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

Form 10-Q

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

For the quarterly period ended September 30, 2016

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 001-11919

TeleTech Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1291044
(I.R.S. Employer
Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of October 31, 2016, there were 46,479,987 shares of the registrant's common stock outstanding.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
SEPTEMBER 30, 2016 FORM 10-Q
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Amounts in thousands, except share amounts)
(unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 61,308	\$ 60,304
Accounts receivable, net	256,039	283,474
Prepays and other current assets	61,441	64,180
Income tax receivable	8,707	7,114
Assets held for sale	9,967	—
Total current assets	<u>397,462</u>	<u>415,072</u>
Long-term assets		
Property, plant and equipment, net	164,007	168,289
Goodwill	111,088	114,183
Deferred tax assets, net	55,251	52,082
Other intangible assets, net	33,994	51,215
Other long-term assets	45,485	42,486
Total long-term assets	<u>409,825</u>	<u>428,255</u>
Total assets	<u>\$ 807,287</u>	<u>\$ 843,327</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 37,092	\$ 43,323
Accrued employee compensation and benefits	71,878	71,634
Other accrued expenses	25,080	33,160
Income tax payable	8,308	9,125
Deferred tax liabilities, net	—	—
Deferred revenue	24,372	26,184
Other current liabilities	29,911	23,480
Liabilities held for sale	1,121	—
Total current liabilities	<u>197,762</u>	<u>206,906</u>
Long-term liabilities		
Line of credit	129,000	100,000
Deferred tax liabilities, net	2,039	3,333
Deferred rent	12,970	11,791
Other long-term liabilities	70,453	76,349
Total long-term liabilities	<u>214,462</u>	<u>191,473</u>
Total liabilities	412,224	398,379
Commitments and contingencies (Note 10)		
Mandatorily redeemable noncontrolling interest	—	4,131
Stockholders' equity		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of September 30, 2016 and December 31, 2015	—	—
Common stock; \$0.01 par value; 150,000,000 shares authorized; 46,708,311 and 48,481,323 shares outstanding as of September 30, 2016 and December 31, 2015, respectively	468	485
Additional paid-in capital	346,637	347,251
Treasury stock at cost: 35,343,942 and 33,570,930 shares as of September 30, 2016 and December 31, 2015, respectively	(586,057)	(533,744)
Accumulated other comprehensive income (loss)	(109,832)	(101,365)
Retained earnings	736,551	720,989
Noncontrolling interest	7,296	7,201
Total stockholders' equity	<u>395,063</u>	<u>440,817</u>
Total liabilities and stockholders' equity	<u>\$ 807,287</u>	<u>\$ 843,327</u>

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

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue	\$ 312,796	\$ 309,195	\$ 930,311	\$ 944,939
Operating expenses				
Cost of services (exclusive of depreciation and amortization presented separately below)	233,541	225,978	691,649	682,579
Selling, general and administrative	40,628	48,418	130,902	146,031
Depreciation and amortization	16,811	15,486	51,761	46,529
Restructuring charges, net	3,688	622	3,890	1,629
Impairment losses	5,602	3,066	5,602	3,066
Total operating expenses	<u>300,270</u>	<u>293,570</u>	<u>883,804</u>	<u>879,834</u>
Income from operations	12,526	15,625	46,507	65,105
Other income (expense)				
Interest income	397	196	826	877
Interest expense	(2,041)	(2,337)	(5,758)	(5,711)
Other income (expense), net	6,254	146	7,488	1,133
Loss on assets held for sale	(5,300)	—	(5,300)	—
Total other income (expense)	<u>(690)</u>	<u>(1,995)</u>	<u>(2,744)</u>	<u>(3,701)</u>
Income before income taxes	11,836	13,630	43,763	61,404
Benefit from (provision for) income taxes	813	(1,192)	(6,667)	(13,438)
Net income	12,649	12,438	37,096	47,966
Net income attributable to noncontrolling interest	(1,198)	(1,243)	(2,804)	(3,303)
Net income attributable to TeleTech stockholders	<u>\$ 11,451</u>	<u>\$ 11,195</u>	<u>\$ 34,292</u>	<u>\$ 44,663</u>
Other comprehensive income (loss)				
Net income	\$ 12,649	\$ 12,438	\$ 37,096	\$ 47,966
Foreign currency translation adjustments	(8,541)	(21,997)	(8,069)	(39,342)
Derivative valuation, gross	(6,009)	(11,426)	(2,395)	(17,733)
Derivative valuation, tax effect	2,462	4,928	725	8,264
Other, net of tax	802	223	1,202	(2,140)
Total other comprehensive income (loss)	<u>(11,286)</u>	<u>(28,272)</u>	<u>(8,537)</u>	<u>(50,951)</u>
Total comprehensive income (loss)	<u>1,363</u>	<u>(15,834)</u>	<u>28,559</u>	<u>(2,985)</u>
Less: Comprehensive income attributable to noncontrolling interest	(1,202)	(906)	(2,734)	(2,443)
Comprehensive income (loss) attributable to TeleTech stockholders	<u>\$ 161</u>	<u>\$ (16,740)</u>	<u>\$ 25,825</u>	<u>\$ (5,428)</u>
Weighted average shares outstanding				
Basic	47,081	48,345	47,771	48,346
Diluted	47,315	48,936	48,089	49,052
Net income per share attributable to TeleTech stockholders				
Basic	\$ 0.24	\$ 0.23	\$ 0.72	\$ 0.92
Diluted	\$ 0.24	\$ 0.23	\$ 0.71	\$ 0.91
Dividends paid per share outstanding	\$ —	\$ —	\$ 0.185	\$ 0.180

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity
(Amounts in thousands)
(Unaudited)

	Stockholders' Equity of the Company									
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid- in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2015	—	\$ —	48,481	\$ 485	\$ (533,744)	\$ 347,251	\$ (101,365)	\$ 720,989	\$ 7,201	\$ 440,817
Net income	—	—	—	—	—	—	—	34,292	2,804	37,096
Dividends to shareholders (\$0.385 per common share)	—	—	—	—	—	—	—	(18,264)	—	(18,264)
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	—	—	(2,745)	(2,745)
Adjustments to redemption value of mandatorily redeemable noncontrolling interest	—	—	—	—	—	—	—	(466)	—	(466)
Foreign currency translation adjustments	—	—	—	—	—	—	(7,999)	—	(70)	(8,069)
Derivatives valuation, net of tax	—	—	—	—	—	—	(1,670)	—	—	(1,670)
Vesting of restricted stock units	—	—	285	3	4,488	(8,183)	—	—	—	(3,692)
Exercise of stock options	—	—	29	—	458	(82)	—	—	—	376
Excess tax benefit from equity-based awards, net	—	—	—	—	—	499	—	—	—	499
Equity-based compensation expense	—	—	—	—	—	7,152	—	—	96	7,248
Purchases of common stock	—	—	(2,087)	(20)	(57,259)	—	—	—	—	(57,279)
Other, net of tax	—	—	—	—	—	—	1,202	—	10	1,212
Balance as of September 30, 2016	—	\$ —	46,708	\$ 468	\$ (586,057)	\$ 346,637	\$ (109,832)	\$ 736,551	\$ 7,296	\$ 395,063

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

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

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities		
Net income	\$ 37,096	\$ 47,966
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,761	46,529
Amortization of contract acquisition costs	499	754
Amortization of debt issuance costs	582	534
Imputed interest expense and fair value adjustments to contingent consideration	(4,320)	786
Provision for doubtful accounts	542	964
(Gain) loss on disposal of assets	(65)	(118)
Impairment losses	5,602	3,066
Loss on held for sale assets	5,300	—
Deferred income taxes	5,368	4,380
Excess tax benefit from equity-based awards	(539)	(420)
Equity-based compensation expense	7,278	8,569
(Gain) loss on foreign currency derivatives	4,649	4,820
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	23,780	4,722
Prepays and other assets	(12,652)	(6,839)
Accounts payable and accrued expenses	(13,039)	11,857
Deferred revenue and other liabilities	(4,696)	(11,406)
Net cash provided by operating activities	<u>107,146</u>	<u>116,164</u>
Cash flows from investing activities		
Proceeds from sale of long-lived assets	93	116
Purchases of property, plant and equipment	(38,863)	(49,184)
Investments in non-marketable equity investments	—	(9,000)
Acquisitions, net of cash acquired of zero and zero, respectively	(400)	(1,776)
Net cash used in investing activities	<u>(39,170)</u>	<u>(59,844)</u>
Cash flows from financing activities		
Proceeds from line of credit	1,584,800	1,697,500
Payments on line of credit	(1,555,800)	(1,682,500)
Payments on other debt	(2,306)	(2,556)
Payments of contingent consideration and hold back payments to acquisitions	(9,467)	(11,883)
Dividends paid to shareholders	(8,922)	(8,710)
Payments to noncontrolling interest	(3,237)	(3,557)
Purchase of mandatorily redeemable noncontrolling interest	(4,105)	—
Proceeds from exercise of stock options	371	459
Excess tax benefit from equity-based awards	539	420
Payments of debt issuance costs	(1,888)	(35)
Purchase of treasury stock	(57,279)	(16,602)
Net cash used in financing activities	<u>(57,294)</u>	<u>(27,464)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9,678)</u>	<u>(20,002)</u>
Increase in cash and cash equivalents	1,004	8,854
Cash and cash equivalents, beginning of period	60,304	77,316
Cash and cash equivalents, end of period	<u>\$ 61,308</u>	<u>\$ 86,170</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 4,976</u>	<u>\$ 4,640</u>
Cash paid for income taxes	<u>\$ 16,755</u>	<u>\$ 10,924</u>
Non-cash operating, investing and financing activities		
Acquisition of long-lived assets through capital leases	<u>\$ 2,417</u>	<u>\$ 5,316</u>
Acquisition of equipment through increase in accounts payable, net	<u>\$ (542)</u>	<u>\$ 5,448</u>
Contract acquisition costs credited to accounts receivable	<u>\$ 200</u>	<u>\$ 820</u>
Dividend declared but not paid	<u>\$ 9,342</u>	<u>\$ 8,713</u>

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

**TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

(1) OVERVIEW AND BASIS OF PRESENTATION

Summary of Business

TeleTech Holdings, Inc. and its subsidiaries (“TeleTech” or the “Company”) is a customer engagement management services provider, delivering integrated consulting, technology, growth and customer care solutions on a global scale. Our suite of products and services allows us to design and deliver engaging, outcome-based customer experiences across numerous interaction channels. TeleTech’s 43,500 employees serve clients in the automotive, communication, financial services, government, healthcare, logistics, media and entertainment, retail, technology, transportation and travel industries via operations in the U.S., Australia, Belgium, Brazil, Bulgaria, Canada, China, Costa Rica, Germany, Hong Kong, Ireland, Israel, Lebanon, Macedonia, Mexico, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, Turkey, the United Arab Emirates, and the United Kingdom.

Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TeleTech, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, and its 100% interest in iKnowtion, LLC effective January 2016 (see Note 12). All intercompany balances and transactions have been eliminated in consolidation.

The unaudited Consolidated Financial Statements do not include all of the disclosures required by accounting principles generally accepted in the U.S. (“GAAP”), pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary to state fairly the consolidated financial position of the Company and the consolidated results of operations and comprehensive income (loss) and the consolidated cash flows of the Company. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

During the three months ended March 31, 2016, the Company recorded an additional tax expense of \$1.1 million that should have been recorded in prior periods related to operations by an entity outside its country of incorporation. The total amount of \$1.1 million should have been recorded as additional expense in the amount of \$180 thousand in 2011, \$123 thousand in 2012, \$137 thousand in 2013, \$358 thousand in 2014 and \$301 thousand in 2015.

During the three months ended June 30, 2015, an additional expense of \$1.75 million was recorded as an additional estimated tax liability that should have been recorded in prior periods related to ongoing discussions with relevant government authorities related to site compliance with tax advantaged status. The total amount of \$1.75 million should have been recorded as additional tax expense in the amount of \$466 thousand in 2012, \$406 thousand in 2013, \$645 thousand in 2014 and \$234 thousand in the first quarter of 2015.

During the three months ended June 30, 2015, the Company recorded an additional \$3.2 million loss related to foreign currency translation within Other comprehensive income (loss) that should have been recorded in 2014 and the three months ended March 31, 2015 to correct for an error in translating the financial results of Sofica Group AD, which the Company acquired on February 28, 2014. Of the \$3.2 million recorded, approximately \$1.7 million and \$1.5 million should have been recorded in the year ended December 31, 2014 and the three months ended March 31, 2015, respectively. The Company also recorded an additional \$2.7 million loss to “Other, net of tax” within Other comprehensive income (loss) in the three months ended March 31, 2015 related to the annual actuarial analysis for the Company’s Philippines pension liability that should have been recorded in the fourth quarter of 2014.

**TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

During the three months ended December 31, 2015, the Company recorded an additional \$2.9 million impairment to correct for an error in the goodwill impairment annual assessment and quarterly assessment for the WebMetro reporting unit. The Company should have recorded a \$2.3 million impairment in the three months ended December 31, 2014 and an additional \$0.6 million impairment in the three months ended September 30, 2015.

The Company has evaluated the aggregate impact of these adjustments and concluded that these adjustments were not material to the previously issued or current period consolidated financial statements.

