percentage of the portion of the Option then remaining unvested shall vest and become immediately exercisable as of the last day of such Price Period:

| Price Per Share | Percentage of Option Vested |
|---|---|
| $ 25.00 | 25% |
| $ 30.00 | 50% |
| $ 40.00 | 75% |
| $ 50.00 | 100% |

4. PROCEDURE FOR EXERCISE. Exercise of the Option or a portion thereof shall be effected by the giving of written notice to TeleTech in accordance with the Plan and payment of the aggregate Option Price for the number of Shares to be acquired pursuant to such exercise.

5. PAYMENT FOR SHARES. Payment of the Option Price (or portion thereof) shall be made in cash or by such other method as may be permitted by the Committee in accordance with the provisions of the Plan. No Shares shall be delivered upon exercise of the Option until full payment has been made and all applicable withholding requirements satisfied.

6. OPTIONS NOT TRANSFERABLE AND SUBJECT TO CERTAIN RESTRICTIONS. The Option may

not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined in Section 414(p) of the Code. During Optionee's lifetime, the Option may be exercised only by the Optionee or by a legally authorized representative. In the event of Optionee's death, the Option may be exercised by the distributee to whom Optionee's rights under the Option shall pass by will or by the laws of descent and distribution.

7. ACCEPTANCE OF PLAN. Optionee hereby accepts and agrees to be bound by all the terms and conditions of the Plan.

8. NO RIGHT TO EMPLOYMENT. Nothing herein contained shall confer upon Optionee any right to continuation of employment by TeleTech or any Subsidiary, or interfere with the right of TeleTech or any Subsidiary to terminate at any time the employment of Optionee. Nothing contained herein shall confer any rights upon Optionee as a stockholder of TeleTech, unless and until Optionee actually receives Shares.

9. COMPLIANCE WITH SECURITIES LAWS. The Option shall not be exercisable and Shares shall not be issued pursuant to exercise of the Option unless the exercise of the Option and the issuance and delivery of Shares pursuant thereto shall comply with all relevant provisions of law including, without limitation, the Securities Act of 1933, as amended (the "SECURITIES ACT"), the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which Common Stock may then be listed, and shall be further subject to the approval of counsel for TeleTech with respect to such compliance. If, in the opinion of counsel for TeleTech, a representation is required to be made by Optionee in order to satisfy any of the foregoing relevant provisions of law, TeleTech may, as a condition to the exercise of the Option, require Optionee to represent and warrant at the time of exercise that the Shares to be delivered as a result of such exercise are being acquired solely for investment and without any present intention to sell or distribute such Shares.

10. ADJUSTMENTS. Subject to the sole discretion of the Board of Directors, TeleTech may, with respect to any unexercised portion of the Option, make any adjustments necessary to prevent accretion, or to protect against dilution, in the number and kind of shares covered by the Option and in the applicable exercise price thereof in the event of a change in the corporate structure or shares of TeleTech; provided, however, that no adjustment shall be made for the issuance of preferred stock of TeleTech or the conversion of convertible preferred stock of TeleTech. For purposes of this Section 10, a change in the corporate structure or shares of TeleTech includes, without limitation, any change resulting from a recapitalization, stock split, stock dividend, consolidation, rights offering, spin-off, reorganization or liquidation, and any transaction in which shares of Common Stock are changed into or exchanged for a different number or kind of shares of stock or other securities of TeleTech or another entity.

11. NO OTHER RIGHTS. Optionee hereby acknowledges and agrees that, except as set forth herein, no other representations or promises, either oral or written, have been made by TeleTech, any Subsidiary or anyone acting on their behalf with respect to Optionee's right to

acquire any shares of Common Stock, stock options or awards under the Plan, and Optionee hereby releases, acquits and forever discharges TeleTech, the Subsidiaries and anyone acting on their behalf of and from all claims, demands or causes of action whatsoever relating to any such representations or promises and waives forever any claim, demand or action against TeleTech, any Subsidiary or anyone acting on their behalf with respect thereto.

12. CONFIDENTIALITY. OPTIONEE AGREES NOT TO DISCLOSE, DIRECTLY OR INDIRECTLY, TO ANY OTHER EMPLOYEE OF TELETECH AND TO KEEP CONFIDENTIAL ALL INFORMATION RELATING TO ANY OPTIONS OR OTHER AWARDS GRANTED TO OPTIONEE, PURSUANT TO THE PLAN OR OTHERWISE, INCLUDING THE AMOUNT OF ANY SUCH AWARD, THE EXERCISE PRICE AND THE RATE OF VESTING THEREOF; PROVIDED THAT OPTIONEE SHALL BE ENTITLED TO DISCLOSE SUCH INFORMATION TO SUCH OF OPTIONEE'S ADVISORS, REPRESENTATIVES OR AGENTS, OR TO SUCH OF TELETECH'S OFFICERS, ADVISORS, REPRESENTATIVES OR AGENTS (INCLUDING LEGAL AND ACCOUNTING ADVISORS), WHO HAVE A NEED TO KNOW SUCH INFORMATION FOR LEGITIMATE TAX, FINANCIAL PLANNING OR OTHER SUCH PURPOSES.

13. SEVERABILITY. Any provision of this Agreement (or portion thereof) that is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section 13, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction.

14. REFERENCES. Capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Plan.

15. ENTIRE AGREEMENT. This Agreement (including the Plan, which is incorporated herein) constitutes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior and contemporaneous agreements, oral or written, between TeleTech and Optionee relating to Optionee's entitlement to stock options, Common Stock or similar benefits, under the Plan or otherwise.

16. AMENDMENT. This Agreement may be amended and/or terminated at any time by mutual written agreement of TeleTech and Optionee.

17. NO THIRD PARTY BENEFICIARY. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than Optionee and Optionee's respective successors and assigns expressly permitted herein, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

18. GOVERNING LAW. The construction and operation of this Agreement are governed

by the laws of the State of Delaware (without regard to its conflict of laws provisions).

Executed as of the date first written above.

TELETECH HOLDINGS, INC.

By:
----------------------------------------
Norman Blome,
Chief Financial Officer

----------------------------------------
Signature of Optionee

Scott Thompson
----------------------------------------
Printed Name of Optionee

###-##-####
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Optionee's Social Security Number

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TELETECH HOLDINGS, INC.'S 1999 THIRD QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FILING.

9-MOS
DEC-31-1999
SEP-30-1999
20,254
37,273
80,462
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143,092
157,243
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279,986
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(8,645)
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0.34