These unaudited Consolidated Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates including those related to derivatives and hedging activities, income taxes including the valuation allowance for deferred tax assets, self-insurance reserves, litigation reserves, restructuring reserves, allowance for doubtful accounts, contingent consideration, and valuation of goodwill, long-lived and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ materially from these estimates under different assumptions or conditions.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*". ASU 2014-09 provides new guidance related to how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 specifies new accounting for costs associated with obtaining or fulfilling contracts with customers and expands the required disclosures related to revenue and cash flows from contracts with customers. While ASU-2014-09 was originally effective for fiscal years and interim periods within those years, beginning after December 15, 2016, in August 2015, the FASB issued ASU 2015-14, "*Deferral of Effective Date*", deferring the effective date by one year, to be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption, with early application not permitted. The Company is currently determining its implementation approach and assessing the impact on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "*Simplifying the Presentation of Debt Issuance Costs*". ASU 2015-03 requires all costs incurred in connection with the issuance of debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. This ASU is effective for interim and annual periods beginning on or after December 15, 2015 and early adoption is permitted. Beginning in 2016, the Company has applied the new guidance as applicable and the adoption of this standard did not have a material impact on its financial position, results of operations or related disclosures.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In February 2016, the FASB issued ASU 2016-02, "Leases", which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases and making targeted changes to lessor accounting. The ASU also requires new disclosures regarding the amounts, timing, and uncertainty of cash flows arising from leases. The ASU is effective for interim and annual periods beginning on or after December 15, 2018 and early adoption is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently assessing the impact on the consolidated financial statements and related disclosures evaluating software and other tracking methods, and determining the implementation timeline.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting", which amends the existing accounting standards related to stock-based compensation. The ASU simplifies several aspects of accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements, as well as classification in the statement of cash flows. The ASU is effective for interim and annual periods beginning on or after December 15, 2016 and early adoption is permitted. The Company has finalized the implementation which will occur effective January 1, 2017, and is currently assessing the impact on its consolidated statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows". ASU 2016-15 is intended to reduce diversity in practice regarding how certain cash transactions are presented and classified in the Consolidated Statement of Cash Flows by providing guidance on eight specific cash flow issues. The ASU is effective for interim and annual periods beginning on or after December 15, 2017 and early adoption is permitted. The Company is currently assessing the impact on the consolidated statements and related disclosures.

(2) ACQUISITIONS AND DIVESTITURES

rogenSi

In the third quarter of 2014, as an addition to the Customer Strategy Services ("CSS") segment, the Company acquired substantially all operating assets of rogenSi Worldwide PTY, Ltd., a global leadership, change management, sales, performance training and consulting company.

The total purchase price was \$34.4 million, subject to certain working capital adjustments, and consisted of \$18.1 million in cash at closing and an estimated \$14.5 million in three earn-out payments, contingent on the acquired companies and TeleTech's CSS segment achieving certain agreed earnings before interest, taxes, depreciation and amortization ("EBITDA") targets, as defined in the sale and purchase agreement. Additionally, the estimated purchase price included a \$1.8 million hold-back payment for contingencies as defined in the sale and purchase agreement which was paid in the first quarter of 2016. The total contingent consideration possible per the sale and purchase agreement ranges from zero to \$17.6 million and the earn-out payments are payable in early 2015, 2016 and 2017, based on July 1, 2014 through December 31, 2014, and full year 2015 and 2016 performance, respectively.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The fair value of the contingent consideration was measured by applying a probability weighted discounted cash flow model based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 4.6% and expected future value of payments of \$15.3 million. The \$15.3 million of expected future payments was calculated using a probability weighted EBITDA assessment with the highest probability associated with rogenSi achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was approximately \$14.5 million. During the fourth quarter of 2014, the third quarter of 2015, the fourth quarter of 2015, and the third quarter of 2016, the Company recorded fair value adjustments of the contingent consideration of \$0.5 million, \$0.8 million, \$(0.3) million, and \$(4.3) million, respectively, based on revised estimates noting higher or lower probability of exceeding the EBITDA targets (see Note 7). As of September 30, 2016, the fair value of the remaining contingent consideration has been reduced from \$4.3 million to zero given the remote possibility of achieving targeted EBITDA for 2016.

Sofica

In the first quarter of 2014, as an addition to the Customer Management Services (“CMS”) segment, the Company acquired a 100% interest in Sofica Group, a Bulgarian joint stock company (“Sofica”). Sofica provides customer lifecycle management and other business process services across multiple channels in multiple sites in over 18 languages.

The purchase price of \$14.2 million included \$9.4 million in cash consideration (including working capital adjustments) and an estimated \$3.8 million in earn-out payments, payable in 2015 and 2016, contingent on Sofica achieving specified EBITDA targets, as defined by the stock purchase agreement. The total contingent consideration possible per the stock purchase agreement ranged from zero to \$7.5 million. Additionally, the purchase price included a \$1.0 million hold-back payment for contingencies, as defined in the stock purchase agreement, which was paid in the first quarter of 2016.

The fair value of the contingent consideration was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 5.0% and expected future value of payments of \$4.0 million. The \$4.0 million of expected future payments was calculated using a probability weighted EBITDA assessment with the highest probability associated with Sofica achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was approximately \$3.8 million. During the third and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration of \$1.8 million and \$0.6 million, respectively, based on revised estimates noting higher probability of exceeding the EBITDA targets (see Note 7). During the second quarter of 2015, the Company recorded a negative fair value adjustment for contingent consideration of \$0.5 million based on revised estimates noting lower profitability than initially estimated. As of September 30, 2016, all of the contingent consideration has been paid.

Assets and Liabilities Held for Sale

As of September 30, 2016, the Company has determined that one business unit from the Customer Growth Services segment and one business unit from the Customer Strategy Services segment will be divested from the Company's operations. These business units have met the criteria to be classified as held for sale. The Company is in discussions with bankers, a potential broker and assessing potential buyers. The Company anticipates the transactions will be finalized during the next six to twelve months. The Company has taken into consideration the discounted cash flow models, management input based on early discussions with potential brokers and buyers, and other third party evidence from similar transactions to complete the fair value analysis as there has not been a selling price determined at this point for either unit. The fair values were compared to the carrying values to estimate any potential loss on sale. For the two business units losses of \$2.6 million and \$2.7 million, respectively, were recorded as of September 30, 2016 in Loss on assets held for sale in the Consolidated Statements of Comprehensive Income (Loss).

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following table presents information related to the major components of assets and liabilities that were classified as held for sale in the Consolidated Balance Sheet as of September 30, 2016.

	As of September 30, 2016
Cash	\$ —
Accounts receivable, net	6,073
Allowance for doubtful accounts	(51)
Other assets	517
Property, plant and equipment	769
Deferred tax assets, net	—
Customer relationships	4,155
Goodwill	3,033
Other intangible assets	771
Allowance for reduction of assets held for sale	(5,300)
Total assets	\$ 9,967
Accounts payable	\$ 411
Accrued employee compensation and benefits	498
Accrued expenses	78
Other	134
Total liabilities	\$ 1,121

Atelka

On November 9, 2016, the Company acquired all of the outstanding shares of Atelka Enterprise Inc. (“Atelka”), a Canadian customer contact center management and business process outsourcing services company that serves Canadian telecommunications, logistics, and entertainment clients. Atelka employs approximately 2,800 in Quebec, Ontario, New Brunswick and Prince Edward Island.

The Company paid CAN \$59.0 million (USD \$44 million) adjusted for Atelka’s net debt, net working capital, and subject to CAN \$2.0 million purchase price hold-back to be released in part over twelve and 24 months periods net of payments that may be due with respect to customary acquisition related indemnities.

(3) SEGMENT INFORMATION

The Company reports the following four segments:

- the CMS segment includes the customer experience delivery solutions which integrate innovative technology with highly-trained customer experience professionals to optimize the customer experience across all channels and all stages of the customer lifecycle from an onshore, offshore or work-from-home environment;
- the CGS segment provides technology-enabled sales and marketing solutions that support revenue generation across the customer lifecycle, including sales advisory, search engine optimization, digital demand generation, lead qualification, and acquisition sales, growth and retention services;
- the CTS segment includes operational and design consulting, systems integration, and cloud and on-premise managed services, the requirements needed to design, deliver and maintain best-in-class multichannel customer engagement platforms; and
- the CSS segment provides professional services in customer experience strategy, customer intelligence analytics, system and operational process optimization, and culture development and knowledge management.

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

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

Three Months Ended September 30, 2016

	<u>Gross Revenue</u>	<u>Intersegment Sales</u>	<u>Net Revenue</u>	<u>Depreciation & Amortization</u>	<u>Income (Loss) from Operations</u>
Customer Management Services	\$ 223,742	\$ (78)	\$ 223,664	\$ 11,891	\$ 12,255
Customer Growth Services	35,301	—	35,301	1,561	161
Customer Technology Services	36,871	(291)	36,580	2,457	3,776
Customer Strategy Services	17,251	—	17,251	902	(3,666)
Total	<u>\$ 313,165</u>	<u>\$ (369)</u>	<u>\$ 312,796</u>	<u>\$ 16,811</u>	<u>\$ 12,526</u>

Three Months Ended September 30, 2015

	<u>Gross Revenue</u>	<u>Intersegment Sales</u>	<u>Net Revenue</u>	<u>Depreciation & Amortization</u>	<u>Income (Loss) from Operations</u>
Customer Management Services	\$ 212,690	\$ —	\$ 212,690	\$ 10,900	\$ 8,930
Customer Growth Services	33,853	—	33,853	1,535	(257)
Customer Technology Services	42,141	(7)	42,134	2,447	3,774
Customer Strategy Services	20,518	—	20,518	604	3,178
Total	<u>\$ 309,202</u>	<u>\$ (7)</u>	<u>\$ 309,195</u>	<u>\$ 15,486</u>	<u>\$ 15,625</u>

Nine Months Ended September 30, 2016

	<u>Gross Revenue</u>	<u>Intersegment Sales</u>	<u>Net Revenue</u>	<u>Depreciation & Amortization</u>	<u>Income (Loss) from Operations</u>
Customer Management Services	\$ 664,647	\$ (255)	\$ 664,392	\$ 36,024	\$ 36,189
Customer Growth Services	105,713	—	105,713	4,943	4,138
Customer Technology Services	109,720	(522)	109,198	8,187	9,932
Customer Strategy Services	51,008	—	51,008	2,607	(3,752)
Total	<u>\$ 931,088</u>	<u>\$ (777)</u>	<u>\$ 930,311</u>	<u>\$ 51,761</u>	<u>\$ 46,507</u>

Nine Months Ended September 30, 2015

	<u>Gross Revenue</u>	<u>Intersegment Sales</u>	<u>Net Revenue</u>	<u>Depreciation & Amortization</u>	<u>Income (Loss) from Operations</u>
Customer Management Services	\$ 675,015	\$ —	\$ 675,015	\$ 32,750	\$ 43,956
Customer Growth Services	90,379	—	90,379	4,543	1,891
Customer Technology Services	115,956	(21)	115,935	6,806	9,033
Customer Strategy Services	63,610	—	63,610	2,430	10,225
Total	<u>\$ 944,960</u>	<u>\$ (21)</u>	<u>\$ 944,939</u>	<u>\$ 46,529</u>	<u>\$ 65,105</u>

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Capital Expenditures				
Customer Management Services	\$ 8,515	\$ 13,529	\$ 29,751	\$ 35,545
Customer Growth Services	375	1,148	3,546	4,285
Customer Technology Services	1,864	4,883	4,877	8,950
Customer Strategy Services	366	119	689	404
Total	<u>\$ 11,120</u>	<u>\$ 19,679</u>	<u>\$ 38,863</u>	<u>\$ 49,184</u>

	September 30, 2016	December 31, 2015
Total Assets		
Customer Management Services	\$ 495,427	\$ 512,100
Customer Growth Services	75,595	75,291
Customer Technology Services	156,969	159,850
Customer Strategy Services	79,296	96,086
Total	<u>\$ 807,287</u>	<u>\$ 843,327</u>

	September 30, 2016	December 31, 2015
Goodwill		
Customer Management Services	\$ 22,169	\$ 22,009
Customer Growth Services	24,439	24,439
Customer Technology Services	42,863	42,709
Customer Strategy Services	21,617	25,026
Total	<u>\$ 111,088</u>	<u>\$ 114,183</u>

The following table presents revenue based upon the geographic location where the services are provided (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue				
United States	\$ 166,993	\$ 159,461	\$ 507,819	\$ 488,854
Philippines	90,692	84,450	259,898	255,021
Latin America	30,832	34,585	90,154	112,763
Europe / Middle East / Africa	15,604	20,401	49,100	59,004
Asia Pacific	7,784	8,756	20,320	24,867
Canada	891	1,542	3,020	4,430
Total	<u>\$ 312,796</u>	<u>\$ 309,195</u>	<u>\$ 930,311</u>	<u>\$ 944,939</u>

(4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS

The Company had one client that contributed in excess of 10% of total revenue for the nine months ended September 30, 2016. This client operates in the communications industry and is included in the CMS segment. This client contributed 10.7% and 10.5% of total revenue for the three months ended September 30, 2016 and 2015, respectively. This client contributed 10.4% and 10.8% of total revenue for the nine months ended September 30, 2016 and 2015, respectively. This client had an outstanding receivable balance of \$31.3 million and \$16.3 million as of September 30, 2016 and 2015, respectively.

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The loss of one or more of its significant clients could have a material adverse effect on the Company's business, operating results, or financial condition. The Company does not require collateral from its clients. To limit the Company's credit risk, management performs periodic credit evaluations of its clients, maintains allowances for uncollectible accounts and may require pre-payment for services. Although the Company is impacted by economic conditions in various industry segments, management does not believe significant credit risk existed as of September 30, 2016.

(5) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill consisted of the following (in thousands):

	December 31, 2015	Acquisitions / Adjustments	Impairments	Effect of Foreign Currency	September 30, 2016
Customer Management Services	\$ 22,009	\$ —	\$ —	\$ 160	\$ 22,169
Customer Growth Services	24,439	—	—	—	24,439
Customer Technology Services	42,709	154	—	—	42,863
Customer Strategy Services	25,026	(3,033)	—	(376)	21,617
Total	<u>\$ 114,183</u>	<u>\$ (2,879)</u>	<u>\$ —</u>	<u>\$ (216)</u>	<u>\$ 111,088</u>

The Company performs a goodwill impairment assessment on at least an annual basis. The Company conducts its annual goodwill impairment assessment during the fourth quarter, or more frequently, if indicators of impairment exist.

During the quarter ended September 30, 2016, the Company identified negative indicators such as lower financial performance and the reversal of contingent consideration for the CSS reporting unit and thus the Company updated its quantitative assessment for the CSS reporting unit fair value using an income based approach. The determination of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rates for the businesses, the useful lives over which the cash flows will occur and determination of appropriate discount rates (based in part on the Company's weighted average cost of capital). Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. At September 30, 2016, the fair value for the CSS reporting unit exceeded the carrying value and thus no impairment was required.

The Company has also determined that effective September 30, 2016 the assets of one of the business units within the CSS reporting unit will be held for sale (see discussion in Note 2). Therefore the CSS reporting unit was separated into the component that will be held for sale and the components that will be held for use and two separate fair value analyses were completed. At September 30, 2016 the fair value for the CSS held for use component exceeded the carrying value and thus no impairment was required. The fair value for the CSS held for sale component also exceeded the carrying value and thus no impairment was required.

CSS – component held-for-sale

The Company calculated the fair value of the trade name using a relief from royalty method based on forecasted revenues sold under the trade name using significant inputs not observable in the market (Level 3 inputs). The valuation assumptions included an estimated royalty rate of 3.75%, a discount rate specific to the trade name of 19.2% and a perpetuity growth rate of 3.0%. Based on the calculated fair value of \$2.0 million, the Company recorded impairment expense of \$3.3 million in the three months ended September 30, 2016 which was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

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WebMetro reporting unit

At September 30, 2015, the Company updated its quantitative assessment for the WebMetro reporting unit fair value using an income based approach based on a relatively small margin of fair value in excess of carrying value as of December 31, 2015. At September 30, 2015, the updated fair value for WebMetro was below the carrying value which necessitated an interim impairment analysis. The Company tested all of the assets of this reporting unit for impairment.

Definite-lived long-lived assets consisted of fixed assets, internally developed software, and an intangible asset related to the WebMetro customer relationships. The Company determined that the undiscounted future cash flows would be sufficient to cover the net book value of all definite-lived long-lived assets.

For the goodwill impairment analysis, the Company calculated the fair value of the WebMetro reporting unit and compared that to the updated carrying value and determined that the fair value was not in excess of its carrying value. Key assumptions used in the fair value calculation for goodwill impairment testing include, but are not limited to, a compounded annual revenue growth rate of 20% for the years 2016 through 2019, a perpetuity growth rate of 4.0% based on the current inflation rate combined with the GDP growth rate for the reporting unit's geographical region and a discount rate of 17.0%, which is equal to the reporting unit's equity risk premium adjusted for its size and company specific risk factors. Estimated future cash flows under the income approach are based on the Company's internal business plan adjusted as appropriate for the Company's view of market participant assumptions. The current business plan assumes the occurrence of certain events, including increased revenue growth for the next several years. Significant differences in the outcome of some or all of these assumptions may impact the calculated fair value of this reporting unit resulting in a different outcome to goodwill impairment in a future period.

Since the fair value of the reporting unit was not in excess of its carrying value, the Company calculated the implied fair value of goodwill and compared that value to the carrying value of goodwill. Implied fair value of goodwill is equal to the excess of the reporting unit's fair value over the amounts assigned to its net identifiable assets and liabilities. Upon completing this assessment, the Company determined that the implied fair value of goodwill was below the carrying value and thus a \$3.1 million impairment was recorded in the three and nine months ended September 30, 2015, and was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

Other Intangible Assets

In connection with reduced profitability for the Avaya component of the CTS segment an interim impairment analysis was completed during the third quarter of 2016. The Company will modify the sales focus of the Avaya component away from premise product and services towards cloud solutions. The indefinite-lived intangible asset evaluated for impairment consisted of the TSG trade name. The Company calculated the fair value of the trade name using a relief from royalty method based on forecasted revenues sold under the trade name using significant inputs not observable in the market (Level 3 inputs). The valuation assumptions included an estimated royalty rate of 0.5%, a discount rate specific to the trade name of 19.0%, which is equal to the reporting unit's equity risk premium adjusted for its size and company specific risk factors, and a perpetuity growth rate of 3.0%. Based on the calculated fair value of \$0.4 million, the Company recorded impairment expense of \$0.7 million in the three months ended September 30, 2016 which was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

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In connection with reduced profitability of the rogenSi component of the CSS segment, an interim impairment analysis was completed during the third quarter of 2016. The indefinite-lived intangible asset evaluated for impairment consisted of the trade name. The Company calculated the fair value of the trade name using a relief from royalty method based on forecasted revenues sold under the trade name using significant inputs not observable in the market (Level 3 inputs). The valuation assumptions included an estimated royalty rate of 2.0%, a discount rate specific to the trade name of 18.2%, which is equal to the reporting unit's equity risk premium adjusted for its size and company specific risk factors, and a perpetuity growth rate of 3.0%. Based on the calculated fair value of \$3.1 million, the Company recorded impairment expense of \$1.2 million in the three months ended September 30, 2016 which was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

(6) DERIVATIVES

Cash Flow Hedges

The Company enters into foreign exchange and interest rate related derivatives. Foreign exchange derivatives entered into consist of forward and option contracts to reduce the Company's exposure to foreign currency exchange rate fluctuations that are associated with forecasted revenue earned in foreign locations. Interest rate derivatives consist of interest rate swaps to reduce the Company's exposure to interest rate fluctuations associated with its variable rate debt. Upon proper qualification, these contracts are designated as cash flow hedges. It is the Company's policy to only enter into derivative contracts with investment grade counterparty financial institutions, and correspondingly, the fair value of derivative assets consider, among other factors, the creditworthiness of these counterparties. Conversely, the fair value of derivative liabilities reflects the Company's creditworthiness. As of September 30, 2016, the Company has not experienced, nor does it anticipate, any issues related to derivative counterparty defaults. The following table summarizes the aggregate unrealized net gain or loss in Accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2016 and 2015 (in thousands and net of tax):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Aggregate unrealized net gain/(loss) at beginning of period	\$ (25,007)	\$ (21,315)	\$ (26,885)	\$ (18,345)
Add: Net gain/(loss) from change in fair value of cash flow hedges	631	(8,660)	9,519	(14,070)
Less: Net (gain)/loss reclassified to earnings from effective hedges	(4,179)	2,161	(11,189)	4,601
Aggregate unrealized net gain/(loss) at end of period	<u>\$ (28,555)</u>	<u>\$ (27,814)</u>	<u>\$ (28,555)</u>	<u>\$ (27,814)</u>

The Company's foreign exchange cash flow hedging instruments as of September 30, 2016 and December 31, 2015 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts.

As of September 30, 2016	Local Currency Notional Amount	U.S. Dollar Notional Amount	% Maturing in the next 12 months	Contracts Maturing Through
Philippine Peso	14,279,000	308,428 ⁽¹⁾	42.2 %	August 2021
Mexican Peso	2,278,000	142,576	30.0 %	May 2021
		<u>\$ 451,004</u>		

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<u>As of December 31, 2015</u>	<u>Local Currency Notional Amount</u>	<u>U.S. Dollar Notional Amount</u>
Philippine Peso	16,362,000	361,571 ⁽¹⁾
Mexican Peso	2,637,000	173,124
		<u>\$ 534,695</u>

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on September 30, 2016 and December 31, 2015.

The Company's interest rate swap arrangements as of September 30, 2016 and December 31, 2015 were as follows:

	<u>Notional Amount</u>	<u>Variable Rate Received</u>	<u>Fixed Rate Paid</u>	<u>Contract Commencement Date</u>	<u>Contract Maturity Date</u>
As of September 30, 2016:					
Swap 2	\$ 15 million	1 - month LIBOR	3.14 %	May 2012	May 2017
	\$ 15 million				
As of December 31, 2015:					
Swap 1	\$ 25 million	1 - month LIBOR	2.55 %	April 2012	April 2016
Swap 2	15 million	1 - month LIBOR	3.14 %	May 2012	May 2017
	<u>\$ 40 million</u>				

Fair Value Hedges

The Company enters into foreign exchange forward contracts to economically hedge against foreign currency exchange gains and losses on certain receivables and payables of the Company's foreign operations. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in earnings in Other income (expense), net. As of September 30, 2016 and December 31, 2015 the total notional amounts of the Company's forward contracts used as fair value hedges were \$227.7 million and \$241.0 million, respectively.

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Derivative Valuation and Settlements

The Company's derivatives as of September 30, 2016 and December 31, 2015 were as follows (in thousands):

Designation:	September 30, 2016		
	Designated as Hedging Instruments	Not Designated as Hedging Instruments	
	Foreign Exchange	Interest Rate	Foreign Exchange
	Cash Flow	Cash Flow	Fair Value
Derivative contract type:			
Derivative classification:			
Fair value and location of derivative in the Consolidated Balance Sheet:			
Prepays and other current assets	\$ 6	\$ —	\$ 199
Other long-term assets	456	—	—
Other current liabilities	(22,884)	(246)	(2,475)
Other long-term liabilities	(26,075)	—	—
Total fair value of derivatives, net	<u>\$ (48,497)</u>	<u>\$ (246)</u>	<u>\$ (2,276)</u>
	December 31, 2015		
Designation:	Designated as Hedging Instruments	Not Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange	Interest Rate	Foreign Exchange
Derivative classification:	Cash Flow	Cash Flow	Fair Value
Fair value and location of derivative in the Consolidated Balance Sheet:			
Prepays and other current assets	\$ 39	\$ —	\$ 2,489
Other long-term assets	66	—	—
Other current liabilities	(20,088)	(549)	(116)
Other long-term liabilities	(25,739)	(102)	—
Total fair value of derivatives, net	<u>\$ (45,722)</u>	<u>\$ (651)</u>	<u>\$ 2,373</u>

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The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2016 and 2015 were as follows (in thousands):

	<u>Three Months Ended September 30,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Designated as Hedging Instruments</u>		<u>Designated as Hedging Instruments</u>	
	<u>Foreign Exchange</u>	<u>Interest Rate</u>	<u>Foreign Exchange</u>	<u>Interest Rate</u>
Designation:				
Derivative contract type:				
Derivative classification:	<u>Cash Flow</u>	<u>Cash Flow</u>	<u>Cash Flow</u>	<u>Cash Flow</u>
Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	\$ (4,119)	\$ (60)	\$ (2,313)	\$ 153
Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:				
Revenue	\$ (7,103)	\$ —	\$ (3,987)	\$ —
Interest expense	—	(104)	—	(264)

	<u>Three Months Ended September 30,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Not Designated as Hedging Instruments</u>		<u>Not Designated as Hedging Instruments</u>	
	<u>Foreign Exchange</u>		<u>Foreign Exchange</u>	
Designation:				
Derivative contract type:				
Derivative classification:	<u>Forward Contracts</u>	<u>Fair Value</u>	<u>Forward Contracts</u>	<u>Fair Value</u>
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):				
Costs of services	\$ —	\$ —	\$ —	\$ —
Other income (expense), net	\$ —	\$ (3,674)	\$ —	\$ (5,651)

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2016 and 2015 were as follows (in thousands):

	<u>Nine Months Ended September 30,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Designated as Hedging Instruments</u>		<u>Designated as Hedging Instruments</u>	
	<u>Foreign Exchange</u>	<u>Interest Rate</u>	<u>Foreign Exchange</u>	<u>Interest Rate</u>
Designation:				
Derivative contract type:				
Derivative classification:	<u>Cash Flow</u>	<u>Cash Flow</u>	<u>Cash Flow</u>	<u>Cash Flow</u>
Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	\$ (10,939)	\$ (252)	\$ (4,756)	\$ 454
Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:				
Revenue	\$ (18,860)	\$ —	\$ (8,200)	\$ —
Interest expense	—	(435)	—	(783)

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Designation:	Nine Months Ended September 30,			
	2016		2015	
	Not Designated as Hedging Instruments		Not Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange		Foreign Exchange	
Derivative classification:	Forward Contracts	Fair Value	Forward Contracts	Fair Value
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):				
Costs of services	\$ —	\$ —	\$ —	\$ —
Other income (expense), net	\$ —	\$ (3,616)	\$ —	\$ (8,146)

(7) FAIR VALUE

The authoritative guidance for fair value measurements establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following presents information as of September 30, 2016 and December 31, 2015 for the Company's assets and liabilities required to be measured at fair value on a recurring basis, as well as the fair value hierarchy used to determine their fair value.

Accounts Receivable and Payable - The amounts recorded in the accompanying balance sheets approximate fair value because of their short-term nature.

Investments – The Company measures investments at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. The fair values of these investments are determined based on valuation techniques using the best information available, and may include market observable inputs, and discounted cash flow projections. An impairment charge is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary. As of September 30, 2016, the investment, which consists of the Company's first quarter 2015 \$9.0 million investment in CaféX Communication, Inc., continues to be recorded at \$9.0 million.

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Debt - The Company's debt consists primarily of the Company's Credit Agreement (as defined in Note 10), which permits floating-rate borrowings based upon the current Prime Rate or LIBOR plus a credit spread as determined by the Company's leverage ratio calculation (as defined in the Credit Agreement). As of September 30, 2016 and December 31, 2015, the Company had \$129.0 million and \$100.0 million, respectively, of borrowings outstanding under the Credit Agreement. During the third quarter of 2016 outstanding borrowings accrued interest at an average rate of 1.5% per annum, excluding unused commitment fees. The amounts recorded in the accompanying Balance Sheets approximate fair value due to the variable nature of the debt.

Derivatives - Net derivative assets (liabilities) are measured at fair value on a recurring basis. The portfolio is valued using models based on market observable inputs, including both forward and spot foreign exchange rates, interest rates, implied volatility, and counterparty credit risk, including the ability of each party to execute its obligations under the contract. As of September 30, 2016, credit risk did not materially change the fair value of the Company's derivative contracts.

The following is a summary of the Company's fair value measurements for its net derivative assets (liabilities) as of September 30, 2016 and December 31, 2015 (in thousands):

As of September 30, 2016

	Fair Value Measurements Using			At Fair Value
	Quoted Prices in	Significant	Significant	
	Active Markets	Other	Unobservable	
	for Identical	Observable	Inputs	
Assets	Inputs	(Level 3)		
(Level 1)	(Level 2)	(Level 3)	At Fair Value	
Cash flow hedges	\$ —	\$ (48,497)	\$ —	\$ (48,497)
Interest rate swaps	—	(246)	—	(246)
Fair value hedges	—	(2,276)	—	(2,276)
Total net derivative asset (liability)	<u>\$ —</u>	<u>\$ (51,019)</u>	<u>\$ —</u>	<u>\$ (51,019)</u>

As of December 31, 2015

	Fair Value Measurements Using			At Fair Value
	Quoted Prices in	Significant	Significant	
	Active Markets	Other	Unobservable	
	for Identical	Observable	Inputs	
Assets	Inputs	(Level 3)		
(Level 1)	(Level 2)	(Level 3)	At Fair Value	
Cash flow hedges	\$ —	\$ (45,722)	\$ —	\$ (45,722)
Interest rate swaps	—	(651)	—	(651)
Fair value hedges	—	2,373	—	2,373
Total net derivative asset (liability)	<u>\$ —</u>	<u>\$ (44,000)</u>	<u>\$ —</u>	<u>\$ (44,000)</u>

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The following is a summary of the Company's fair value measurements as of September 30, 2016 and December 31, 2015 (in thousands):

As of September 30, 2016

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Derivative instruments, net	\$ —	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities			
Deferred compensation plan liability	\$ —	\$ (10,522)	\$ —
Derivative instruments, net	—	(51,019)	—
Contingent consideration	—	—	—
Total liabilities	<u>\$ —</u>	<u>\$ (61,541)</u>	<u>\$ —</u>

As of December 31, 2015

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Derivative instruments, net	\$ —	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities			
Deferred compensation plan liability	\$ —	\$ (9,821)	\$ —
Derivative instruments, net	—	(44,000)	—
Contingent consideration	—	—	(13,450)
Total liabilities	<u>\$ —</u>	<u>\$ (53,821)</u>	<u>\$ (13,450)</u>

Deferred Compensation Plan — The Company maintains a non-qualified deferred compensation plan structured as a Rabbi trust for certain eligible employees. Participants in the deferred compensation plan select from a menu of phantom investment options for their deferral dollars offered by the Company each year, which are based upon changes in value of complementary, defined market investments. The deferred compensation liability represents the combined values of market investments against which participant accounts are tracked.

Contingent Consideration — The Company recorded contingent consideration related to the acquisitions of iKnowtion, Sofica and rogenSi. These contingent payables were recognized at fair value using a discounted cash flow approach and a discount rate of 21.0%, 5.0% or 4.6%, respectively. The discount rates vary dependant on the specific risks of each acquisition including the country of operation, the nature of services and complexity of the acquired business, and other similar factors. These measurements were based on significant inputs not observable in the market. The Company recorded interest expense each period using the effective interest method until the future value of these contingent payables reached their expected future value. Interest expense related to all recorded contingent payables is included in Interest expense in the Consolidated Statements of Comprehensive Income (Loss).

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During the second quarter of 2015, the Company recorded a fair value adjustment of the contingent consideration associated with the Sofica reporting unit within the CMS segment based on revised estimates reflecting that Sofica earnings would be lower than revised estimates for 2015. Accordingly a \$0.5 million decrease in the payable was recorded as of June 30, 2015 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2016, all payments have been completed.

During the third and fourth quarters of 2015, and the third quarter of 2016, the Company recorded fair value adjustments of the contingent consideration associated with the rogenSi reporting unit within the CSS segment based on revised estimates reflecting that rogenSi earnings would be higher and then lower than anticipated for 2015. Accordingly a \$0.5 million increase, a \$0.3 million decrease, and a \$4.3 million decrease to the payable was recorded as of September 30, 2015, December 31, 2015, and September 30, 2016, respectively, and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2016, the fair value of the remaining contingent consideration has been reduced to zero given the remote possibility of any additional payments.

A rollforward of the activity in the Company's fair value of the contingent consideration payable is as follows (in thousands):

	<u>December 31, 2015</u>	<u>Acquisitions</u>	<u>Payments</u>	<u>Imputed Interest / Adjustments</u>	<u>September 30, 2016</u>
iKnowtion	\$ 500	\$ —	\$ (500)	\$ —	\$ —
Sofica	3,153	—	(3,146)	(7)	—
rogenSi	9,797	—	(5,793)	(4,004)	—
Total	<u>\$ 13,450</u>	<u>\$ —</u>	<u>\$ (9,439)</u>	<u>\$ (4,011)</u>	<u>\$ —</u>

(8) INCOME TAXES

The Company accounts for income taxes in accordance with the accounting literature for income taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. Quarterly, the Company assesses the likelihood that its net deferred tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred tax assets when it is more-likely-than-not that a future tax benefit will not be realized.

In accordance with ASC 740, the Company recorded a liability during the second quarter of 2015 of \$1.75 million and during the first quarter of 2016 of \$1.1 million, inclusive of penalties and interest, for uncertain tax positions. See Note 1 for further information on these items.

During the second quarter of 2016, \$0.3 million of liability was released due to the closing of a statute of limitations.

During the third quarter of 2016, \$0.8 million of liability was released due to the favorable outcome of communications with a revenue authority related to site compliance for locations with tax advantaged status.

During the third quarter of 2016, \$0.5 million of liability was released due to the closing of a statute of limitations.

As of September 30, 2016, the Company had \$55.3 million of gross deferred tax assets (after a \$9.9 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of \$53.2 million related to the U.S. and international tax jurisdictions whose recoverability is dependent upon future profitability.

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The effective tax rate for the three and nine months ended September 30, 2016 was (6.9)% and 15.2%, respectively. The effective tax rate for the three and nine months ended September 30, 2015 was 8.7% and 21.9%, respectively.

The Company's U.S. income tax returns filed for the tax years ending December 31, 2013 to present remain open tax years. The Company has been notified of the intent to audit, or is currently under audit, of income taxes for rogenSi in Hong Kong for the tax year 2014, Canada for tax years 2009 and 2010 and New Zealand for tax year the 2013. Although the outcome of examinations by taxing authorities are always uncertain, it is the opinion of management that the resolution of these audits will not have a material effect on the Company's Consolidated Financial Statements. The Company has successfully closed their audit in the U.S. during the second quarter of 2016 for the acquired entity Technology Solutions Group for the tax year 2012 (prior to acquisition), with no changes.

The Company has been granted "Tax Holidays" as an incentive to attract foreign investment by the governments of the Philippines and Costa Rica. Generally, a Tax Holiday is an agreement between the Company and a foreign government under which the Company receives certain tax benefits in that country, such as exemption from taxation on profits derived from export-related activities. In the Philippines, the Company has been granted multiple agreements with an initial period of four years and additional periods for varying years, expiring at various times between 2011 and 2020. The aggregate effect on income tax expense for the three months ended September 30, 2016 and 2015 was approximately \$2.0 million and \$1.8 million, respectively, which had a favorable impact on diluted net income per share of \$0.04 and \$0.04, respectively. The aggregate effect on income tax expense for the nine months ended September 30, 2016 and 2015 was approximately \$4.5 million and \$4.1 million, respectively, which had a favorable impact on diluted net income per share of \$0.10 and \$0.09, respectively.

(9) RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

Restructuring Charges

During the three and nine months ended September 30, 2016 and 2015, the Company continued restructuring activities primarily associated with reductions in the Company's capacity, workforce and related management in all of the segments to better align the capacity and workforce with current business needs.

A summary of the expenses recorded in Restructuring, net in the accompanying Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2016 and 2015, respectively, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Reduction in force				
Customer Management Services	\$ 2,485	\$ 516	\$ 2,482	\$ 1,331
Customer Growth Services	108	—	108	—
Customer Technology Services	314	13	324	13
Customer Strategy Services	82	93	92	285
Total	<u>\$ 2,989</u>	<u>\$ 622</u>	<u>\$ 3,006</u>	<u>\$ 1,629</u>

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Facility exit and other charges				
Customer Management Services	\$ 699	\$ —	\$ 852	\$ —
Customer Growth Services	—	—	—	—
Customer Technology Services	—	—	33	—
Customer Strategy Services	—	—	—	—
Total	<u>\$ 699</u>	<u>\$ —</u>	<u>\$ 885</u>	<u>\$ —</u>

A rollforward of the activity in the Company's restructuring accruals is as follows (in thousands):

	Reduction in Force	Facility Exit and Other Charges	Total
Balance as of December 31, 2015	\$ 806	\$ —	\$ 806
Expense	3,220	885	4,105
Payments	(1,229)	(712)	(1,941)
Change due to foreign currency	(77)	—	(77)
Change in estimates	(215)	—	(215)
Balance as of September 30, 2016	<u>\$ 2,505</u>	<u>\$ 173</u>	<u>\$ 2,678</u>

The remaining restructuring accruals are expected to be paid or extinguished during 2016 or 2017 and are all classified as current liabilities within Other accrued expenses in the Consolidated Balance Sheets.

Impairment Losses

During each of the periods presented, the Company evaluated the recoverability of its leasehold improvement assets at certain delivery centers. An asset is considered to be impaired when the anticipated undiscounted future cash flows of its asset group are estimated to be less than the asset group's carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. To determine fair value, the Company used Level 3 inputs in its discounted cash flows analysis. Assumptions included the amount and timing of estimated future cash flows and assumed discount rates. During the three and nine months ended September 30, 2016 and 2015, the Company recognized no losses related to leasehold improvement assets.

(10) COMMITMENTS AND CONTINGENCIES

Credit Facility

On February 11, 2016, the Company entered into a First Amendment to our June 3, 2013 Amended and Restated Credit Agreement and Amended and Restated Security Agreement (collectively the "Credit Agreement") for a senior secured revolving credit facility (the "Credit Facility") with a syndicate of lenders led by Wells Fargo Bank, National Association. The Credit Agreement provides for a secured revolving credit facility that matures on February 11, 2021 with an initial maximum aggregate commitment of \$900.0 million, and an accordion feature of up to \$1.2 billion in the aggregate, if certain conditions are satisfied.

Base rate loans bear interest at a rate equal to the greatest of (i) Wells Fargo's prime rate, (ii) one half of 1% in excess of the federal funds effective rate, and (iii) 1.25% in excess of the one month London Interbank Offered Rate ("LIBOR"); plus in each case a margin of 0% to 0.75% based on the Company's net leverage ratio. Eurodollar loans bear interest at LIBOR plus a margin of 1.0% to 1.75% based on the Company's net leverage ratio. Alternate currency loans bear interest at rates applicable to their respective currencies.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
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The Company is obligated to maintain a maximum net leverage ratio of 3.25 to 1.00, and a minimum interest coverage ratio of 2.50 to 1.00.

The Company primarily utilizes its Credit Agreement to fund working capital, general operations, stock repurchases, dividends and other strategic activities, such as the acquisitions described in Note 2. As of September 30, 2016 and December 31, 2015, the Company had borrowings of \$129.0 million and \$100.0 million, respectively, under its Credit Agreement, and its average daily utilization was \$359.5 million and \$323.0 million for the nine months ended September 30, 2016 and 2015, respectively. After consideration for issued letters of credit under the Credit Agreement, totaling \$3.4 million, and current level of availability based on covenant calculations, the Company's remaining borrowing capacity was approximately \$425 million as of September 30, 2016. As of September 30, 2016, the Company was in compliance with all covenants and conditions under its Credit Agreement.

Letters of Credit

As of September 30, 2016, outstanding letters of credit under the Credit Agreement totaled \$3.4 million and primarily guaranteed workers' compensation and other insurance related obligations. As of September 30, 2016, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled \$5.5 million.

Legal Proceedings

From time to time, the Company has been involved in legal actions, both as plaintiff and defendant, which arise in the ordinary course of business. The Company accrues for exposures associated with such legal actions to the extent that losses are deemed both probable and reasonably estimable. To the extent specific reserves have not been made for certain legal proceedings, their ultimate outcome, and consequently, an estimate of possible loss, if any, cannot reasonably be determined at this time.

Based on currently available information and advice received from counsel, the Company believes that the disposition or ultimate resolution of any current legal proceedings, except as otherwise specifically reserved for in its financial statements, will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

(11) NONCONTROLLING INTEREST

The following table reconciles equity attributable to noncontrolling interest (in thousands):

	Nine Months Ended September 30,	
	2016	2015
Noncontrolling interest, January 1	\$ 7,201	\$ 7,983
Net income attributable to noncontrolling interest	2,804	2,766
Dividends distributed to noncontrolling interest	(2,745)	(2,925)
Foreign currency translation adjustments	(70)	(323)
Other	10	—
Equity-based compensation expense	96	122
Noncontrolling interest, September 30	<u>\$ 7,296</u>	<u>\$ 7,623</u>

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
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(12) MANDATORILY REDEEMABLE NONCONTROLLING INTEREST

The Company held an 80% interest in iKnowtion until January 1, 2016 when the additional 20% was purchased. In the event iKnowtion met certain EBITDA targets for calendar year 2015, the purchase and sale agreement required TeleTech to purchase the remaining 20% interest in iKnowtion in 2016 for an amount equal to a multiple of iKnowtion's 2015 EBITDA as defined in the purchase and sale agreement. These terms represented a contingent redemption feature which the Company determined was probable of being achieved.

Based on final EBITDA for 2015, the payment for the remaining 20% was completed in April 2016 for the value shown in the table below in accordance with the purchase and sale agreement.

The Company recorded the mandatorily redeemable noncontrolling interest at the redemption value based on the corresponding EBITDA multiples as prescribed in the purchase and sale agreement at the end of each reporting period. At the end of each reporting period the changes in the redemption value were recorded in retained earnings. Since the EBITDA multiples as defined in the purchase and sale agreement are below the current market multiple, the Company has determined that there was no preferential treatment to the noncontrolling interest shareholders resulting in no impact to earnings per share.

A rollforward of the mandatorily redeemable noncontrolling interest is included in the table below (in thousands).

	Nine Months Ended September 30,	
	2016	2015
Mandatorily redeemable noncontrolling interest, January 1	\$ 4,131	\$ 2,814
Net income attributable to mandatorily redeemable noncontrolling interest	—	537
Working capital distributed to mandatorily redeemable noncontrolling interest	(492)	(632)
Change in redemption value	466	1,201
Purchase of mandatorily redeemable noncontrolling interest	(4,105)	—
Mandatorily redeemable noncontrolling interest, September 30	<u>\$ —</u>	<u>\$ 3,920</u>

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
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(13) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents changes in the accumulated balance for each component of other comprehensive income (loss), including current period other comprehensive income (loss) and reclassifications out of accumulated other comprehensive income (loss) (in thousands):

	Foreign Currency Translation Adjustment	Derivative Valuation, Net of Tax	Other, Net of Tax	Totals
Accumulated other comprehensive income (loss) at December 31, 2014	\$ (33,352)	\$ (18,345)	\$ (577)	\$ (52,274)
Other comprehensive income (loss) before reclassifications	(39,019)	(14,070)	(2,819)	(55,908)
Amounts reclassified from accumulated other comprehensive income (loss)	—	4,601	679	5,280
Net current period other comprehensive income (loss)	(39,019)	(9,469)	(2,140)	(50,628)
Accumulated other comprehensive income (loss) at September 30, 2015	\$ (72,371)	\$ (27,814)	\$ (2,717)	\$ (102,902)
Accumulated other comprehensive income (loss) at December 31, 2015	\$ (71,196)	\$ (26,885)	\$ (3,284)	\$ (101,365)
Other comprehensive income (loss) before reclassifications	(7,999)	9,519	2,330	3,850
Amounts reclassified from accumulated other comprehensive income (loss)	—	(11,189)	(1,128)	(12,317)
Net current period other comprehensive income (loss)	(7,999)	(1,670)	1,202	(8,467)
Accumulated other comprehensive income (loss) at September 30, 2016	\$ (79,195)	\$ (28,555)	\$ (2,082)	\$ (109,832)

The following table presents the classification and amount of the reclassifications from Accumulated other comprehensive income (loss) to the statement of comprehensive income (loss) (in thousands):

	For the Three Months Ended September 30,		Statement of
	2016	2015	Comprehensive Income (Loss) Classification
Derivative valuation			
Gain (loss) on foreign currency forward exchange contracts	\$ (7,103)	\$ (3,987)	Revenue
Loss on interest rate swaps	(104)	(264)	Interest expense
Tax effect	3,028	2,091	Provision for income taxes
	<u>\$ (4,179)</u>	<u>\$ (2,160)</u>	Net income (loss)
Other			
Actuarial loss on defined benefit plan	\$ (804)	\$ (252)	Cost of services
Tax effect	80	25	Provision for income taxes
	<u>\$ (724)</u>	<u>\$ (227)</u>	Net income (loss)

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
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	<u>For the Nine Months Ended September 30,</u>		<u>Statement of</u>
	<u>2016</u>	<u>2015</u>	<u>Comprehensive Income</u> <u>(Loss) Classification</u>
Derivative valuation			
Gain (loss) on foreign currency forward exchange contracts	\$ (18,860)	\$ (8,200)	Revenue
Loss on interest rate swaps	(435)	(783)	Interest expense
Tax effect	8,106	4,382	Provision for income taxes
	<u>\$ (11,189)</u>	<u>\$ (4,601)</u>	Net income (loss)
Other			
Actuarial loss on defined benefit plan	\$ (1,252)	\$ (755)	Cost of services
Tax effect	124	76	Provision for income taxes
	<u>\$ (1,128)</u>	<u>\$ (679)</u>	Net income (loss)

(14) NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted shares for the periods indicated (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Shares used in basic earnings per share calculation	47,081	48,345	47,771	48,346
Effect of dilutive securities:				
Stock options	6	278	11	355
Restricted stock units	214	291	292	332
Performance-based restricted stock units	14	22	15	19
Total effects of dilutive securities	<u>234</u>	<u>591</u>	<u>318</u>	<u>706</u>
Shares used in diluted earnings per share calculation	<u>47,315</u>	<u>48,936</u>	<u>48,089</u>	<u>49,052</u>

For the three months ended September 30, 2016 and 2015, options to purchase 0.1 million and 0.1 million shares of common stock, respectively, were outstanding, but not included in the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the nine months ended September 30, 2016 and 2015, options to purchase 0.1 million and 0.1 million shares of common stock, respectively, were outstanding, but not included in the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the three months ended September 30, 2016 and 2015, restricted stock units ("RSUs") of 0.1 million and 0.2 million, respectively, were outstanding, but not included in the computation of diluted net income per share because the effect would have been anti-dilutive. For the nine months ended September 30, 2016 and 2015, RSUs of 0.1 million and 0.4 million, respectively, were outstanding, but not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

**TELETECH HOLDINGS, INC. AND SUBSIDIARIES
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(15) EQUITY-BASED COMPENSATION PLANS

All equity-based awards to employees are recognized in the Consolidated Statements of Comprehensive Income (Loss) at the fair value of the award on the grant date. During the three and nine months ended September 30, 2016 and 2015, the Company recognized total compensation expense of \$2.7 million and \$7.3 million and \$3.3 million and \$8.6 million, respectively. Of the total compensation expense, \$1.0 million and \$2.3 million was recognized in Cost of services and \$1.7 million and \$5.0 million was recognized in Selling, general and administrative, respectively, during the three and nine months ended September 30, 2016. During the three and nine months ended September 30, 2015 the Company recognized compensation expense of \$0.9 million and \$2.0 million was recognized in Cost of services and \$2.4 million and \$6.6 million was recognized in Selling, general and administrative, respectively.

Restricted Stock Unit Grants

During the nine months ended September 30, 2016 and 2015, the Company granted 443,875 and 744,800 RSUs, respectively, to new and existing employees, which vest in equal installments over four or five years. The Company recognized compensation expense related to RSUs of \$2.6 million and \$7.2 million for the three and nine months ended September 30, 2016, respectively. The Company recognized compensation expense related to RSUs of \$3.2 million and \$8.3 million for the three and nine months ended September 30, 2015, respectively. As of September 30, 2016, there was approximately \$22.0 million of total unrecognized compensation cost (including the impact of expected forfeitures) related to RSUs granted under the Company's equity plans.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (“Litigation Reform Act”), relating to our future operations, expected financial condition and prospects, results of operation, continuation of client relationships, and other business matters that are based on our current expectations, assumptions, business strategy, and projections with respect to the future, and are not a guarantee of performance. Forward-looking statements may appear throughout this report, including without limitation, the following sections: Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A, “Risk Factors.” Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “will likely result,” and similar expressions. When we discuss our strategy, plans, goals, initiatives, or objectives, we are making forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Litigation Reform Act.

We caution you not to rely unduly on any forward-looking statements. Actual results may differ materially from what is expressed in the forward-looking statements, and you should review and consider carefully the risks, uncertainties and other factors that affect our business and may cause such differences, as outlined but not limited to factors discussed in the “Risk Factors” section of our 2015 Annual Report on Form 10-K. The risk factors we wish for you to be aware of in particular include but are not limited to the risk inherent in the volatile and uncertain economic conditions, the fact that a large portion of our revenue is generated from a limited number of clients and the loss of one or more of these clients or a large portion of one client’s business could adversely effect our results of operations, the risk of client consolidation, the possibility that the current trend among clients to outsource their customer care may not continue, the competitiveness of our markets, the risk of information systems breach and the related impact on our clients and their data, our geographic concentration, the risk inherent in the terms of our contracts that we do not always have the opportunity to negotiate, the risk related to our international footprint, how our foreign currency exchange risk can adversely impact our results of operations, the risk of changes in law that impact our business and our ability to comply with all the laws that relate to our operations, the risk related to the reliability of the information infrastructure that we use and our ability to deliver uninterrupted service to our clients, the risk of not being able to forecast demand for services accurately and the related impact on capacity utilization, our inability to attract and retain qualified and skilled personnel, impact of changing technologies on our services and solutions, the restrictive covenants contained in our credit facility that may impact our ability to execute our strategy and operate our business, the supply chain disruption related risk, the risk to innovation due to unforeseen intellectual property infringement, the risk related to our M&A activity and our ability to identify, acquire and properly integrate acquired businesses in accordance with our strategy, the controlling shareholder risk, and the volatility of our stock price that may result in loss of investment.

The forward-looking statements are based on information available as of the date that this Form 10-Q is filed with the United States Securities and Exchange Commission (“SEC”) and we undertake no obligation to update them, except as may be required by applicable laws. They are based on numerous assumptions and developments that are not within our control. Although we believe these forward-looking statements are reasonable, we cannot assure you they will turn out to be correct.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

TeleTech Holdings, Inc. ("TeleTech", "the Company", "we", "our" or "us") is a customer engagement management service provider that delivers integrated consulting, technology, growth and customer care solutions on a global scale. Our suite of products and services allows us to design and deliver engaging, outcome-based customer experiences across numerous interaction channels. Our solutions are supported by 43,500 employees delivering services in 24 countries from 73 delivery centers on six continents. Our revenue for the quarter ended September 30, 2016 was \$313 million.

Since our establishment in 1982, we have helped clients strengthen their customer relationships, brand recognition and loyalty through customer engagement solutions. We deliver thought leadership, technology and innovation that create customer strategies designed to differentiate our clients from their competition; data analytics that personalize interactions and increase customer value; and integration services that connect clients' customer relationship management ("CRM") system to a cloud-based collaboration platform, leading to customer interactions that are seamless and relevant.

Our services are value-oriented, outcome-based, and delivered on a global scale across all of our business segments: Customer Management Services ("CMS"), Customer Growth Services ("CGS"), Customer Technology Services ("CTS") and Customer Strategy Services ("CSS"). Our integrated customer experience managed services platform differentiates the Company by combining strategic consulting, data analytics, process optimization, system design and integration, operational excellence, and technology solutions and services.

We have developed tailored expertise in the automotive, communications, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel and transportation industries. We target customer-focused industry leaders in the Global 1000 and serve approximately 300 global clients.

To improve our competitive position in a rapidly changing market and stay strategically relevant to our clients, we continue to invest in innovation and growth businesses, diversifying our traditional business process outsourcing services of our CMS segment into higher-value consulting, data analytics, digital marketing and technology-enabled services. Of the \$312.8 million in revenue we reported in the current period, approximately 28.5% or \$89.1 million came from the CGS, CTS and CSS segments (our "Emerging Segments"), focused on customer-centric strategy, growth and technology-based services, with the remainder of our revenue coming from our CMS contact center business.

Our strong balance sheet, cash flows from operations and access to debt and capital markets have historically provided us the financial flexibility to effectively fund our organic growth, capital expenditures, strategic acquisitions and incremental investments. Additionally, we continue to return capital to our shareholders via an ongoing stock repurchase program and regular semi-annual dividends. As of September 30, 2016, our cumulative authorized repurchase allowance was \$712.3 million, of which we repurchased 44.8 million shares for \$700.0 million. For the period from September 30, 2016 through October 31, 2016, we repurchased 229 thousand additional shares. The stock repurchase program does not have an expiration date. On November 7, 2016, the Board of Directors authorized an increase in the share repurchase allowance of \$25 million.

On February 24, 2015, our Board of Directors adopted a dividend policy, with the intent to distribute a periodic cash dividend to stockholders of our common stock, after consideration of, among other things, TeleTech's performance, cash flows, capital needs and liquidity factors. Given our cash flow generation and balance sheet strength, we believe cash dividends and early returns to shareholders through share repurchases, in balance with our investments in innovation and strategic acquisitions, align shareholder interests with the needs of the Company. The initial dividend of \$0.18 per common share was paid on March 16, 2015 to shareholders of record as of March 6, 2015. A second dividend of \$0.18 per common share was paid on October 14, 2015 to shareholders of record as of September 30, 2015. A third dividend of \$0.185 per common share was paid on April 15, 2016 to shareholders of record as of March 31, 2016. A fourth dividend of \$0.20 per common share was paid on October 14, 2016 to shareholders of record as of October 3, 2016.

Our Integrated Service Offerings and Business Segments

We have four operating and reportable segments, which provide an integrated set of services including:

Customer Strategy Services

We typically begin by engaging our clients at a strategic level. Through our strategy, change management and analytics-driven consulting expertise, we help our clients design, build and execute their customer engagement strategies. We help our clients to better understand and predict their customers' behaviors and preferences along with their current and future economic value. Using proprietary analytic models, we provide the insight clients need to build the business case for customer centricity, to better optimize their marketing spend and then work alongside them to help implement our recommendations. A key component of this segment involves instilling a high performance culture through management and leadership alignment and process optimization.

Customer Technology Services

Once the design of the customer engagement is completed, our ability to architect, deploy and host or manage the client's customer management environment becomes a key enabler to achieving and sustaining the client's customer engagement vision. Given the proliferation of mobile communication technologies and devices, we enable our clients' operations to interact with their customers across the growing array of channels including email, social networks, mobile, web, SMS text, voice and chat. We design, implement and manage cloud, on-premise or hybrid customer management environments to deliver a consistent and superior experience across all touch points on a global scale that we believe result in higher quality, lower costs and reduced risk for our clients. Through our proprietary Humanify™ technology, we also provide data-driven context aware SaaS-based solutions that link customers seamlessly and directly to appropriate resources, any time and across any channel.

Customer Management Services

We design and manage clients' front-to-back office processes to deliver just-in-time, personalized, multi-channel interactions. Our front-office solutions seamlessly integrate voice, chat, email, e-commerce and social media to optimize the customer experience for our clients. In addition, we manage certain client back-office processes to enhance their customer-centric view of relationships and maximize operating efficiencies. Our delivery of integrated business processes via our onshore, offshore or work-from-home associates reduces operating costs and allows customer needs to be met more quickly and efficiently, resulting in higher satisfaction, brand loyalty and a stronger competitive position for our clients.

Customer Growth Services

We offer integrated sales and marketing solutions to help our clients boost revenue in new, fragmented or underpenetrated business-to-consumer or business-to-business markets. We deliver approximately \$2 billion in client revenue annually via the acquisition, growth and retention of customers through a combination of our highly trained, client-dedicated sales professionals and our proprietary Revana Analytic Multichannel Platform™. This platform continuously aggregates individual customer information across all channels into one holistic view so as to ensure more relevant and personalized communications. As a result of our acquisition of the digital agency WebMetro, we have developed an integrated marketing-to-sales platform that links online searches to live sales through a closed loop, multichannel interface. This platform uses proprietary tools and methodology to capture and use more than 400 marketing and sales data points to engage with customers in relevant conversations.

Based on our clients' requirements, we provide our services on an integrated cross-business segment and on a discrete basis.

We are currently providing services to clients in the following verticals for each segment:

CMS	CGS	CTS	CSS
Automotive	Automotive	Automotive	Automotive
Communication	Communication	Communication	Financial Services
Financial Services	Financial Services	Financial Services	Government
Government	Healthcare	Government	Healthcare
Healthcare	Media & Entertainment	Healthcare	Media & Entertainment
Media & Entertainment	Retail	Media & Entertainment	Retail
Retail	Technology	Retail	Technology
Technology	Travel & Transportation	Technology	
Travel & Transportation		Travel & Transportation	

In the third quarter of 2016, our revenue increased 1.2% to \$312.8 million over the same period in 2015 including a decrease of 0.1% or \$0.3 million due to foreign currency fluctuations. This increase in revenue is comprised of growth of 5.2% in the CMS segment offset by a reduction in the CSS segment due to decreases in our Middle East consulting business in connection with macro-economic trends and decreases in the CTS segment due to lower Avaya revenue and product sales. Revenue, adjusted for the \$0.3 million decrease related to foreign exchange, increased by \$3.9 million, or 1.3%, over the prior year.

Our third quarter 2016 income from operations decreased 19.8% to \$12.5 million or 4.0% of revenue, from \$15.6 million or 5.1% of revenue in the third quarter of 2015. This decrease is primarily due to \$3.7 million of restructuring charges related to a reorganization of the global sales force and a restructuring of a portion of the IT functions, and impairments of \$5.6 million for several trade name intangible assets due to continued lower financial performance for three business units (see Part I. Item 1. Financial Statements, Note 5 to the Consolidated Financial Statements). These were offset by increased income for the CMS segment related to higher revenue. Income from operations in the third quarter of 2016 and 2015 included \$9.3 million and \$3.7 million of restructuring charges and asset impairments, respectively.

Our offshore delivery centers serve clients based in the U.S. and in other countries and spans five countries with 22,500 workstations, representing 63% of our global delivery capability. Revenue for our CMS and CGS segments that is provided in these offshore locations was \$111 million and represented 43% of our revenue for the third quarter of 2016, as compared to \$110 million and 44% of our revenue for 2015.

Our cash flow from operations and available credit allowed us to finance a significant portion of our capital needs and stock repurchases through internally generated cash flows. At September 30, 2016, we had \$61.3 million of cash and cash equivalents, total debt of \$140.9 million, and a total debt to total capitalization ratio of 26.3%.

We internally target capacity utilization in our delivery centers at 80% to 90% of our available workstations. As of September 30, 2016, the overall capacity utilization in our centers was 71%. The table below presents workstation data for all of our centers as of September 30, 2016 and 2015. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations.

	September 30, 2016			September 30, 2015		
	Total Production Workstations	In Use	% In Use	Total Production Workstations	In Use	% In Use
Total centers						
Sites open >1 year	34,538	24,284	70 %	30,442	21,398	70 %
Sites open <1 year	1,104	967	88 %	4,126	3,050	74 %
Total workstations	35,642	25,251	71 %	34,568	24,448	71 %

While we continue to see demand from all geographic regions to utilize our offshore delivery capabilities and expect this trend to continue with our clients, some of our clients have regulatory pressures to bring the services onshore to the United States. In light of these trends we plan to continue to selectively retain and grow capacity and expand into new offshore markets, while maintaining appropriate capacity in the United States. As we grow our offshore delivery capabilities and our exposure to foreign currency fluctuations increases, we continue to actively manage this risk via a multi-currency hedging program designed to minimize operating margin volatility.

Recently Issued Accounting Pronouncements

Refer to Part I, Item I, Financial Statements, Note 1 to the Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. For further information, please refer to the discussion of all critical accounting policies in Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations**Three months ended September 30, 2016 compared to three months ended September 30, 2015**

The tables included in the following sections are presented to facilitate an understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the three months ended September 30, 2016 and 2015 (amounts in thousands). All inter-company transactions between the reported segments for the periods presented have been eliminated.

Customer Management Services

	Three Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 223,664	\$ 212,690	\$ 10,974	5.2 %
Operating Income	12,255	8,930	3,325	37.2 %
Operating Margin	5.5 %	4.2 %		

The increase in revenue for the Customer Management Services segment was attributable to a \$15.7 million net increase in client programs offset by program completions of \$4.7 million.

The operating income as a percentage of revenue increased to 5.5% in the third quarter of 2016 as compared to 4.2% in the prior period. The operating margin increased due to higher revenue which improved the capacity utilization as well as cost reductions implemented in the third quarter to resize the sales and marketing functions and restructuring portions of the IT functions. Included in the operating income was amortization related to acquired intangibles of \$0.2 million and \$0.1 million for the quarters ended September 30, 2016 and 2015, respectively.

Customer Growth Services

	Three Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 35,301	\$ 33,853	\$ 1,448	4.3 %
Operating Income (Loss)	161	(257)	418	162.6 %
Operating Margin	0.5 %	(0.8)%		

The increase in revenue for the Customer Growth Services segment was due to a \$4.0 million increase in client programs offset by program completions of \$2.6 million.

The operating income as a percentage of revenue increased to 0.5% in the third quarter of 2016 as compared to a loss of (0.8)% in the prior period. This small increase in margin is related to the higher revenue. Included in the operating income was amortization related to acquired intangibles of \$0.5 million and \$0.7 million for the quarters ended September 30, 2016 and 2015, respectively.

Customer Technology Services

	Three Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 36,580	\$ 42,134	\$ (5,554)	(13.2)%
Operating Income	3,776	3,774	2	0.1 %
Operating Margin	10.3 %	9.0 %		

The decrease in revenue for the Customer Technology Services segment was driven by decreases in the Avaya offerings as well as lower CISCO product sales.

The operating income as a percentage of revenue increased to 10.3% in the third quarter of 2016 as compared to 9.0% in the prior period. During the quarter, a \$0.7 million charge for the impairment of a trade name intangible asset was recorded due to continued lower financial performance for the Avaya business unit (see Part I. Item 1. Financial Statements, Note 5 to the Consolidated Financial Statements). This was offset by improvements in the margins for the CISCO platform and reductions in the selling, general and administrative expenses due to certain restructuring efforts. Included in the operating income was amortization related to acquired intangibles of \$1.2 million and \$1.1 million for the quarters ended September 30, 2016 and 2015, respectively.

Customer Strategy Services

	Three Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 17,251	\$ 20,518	\$ (3,267)	(15.9)%
Operating Income (Loss)	(3,666)	3,178	(6,844)	(215.4)%
Operating Margin	(21.3)%	15.5 %		

The decrease in revenue for the Customer Strategy Services segment was most significantly related to declines in the Middle East consulting business consistent with the first half of 2016.

The operating loss as a percentage of revenue was (21.3)% in the third quarter of 2016 as compared to income of 15.5% in the prior period. The loss included \$4.5 million of charges for the impairment of two trade name intangible assets due to continued lower financial performance for two business units (see Part I. Item 1. Financial Statements, Note 5 to the Consolidated Financial Statements). The operating income also decreased related to the decline in revenue which caused an under utilization of the consultants as well as planned investments in practice area and geographic expansion. Included in the operating income was amortization expense of \$0.8 million and \$0.5 million for the quarters ended September 30, 2016 and 2015, respectively.

Interest Income (Expense)

For the three months ended September 30, 2016 interest income increased to \$0.4 million from \$0.2 million in the same period in 2015. Interest expense decreased to \$2.0 million during 2016 from \$2.3 million during 2015.

Other Income (Expense), Net

Included in the three months ended September 30, 2016 was a total of \$5.3 million of estimated losses related to two business units which have been classified as assets held for sale (see Part I. Item 1. Financial Statements, Note 2 to the Consolidated Financial Statements).

Included in the three months ended September 30, 2016 was a \$4.3 million benefit related to a fair value adjustment of contingent consideration for one of our acquisitions (see Part I. Item 1. Financial Statements, Note 7 to the Consolidated Financial Statements).

Included in the three months ended September 30, 2015 was a \$0.8 million expense related to fair value adjustments of contingent consideration for one of our acquisitions (see Part I. Item 1. Financial Statements, Note 7 to the Consolidated Financial Statements).

Income Taxes

The effective tax rate for the three months ended September 30, 2016 was (6.9)%. This compares to an effective tax rate of 8.7% for the comparable period of 2015. The effective tax rate for the three months ended September 30, 2016 was influenced by earnings in international jurisdictions currently under an income tax holiday and the distribution of income between the U.S. and international tax jurisdictions. Without \$1.1 million of benefit related to uncertain tax positions, \$0.6 million of expense related to return to provision adjustments, \$1.3 million of benefit from restructuring expenses, \$0.4 million of benefit related to impairments, \$1.1 million of benefit related to losses recorded on assets held for sale, and \$0.1 million of expense related to the write off of contingent payments, the Company's effective tax rate for the third quarter of 2016 would have been 11.0%.

Results of Operations**Nine months ended September 30, 2016 compared to nine months ended September 30, 2015**

The tables included in the following sections are presented to facilitate an understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the nine months ended September 30, 2016 and 2015 (in thousands). All intercompany transactions between the reported segments for the periods presented have been eliminated.

Customer Management Services

	Nine Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 664,392	\$ 675,015	\$ (10,623)	(1.6)%
Operating Income	36,189	43,956	(7,767)	(17.7)%
Operating Margin	5.4 %	6.5 %		

The decrease in revenue for the Customer Management Services segment was attributable to a \$21.0 million net increase in client programs offset by program completions of \$14.9 million. Revenue was further impacted by a \$16.7 million reduction due to foreign currency fluctuations, primarily the Australian dollar and the Brazilian Real.

The operating income as a percentage of revenue decreased to 5.4% for the nine months ended September 30, 2016 as compared to 6.5% in the prior period. The operating margin decrease is attributable to a shift in business mix to onshore vs. offshore, overall lower capacity utilization and the adverse impact of foreign exchange fluctuations. Included in the operating income was amortization related to acquired intangibles of \$0.6 million and \$0.6 million for the nine months ended September 30, 2016 and 2015, respectively.

Customer Growth Services

	Nine Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 105,713	\$ 90,379	\$ 15,334	17.0 %
Operating Income	4,138	1,891	2,247	118.8 %
Operating Margin	3.9 %	2.1 %		

The increase in revenue for the Customer Growth Services segment was due to a \$22.7 million increase in client programs offset by program completions of \$6.1 million and a \$1.3 million reduction due to foreign currency fluctuations.

The operating income as a percentage of revenue increased to 3.9% for the nine months ended September 30, 2016 as compared to 2.1% in the prior period. This was attributable to increased revenue and improvements in the efficiency of the selling, general and administrative expenses. Included in the operating income was amortization related to acquired intangibles of \$1.8 million and \$2.0 million for the nine months ended September 30, 2016 and 2015, respectively.

Customer Technology Services

	Nine Months Ended September 30,		\$ Change	% Change
	2016	2015		
Revenue	\$ 109,198	\$ 115,935	\$ (6,737)	(5.8)%
Operating Income	9,932	9,033	899	10.0 %
Operating Margin	9.1 %	7.8 %		

The decrease in revenue for the Customer Technology Services segment was driven by a small increase for the CISCO offerings offset by decreases for the Avaya offerings.

The operating income as a percentage of revenue increased to 9.1% for the nine months ended September 30, 2016 as compared to 7.8% in the prior period. Included in the income was an \$0.7 million charge related to the impairment of a trade name intangible asset due to continued lower financial performance of the Avaya business unit (see Part I. Item 1. Financial Statements, Note 5 to the Consolidated Financial Statements). This was offset by increases in the profitability of the CISCO platform including Cloud, Managed Service and Consulting services. Included in the operating income was amortization related to acquired intangibles of \$3.4 million and \$3.1 million for the nine months ended September 30, 2016 and 2015, respectively.

Customer Strategy Services

	<u>Nine Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
Revenue	\$ 51,008	\$ 63,610	\$ (12,602)	(19.8)%
Operating Income (Loss)	(3,752)	10,225	(13,977)	(136.7)%
Operating Margin	(7.4)%	16.1 %		

The decrease in revenue for the Customer Strategy Services segment was most significantly related to the decrease in Middle East consulting business as well as some revenue volatility in other regions.

The operating loss as a percentage of revenue was (7.4)% for the nine months ended September 30, 2016 as compared to income of 16.1% in the prior period. The loss included \$4.5 million of charges for the impairment of two trade name intangible assets due to continued lower performance of two business units (see Part I. Item 1. Financial Statements, Note 5 to the Consolidated Financial Statements). The operating margin decrease also related to lower revenue which caused an under utilization of the consultants as well as the planned investments in practice areas and geographic expansion. Included in the operating income was amortization expense of \$2.3 million and \$2.1 million for the nine months ended September 30, 2016 and 2015, respectively.

Interest Income (Expense)

For the nine months ended September 30, 2016 interest income decreased to \$0.8 million from \$0.9 million in the same period in 2015. Interest expense increased to \$5.8 million during 2016 from \$5.7 million during 2015.

Other Income (Expense), Net

Included in the nine months ended September 30, 2016 was a total of \$5.3 million of estimated losses related to two business units which have been classified as assets held for sale (see Part I. Item 1. Financial Statements, Note 2 to the Consolidated Financial Statements).

Included in the nine months ended September 30, 2016 was a \$4.3 million benefit related to a fair value adjustment of contingent consideration for one of our acquisitions (see Part I. Item 1. Financial Statements, Note 7 to the Consolidated financial Statements for further details).

Included in the nine months ended September 30, 2015 was a \$0.5 million benefit and a \$0.8 million expense related to fair value adjustments of contingent consideration for two of our acquisitions (see Part I. Item 1. Financial Statements, Note 7 to the Consolidated financial Statements for further details).

Income Taxes

The effective tax rate for the nine months ended September 30, 2016 was 15.2%. This compares to an effective tax rate of 21.9% for the comparable period of 2015. The effective tax rate for the nine months ended September 30, 2016 was influenced by earnings in international jurisdictions currently under an income tax holiday and the distribution of income between the U.S. and international tax jurisdictions. Without \$0.3 million of benefit related to a reserve for uncertain tax positions, \$1.2 million of expense related to return to provision, \$1.1 million of expense related to valuation allowances, \$1.3 million of benefit from restructuring expenses, \$0.5 million of benefit related to impairments, \$1.1 million of benefit related to losses recorded on businesses held for sale, \$0.1 million of expense related to the write off of contingent payments, and \$0.1 million benefit related to other items, the Company's effective tax rate for the nine months ended September 30, 2016 would have been 13.9%.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash generated from operations, our cash and cash equivalents, and borrowings under our Credit Facility. During the nine months ended September 30, 2016, we generated positive operating cash flows of \$107.1 million. We believe that our cash generated from operations, existing cash and cash equivalents, and available credit will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months.

We manage a centralized global treasury function in the United States with a focus on concentrating and safeguarding our global cash and cash equivalents. While the majority of our cash is held outside the U.S., we prefer to hold U.S. Dollars in addition to the local currencies of our foreign subsidiaries. We expect to use our offshore cash to support working capital and growth of our foreign operations. While there are no assurances, we believe our global cash is protected given our cash management practices, banking partners and utilization of diversified, high quality investments.

We have global operations that expose us to foreign currency exchange rate fluctuations that may positively or negatively impact our liquidity. We are also exposed to higher interest rates associated with our variable rate debt. To mitigate these risks, we enter into foreign exchange forward and option contracts and interest rate swaps through our cash flow hedging program. Please refer to Item 3. Quantitative and Qualitative Disclosures About Market Risk, Foreign Currency Risk, for further discussion.

The following discussion highlights our cash flow activities during the nine months ended September 30, 2016 and 2015.

Cash and Cash Equivalents

We consider all liquid investments purchased within 90 days of their original maturity to be cash equivalents. Our cash and cash equivalents totaled \$61.3 million and \$60.3 million as of September 30, 2016 and December 31, 2015, respectively. We diversify the holdings of such cash and cash equivalents considering the financial condition and stability of the counterparty institutions.

We reinvest our cash flows to grow our client base, expand our infrastructure, for investment in research and development, for strategic acquisitions, for the purchase of our outstanding stock and to pay dividends.

Cash Flows from Operating Activities

For the nine months ended September 30, 2016 and 2015, net cash flows provided by operating activities was \$107.1 million and \$116.2 million, respectively. The decrease was primarily due to \$5.8 million in cash paid for prepaid assets and a \$24.9 million increase in payments made for operating expenses, offset by a \$19.1 million increase in cash collected from accounts receivable.

Cash Flows from Investing Activities

For the nine months ended September 30, 2016 and 2015, we reported net cash flows used in investing activities of \$39.2 million and \$59.8 million, respectively. The decrease was due to a \$10.3 million decrease in capital expenditures and the \$9.0 million investment made during the first nine months of 2015.

Cash Flows from Financing Activities

For the nine months ended September 30, 2016 and 2015, we reported net cash flows used in financing activities of \$57.3 million and \$27.5 million, respectively. The change in net cash flows from 2015 to 2016 was primarily due to a \$14.0 million increase in the Credit Facility, a decrease in the contingent consideration and hold-back acquisition payments of \$2.4 million, offset by a \$40.7 million increase in purchases of our outstanding common stock, and \$1.9 million paid for debt reissuance costs.

Free Cash Flow

Free cash flow (see "Presentation of Non-GAAP Measurements" below for the definition of free cash flow) increased for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 due to a decrease in capital expenditures. Free cash flow was \$68.3 million and \$67.0 million for the nine months ended September 30, 2016 and 2015, respectively.

Presentation of Non-GAAP Measurements

Free Cash Flow

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net cash provided by operating activities	\$ 54,120	\$ 30,651	\$ 107,146	\$ 116,164
Less: Purchases of property, plant and equipment	11,120	19,679	38,863	49,184
Free cash flow	\$ 43,000	\$ 10,972	\$ 68,283	\$ 66,980

Obligations and Future Capital Requirements

Future maturities of our outstanding debt and contractual obligations as of September 30, 2016 are summarized as follows (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Credit Facility(1)	\$ 3,129	\$ 5,937	\$ 133,082	\$ —	\$ 142,148
Equipment financing arrangements	1,696	1,545	228	—	3,469
Contingent consideration	—	—	—	—	—
Purchase obligations	8,015	11,030	2,516	—	21,561
Operating lease commitments	35,822	49,792	25,023	26,598	137,235
Other debt	2,676	4,224	1,553	—	8,453
Total	\$ 51,338	\$ 72,528	\$ 162,402	\$ 26,598	\$ 312,866

(1) Includes estimated interest payments based on the weighted-average interest rate, unused commitment fees, current interest rate swap arrangements, and outstanding debt as of September 30, 2016.

- Contractual obligations to be paid in a foreign currency are translated at the period end exchange rate.
- Purchase obligations primarily consist of outstanding purchase orders for goods or services not yet received, which are not recognized as liabilities in our Consolidated Balance Sheets until such goods and/or services are received.
- The contractual obligation table excludes our liabilities of \$3.4 million related to uncertain tax positions because we cannot reliably estimate the timing of cash payments.

Our outstanding debt is primarily associated with the use of funds under our Credit Agreement to fund working capital, repurchase our common stock, pay dividends, and for other cash flow needs across our global operations.

Future Capital Requirements

We expect total capital expenditures in 2016 to be approximately 4.2% of revenue. Approximately 65% of these expected capital expenditures are to support growth in our business and 35% relate to the maintenance for

existing assets. The anticipated level of 2016 capital expenditures is primarily driven by new client contracts and the corresponding requirements for additional delivery center capacity as well as enhancements to our technological infrastructure.

The amount of capital required over the next 12 months will depend on our levels of investment in infrastructure necessary to maintain, upgrade or replace existing assets. Our working capital and capital expenditure requirements could also increase materially in the event of acquisitions or joint ventures, among other factors. These factors could require that we raise additional capital through future debt or equity financing. We can provide no assurance that we will be able to raise additional capital upon commercially reasonable terms acceptable to us.

Client Concentration

During the nine months ended September 30, 2016, one of our clients represented 10.4% of our total revenue. Our five largest clients accounted for 36.4% and 37.0% of our consolidated revenue for the three months ended September 30, 2016 and 2015, respectively. Our five largest clients accounted for 35.8% and 35.8% of our consolidated revenue for the nine months ended September 30, 2016 and 2015, respectively. We have experienced long-term relationships with our top five clients, ranging from 10 to 20 years, with the majority of these clients having completed multiple contract renewals with us. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis and varies greatly based upon specific contract terms. In addition, clients may adjust business volumes served by us based on their business requirements. We believe the risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients. Although certain client contracts may be terminated for convenience by either party, we believe this risk is mitigated, in part, by the service level disruptions and transition/migration costs that would arise for our clients.

The contracts with our five largest clients expire between 2017 and 2020. Additionally, a particular client may have multiple contracts with different expiration dates. We have historically renewed most of our contracts with our largest clients. However, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our consolidated financial position, consolidated results of operations, or consolidated cash flows due to adverse changes in financial and commodity market prices and rates. Market risk also includes credit and non-performance risk by counterparties to our various financial instruments. We are exposed to market risk due to changes in interest rates and foreign currency exchange rates (as measured against the U.S. dollar); as well as credit risk associated with potential non-performance of our counterparty banks. These exposures are directly related to our normal operating and funding activities. We enter into derivative instruments to manage and reduce the impact of currency exchange rate changes, primarily between the U.S. dollar/Canadian dollar, the U.S. dollar/Philippine peso, the U.S. dollar/Mexican peso, and the Australian dollar/Philippine peso. We enter into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. To mitigate against credit and non-performance risk, it is our policy to only enter into derivative contracts and other financial instruments with investment grade counterparty financial institutions and, correspondingly, our derivative valuations reflect the creditworthiness of our counterparties. As of the date of this report, we have not experienced, nor do we anticipate, any issues related to derivative counterparty defaults.

Interest Rate Risk

We entered into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. The interest rate on our Credit Agreement is variable based upon the Prime Rate, the Federal Funds rate, or LIBOR and, therefore, is affected by changes in market interest rates. As of September 30, 2016, we had \$129.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three and nine months ended September 30, 2016, interest accrued at a rate of approximately 1.5% and 1.5% per annum, respectively. If the Prime Rate or LIBOR increased by 100 basis points during the quarter, there would be a \$1.0 million of additional interest expense per \$100.0 million of outstanding borrowing under the Credit Agreement.

The Company's interest rate swap arrangements as of September 30, 2016 and December 31, 2015 were as follows:

	Notional Amount	Variable Rate Received	Fixed Rate Paid	Contract Commencement Date	Contract Maturity Date
As of September 30, 2016:					
Swap 2	\$ 15 million	1 - month LIBOR	3.14 %	May 2012	May 2017
	\$ 15 million				
As of December 31, 2015:					
Swap 1	\$ 25 million	1 - month LIBOR	2.55 %	April 2012	April 2016
Swap 2	15 million	1 - month LIBOR	3.14 %	May 2012	May 2017
	\$ 40 million				

Foreign Currency Risk

Our subsidiaries in Bulgaria, Canada, Costa Rica, Mexico, and the Philippines use the local currency as their functional currency for paying labor and other operating costs. Conversely, revenue for these foreign subsidiaries is derived principally from client contracts that are invoiced and collected in U.S. dollars or other foreign currencies. As a result, we may experience foreign currency gains or losses, which may positively or negatively affect our results of operations attributed to these subsidiaries. For the nine months ended September 30, 2016 and 2015, revenue associated with this foreign exchange risk was 33% and 31% of our consolidated revenue, respectively.

In order to mitigate the risk of these non-functional foreign currencies weakening against the functional currencies of the servicing subsidiaries, which thereby decreases the economic benefit of performing work in these countries, we may hedge a portion, though not 100%, of the projected foreign currency exposure related to client programs served from these foreign countries through our cash flow hedging program. While our hedging strategy can protect us from adverse changes in foreign currency rates in the short term, an overall weakening of the non-functional foreign currencies would adversely impact margins in the segments of the servicing subsidiary over the long term.

Cash Flow Hedging Program

To reduce our exposure to foreign currency exchange rate fluctuations associated with forecasted revenue in non-functional currencies, we purchase forward and/or option contracts to acquire the functional currency of the foreign subsidiary at a fixed exchange rate at specific dates in the future. We have designated and account for these derivative instruments as cash flow hedges for forecasted revenue in non-functional currencies.

While we have implemented certain strategies to mitigate risks related to the impact of fluctuations in currency exchange rates, we cannot ensure that we will not recognize gains or losses from international transactions, as this is part of transacting business in an international environment. Not every exposure is or can be hedged and, where hedges are put in place based on expected foreign exchange exposure, they are based on forecasts for which actual results may differ from the original estimate. Failure to successfully hedge or anticipate currency risks properly could adversely affect our consolidated operating results.

Our cash flow hedging instruments as of September 30, 2016 and December 31, 2015 are summarized as follows (in thousands). All hedging instruments are forward contracts, except as noted.

As of September 30, 2016	Local Currency Notional Amount	U.S. Dollar Notional Amount	% Maturing in the next 12 months	Contracts Maturing Through
Philippine Peso	14,279,000	308,428 ⁽¹⁾	42.2 %	August 2021
Mexican Peso	2,278,000	142,576	30.0 %	May 2021
		\$ 451,004		

As of December 31, 2015	Local Currency Notional Amount	U.S. Dollar Notional Amount
Philippine Peso	16,362,000	361,571 ⁽¹⁾
Mexican Peso	2,637,000	173,124
		\$ 534,695

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on September 30, 2016 and December 31, 2015.

The fair value of our cash flow hedges at September 30, 2016 was assets/(liabilities) (in thousands):

	September 30, 2016	Maturing in the Next 12 Months
Philippine Peso	(16,600)	(10,367)
Mexican Peso	(31,896)	(12,510)
	\$ (48,496)	\$ (22,877)

Our cash flow hedges are valued using models based on market observable inputs, including both forward and spot foreign exchange rates, implied volatility, and counterparty credit risk. The increase in fair value from December 31, 2015 largely reflects a broad weakening in the U.S. dollar.

We recorded net losses of approximately \$18.9 million and \$8.2 million for settled cash flow hedge contracts and the related premiums for the nine months ended September 30, 2016 and 2015, respectively. These losses were reflected in Revenue in the accompanying Consolidated Statements of Comprehensive Income (Loss). If the exchange rates between our various currency pairs were to increase or decrease by 10% from current period-end levels, we would incur a material gain or loss on the contracts. However, any gain or loss would be mitigated by corresponding increases or decreases in our underlying exposures.

Other than the transactions hedged as discussed above and in Part I, Item 1. Financial Statements, Note 6 to the Consolidated Financial Statements, the majority of the transactions of our U.S. and foreign operations are denominated in their respective local currency. However, transactions are denominated in other currencies from time-to-time. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant as we endeavor to settle these accounts on a timely basis. For the nine months ended September 30, 2016 and 2015, approximately 22% and 23%, respectively, of revenue was derived from contracts denominated in currencies other than the U.S. Dollar. Our results from operations and revenue could be adversely affected if the U.S. Dollar strengthens significantly against foreign currencies.

Fair Value of Debt and Equity Securities

We did not have any investments in marketable debt or equity securities as of September 30, 2016 or December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

This report includes the certifications of our Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") required by Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended) are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including our CEO and CFO, to allow timely decisions regarding required disclosures.

Management of the Company, with the participation of its CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period. Based on that evaluation, as of the end of the period covered by this Form 10-Q, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting.

At the year ended December 31, 2015, the Company identified material weaknesses in its internal control over financial reporting which continued to exist as of September 30, 2016. These material weaknesses are fully described in our Annual Report on Form 10-K for the year ended December 31, 2015.

While these material weaknesses did not result in errors that were material to our annual or interim financial statements, they could result in misstatements of our consolidated financial statements and disclosures which would result in material misstatement of our consolidated financial statements and disclosures which would not be prevented or detected.

Notwithstanding such material weaknesses in internal control over financial reporting, our CEO and CFO have concluded that our consolidated financial statements included in this Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Inherent Limitations of Internal Controls

Our management, including the CEO and CFO, believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of internal control are met. Further, the design of internal controls must consider the benefits of controls relative to their costs. Inherent limitations within internal controls include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. While the objective of the design of any system of controls is to provide reasonable assurance of the effectiveness of controls, such design is also based in part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Thus, even effective internal control over financial reporting can only provide reasonable assurance of achieving their objectives. Therefore, because of the inherent limitations in cost effective internal controls, misstatements due to error or fraud may occur and may not be prevented or detected.

Remediation Plan for Material Weakness

Building on its efforts during 2015 and the first and second quarters of 2016, our management, with the oversight of the Audit Committee of our board of directors, continued in the third quarter of 2016 to dedicate significant resources and efforts to improve our control environment and take steps to remediate the material weaknesses identified. While certain remedial actions have been completed, we continue to actively implement additional control procedures. The remediation efforts taken in 2016, outlined below, and previously taken in 2015, as outlined in our Annual Report on Form 10-K for the year ended December 31, 2015, are intended both to address the identified material weaknesses and to enhance our overall financial control environment.

Remediation Actions for Control Environment:

- We hired additional personnel and established appropriate roles and responsibilities within our global finance and accounting organization to improve our knowledge and expertise over financial reporting. Since mid-year 2015, we have been actively upgrading key accounting leadership personnel in the United States, Philippines, and Mexico. Our focus is on upgrading personnel that have responsibilities for the knowledge of and technical expertise in US GAAP. We appointed a VP accounting operations, two assistant controllers with responsibility for our reporting segments, additional technical accounting staff, and managers to facilitate coordination of our Sarbanes-Oxley compliance and our external audit.
- In addition, we engaged an independent third party expert to assist us in our review of our control structure, including a comprehensive risk assessment with respect to our internal controls, and to provide constructive recommendations for optimization of our controls and control environment, including our implementation of a periodic monitoring process for the design and operating effectiveness of our control activities. We have implemented these expert recommendations and have upgraded our control structure, but we can provide no assurance as to the timing of when the material weaknesses will be remediated as a result of these changes.
- We have implemented comprehensive training for our accounting managers designed to provide our personnel with knowledge, experience, and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements. We plan to include a program of continuous education for our new staff and refresher courses for existing staff on an ongoing basis.

Remediation Actions for Account Reconciliations

- Beginning in the quarter ended September 30, 2015, we implemented enhanced control procedures over our reconciliation process including tracking and monitoring the completeness of reconciliations.
- Beginning in the quarter ended December 31, 2015, we implemented additional balance sheet and income statement analytics designed to further enhance our ability to detect material misstatements within our financial statements. We have implemented these analyses to further strengthen the control environment in which our financial information is compiled and provide additional assurances as to the fair presentation of our financial statements.

Remediation Actions for Journal Entries

- We have reviewed our accounting system configuration and are implementing the necessary system controls to eliminate the ability for a user to create and post a journal entry.
- We have integrated our acquired companies onto our accounting system which has system controls to prevent a user from posting and approving their own journal entries.
- We have created a specific set of general ledger reports used to monitor journal entry sources, segregation of duties, and proper approvals.

Remediation Actions for Revenue Processes

- We are optimizing our revenue accounting organization structure to improve our control environment including the establishment of a revenue quality assurance organization.
- We are implementing enhanced control procedures and additional controls over our revenue process including, but not limited to, system controls and specific transaction controls.
- We are implementing a document storage system for improved organization and evidence of review.
- We have expanded the invoice review control procedures to encompass the utilization of standardized invoice templates and contract review templates and we performed a comprehensive training program over these control procedures.

Remediation for Impairment

- We engaged a third party expert to assist in our review of the completeness and accuracy of our valuation methodology and will continue to apply the enhancements in our valuation models on a going forward basis.
- We assessed, developed and are in the process of implementing specific guidance and procedures for the expected level of reviews to be performed in connection with valuation models that we use for impairment testing, including consideration of the data and assumptions used in these models.

These material weaknesses will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We are designing and implementing the measures described above with the goal of remediation of the control deficiencies we have identified and strengthening our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review, optimize and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

Changes in Internal Control Over Financial Reporting

Outside of the enhancements listed above, there have been no changes in our internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Part I, Item 1. Financial Statements, Note 10 to the Consolidated Financial Statements of this Form 10-Q is hereby incorporated by reference.

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors described in Item 1A. Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

Following is the detail of the issuer purchases made during the quarter ended September 30, 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands)⁽¹⁾
June 30, 2016				\$ 33,480
July 1, 2016 - July 31, 2016	229,397	\$ 27.88	229,397	\$ 27,084
August 1, 2016 - August 31, 2016	261,800	\$ 29.02	261,800	\$ 19,487
September 1, 2016 - September 30, 2016	250,887	\$ 28.61	250,887	\$ 12,310
Total	742,084		742,084	

(1) In November 2001, our Board of Directors ("Board") authorized a stock repurchase program with the objective of increasing stockholder returns. The Board periodically authorizes additional increases to the program. The most recent Board authorization to purchase additional common stock occurred in June 2016, whereby the Board increased the program allowance by \$25.0 million. Since inception of the program through September 30, 2016, the Board has authorized the repurchase of shares up to a total value of \$712.3 million, of which we have purchased 44.8 million shares on the open market for \$700.0 million. As of September 30, 2016 the remaining amount authorized for repurchases under the program was approximately \$12.3 million. The stock repurchase program does not have an expiration date. On November 7, 2016, the Board of Directors authorized an increase in the share repurchase allowance of \$25 million.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
10.1*	Separation Agreement dated August 17, 2016 between Keith Gallacher and TeleTech Services Corporation
10.2*	Share Purchase Agreement between TeleTech Europe BV and TeleTech Canada and Kilmer Capital Fund II L.P., 8169306 Canada Inc. Bank of Montreal, doing business as BMO Capital Partners, and certain management shareholders of November 9, 2016
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
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101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

* Filed or furnished herewith.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Notes to the Consolidated Financial Statements, (ii) Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015 (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2016 and 2015 (unaudited), (iv) Consolidated Statements of Stockholders' Equity as of and for the nine months ended September 30, 2016 (unaudited), and (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 (unaudited).

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 14, 2016

By: /s/ Kenneth D. Tuchman
Kenneth D. Tuchman
Chairman and Chief Executive Officer

Date: November 14, 2016

By: /s/ Regina M. Paolillo
Regina M. Paolillo
Chief Financial Officer

EXHIBIT INDEX

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August 17, 2016

PERSONAL & CONFIDENTIAL

Charles "Keith" Gallacher
5936 Shady Oaks Drive
Frisco, Texas 75034

Dear Keith:

As you know, TeleTech Services Corporation ("TeleTech") and you have made a mutual decision to terminate your employment effective August 31, 2016 ("Effective Date"). The purpose of this separation agreement and release of claims document (the "Letter Agreement") is to set forth the mutual rights and entitlements between you and TeleTech in connection with your termination of employment. This Letter Agreement shall be interpreted in connection with that certain employment agreement that you executed with TeleTech as of June 3, 2013 ("Gallacher Employment Agreement") and to the extent any provisions of the Gallacher Employment Agreement and this Letter Agreement conflict, the terms and conditions of the Letter Agreement shall control.

1. **Termination by Mutual Agreement.** Your employment with TeleTech as TeleTech Executive Vice President for Global Markets and Industries ("GMI") will terminate effective the Effective Date.
 2. **Financial Terms of Separation.**
 - (a) **Enhanced Severance.** While the Gallacher Employment Agreement provides for a severance payment in the amount of one year's base salary (less all applicable withholdings) as provided in Section 8(b) of the Gallacher Employment Agreement, in the best interest of the business and as an additional compensation for your obligations further outlined in this Letter Agreement, TeleTech will pay you the total severance in the amount of \$500,000 (five hundred thousand dollars) less applicable withholdings (the "Enhanced Severance Payment"). The severance amount due will be adjusted by amounts, if any, that are due from you to TeleTech as of Effective Date. This enhanced severance decision was discretionary on the part of TeleTech and is expressly conditioned on you agreeing to the terms and conditions as outlined in this Letter Agreement. The Enhanced Severance Payment shall be paid as provided in Paragraph 6 of this Letter Agreement.
 - (b) **Forfeiture of Unvested RSUs.** As otherwise provided in your TeleTech Holdings, Inc. Restricted Stock Unit Agreements of June 7, 2013, July 1, 2014, January 2, 2015, July 1, 2015, and July 1, 2016 ("All RSU Agreements"), all RSUs that you currently hold and which are yet unvested as of the Effective Date shall forfeit.
 - (c) **Health & Wellness Benefits.** In addition to the Enhanced Severance Payment, if you elect to purchase COBRA coverage to cover your and your family's medical, vision and dental benefits (collectively "Benefits"), TeleTech shall pay to you for 9 (nine) months after the Effective Date ("Benefits Enhancement"), the amount equivalent to TeleTech's portion of cost of Benefits, less legally required deduction and withholdings, if any. The Benefits Enhancement will be paid monthly, in conjunction with the payment of the Enhanced Severance Payment. Notwithstanding the foregoing, the monthly Benefit Enhancement payments shall stop as soon as you are employed by an organization that offers Benefits, as part of its compensation package, regardless of the cost of such Benefits to you. You shall have the obligation to notify us as soon as you start such employment.
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Charles "Keith" Gallacher
Separation Agreement and Release of Claims Letter

Charles "Keith" Gallacher
Separation Agreement and Release of Claims Letter

- (d) No Further Benefits. This Letter Agreement outlines all financial obligations of TeleTech to you and by signing below you agree that nothing further (except your standard compensation through the Effective Date) is due and owing, including without limitation no further equity, bonus or benefits related payments.
3. Last Day of Employment. Subject to your agreement to separate amicably as further described in this Letter Agreement, your last day at TeleTech will be the Effective Date.
4. Amicable Separation. In consideration of TeleTech agreeing to pay the Enhanced Severance Payment and the Benefits Enhancement, you shall:
- (a) Cooperate fully with TeleTech on our orderly transition of your responsibilities as Executive Vice President for Global Markets and Industries, including meetings with senior GMI staff and messaging about your departure and other business matters, including an appropriate communication plan and the restructuring plan for the TeleTech sales organization;
 - (b) Provide assistance in terminating employment of those members of GMI organization, who in sole discretion of TeleTech executive leadership team ("Executive Committee") no longer fit with the company's future strategy;
 - (c) Transition fully all business development contacts, including status details, in connection with any on-going business development efforts you are currently undertaking on behalf of any of TeleTech's business segments;
 - (d) Resign all your officer positions and directorships with any and all companies in TeleTech Holdings, Inc. group, including all subsidiaries and affiliates as reflected in the Attachment A to this Letter Agreement;
 - (e) Not disparage TeleTech, its employees, officers, subsidiaries, affiliates and clients as provided in Paragraph 8 of this Letter Agreement;
 - (f) Abide by all terms and conditions of your non-compete, non-solicitation, and non-disclosure obligations under the Agreement to Protect Confidential Information, Assign Inventions and Prevent Unfair Competition and Unfair Solicitation of May 6, 2013 that you signed when you joined TeleTech, and All RSU Agreements;
 - (g) Execute various releases, as provided in Paragraph 5 of this Letter Agreement; and
 - (h) Agree to all terms and conditions as outlined in this Letter Agreement.
5. Releases.
- (a) General Release. In exchange for the Enhanced Severance Payment, Benefits Enhancement and other valuable consideration, you hereby release and forever discharge TeleTech, its parent company, subsidiaries, affiliates, partnerships, officers, directors, employees, agents, successors and assigns of and from any and all claims you may have, known or unknown, that are releasable by private agreement, arising at any time throughout your employment and through the Effective Date, or seven (7) days after you sign the Letter Agreement without revoking it, whichever is later. The release specifically includes and is not limited to:
 - (i) Any rights with respect to any restricted stock units you have been granted (and which have not yet vested) at any time during your tenure with TeleTech pursuant to All RSU Agreements; and
 - (ii) Any and all rights or claims under any of the following laws: Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000-e, as amended; the Civil Rights Act of 1991; Sections 1981 through 1988 of Title 42 of the United States Code, as amended; the Family and Medical Leave Act of 1993, as amended; the Worker Adjustment and Retraining Notification Act, as amended; the Fair Labor Standards Act of 1938, as amended; the National Labor Relations Act; the Occupational Safety and Health Act, as amended; the Age Discrimination in Employment Act; the Americans with Disabilities
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Charles "Keith" Gallacher
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Act of 1990, as amended; the Civil Rights Acts of 1866, 1871, and 1991; the Equal Pay Act of 1963; the Employee Retirement and Income Security Act of 1974, as amended; the Immigration Reform and Control Act, as amended; the Colorado Anti Discrimination Act; and any other federal, state, or local employment statute, law, or ordinance, including any and all claims of employment discrimination based on race, color, creed, religion, national origin, sex, age, marital status, disability, sexual orientation, lawful off-duty conduct, or retaliation; and

- (iii) Any and all common-law claims such as wrongful discharge, violation of public policy, breach of contract, promissory estoppel, defamation, negligence, infliction of emotional distress, any intentional torts, outrageous conduct, interference with contract, fraud, misrepresentation, and invasion of privacy; and
 - (iv) Any and all claims for any of the following: money damages (including actual, compensatory, liquidated or punitive damages), equitable relief such as reinstatement or injunctive relief, front or back pay, wages, commissions, bonuses, benefits, sick pay, vacation pay and other paid time off (PTO) pay if any, costs, interest, expenses, attorney fees, or any other remedies; and
 - (v) Any and all claims arising under any federal or state "whistleblower" law, including without limitation the Sarbanes-Oxley Act of 2002, the Whistleblower Protection Act, and common-law wrongful discharge in violation of public policy.
- (b) Age Discrimination Acknowledgement and Waiver: By signing this Letter Agreement you acknowledge that the release provisions of Paragraph 5(a) of this Letter Agreement include a waiver and release of all claims you may have under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621 et seq.).
- (c) Time to Consider. With respect to all releases in this Letter Agreement, including the Age Discrimination release, you acknowledge that:
- (i) You have carefully read, and understand, the terms of this Letter Agreement and the various releases, including the releases with respect to age discrimination claims contained therein;
 - (ii) You were, and hereby are, advised to consult with an attorney and/or any other advisors of your choice before signing this Letter Agreement and various releases therein;
 - (iii) You understand that this Letter Agreement and various releases therein are legally binding and by signing it you give up certain rights;
 - (iv) You have voluntarily chosen to enter into this Letter Agreement and have not been forced or pressured in any way to sign it;
 - (v) You knowingly and voluntarily release TeleTech from any and all claims you may have, known or unknown, in exchange for the payments and benefits you have obtained by signing this Letter Agreement, and that these payments are in addition to any payments or benefits you would have otherwise received if you did not sign this Letter Agreement and various releases therein;
 - (vi) You have twenty-one (21) days from the date of this Letter Agreement to consider your rights and obligations under this Letter Agreement, and if you elect to sign this Letter Agreement sooner, you have done so knowingly, voluntarily and after giving the matter due consideration.
- (d) No Claims Filed. As a condition of TeleTech entering into this Letter Agreement, you represent that you have not filed, and do not intend to file, any lawsuit against TeleTech. This Letter Agreement shall not be construed to prohibit you from filing a charge or complaint with the Equal Employment Opportunity Commission or participating in any investigation or proceedings conducted by either entity; however, you agree that you are waiving your right to monetary recovery should any federal, state, or local administrative agency pursue any claims on your behalf arising out of or relating to your employment with and/or separation from employment with TeleTech.
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Charles "Keith" Gallacher
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6. Severance Payment Schedule. Subject to the provisions of Paragraph 10 of this Letter Agreement, the Enhanced Severance Payment and Benefits Enhancement provided for in Paragraph 2 of this Letter Agreement, shall be paid as follows:
- (a) The Enhanced Severance Payment will be paid in 30 (thirty) equal installments, less appropriate withholdings, in conjunction with regularly scheduled TeleTech payroll cycles; commencing with the first TeleTech payroll period following the Effective Date or the first TeleTech payroll period following the seven (7) days after you sign this Letter Agreement without revoking it, whichever is occurs later;
 - (b) The Enhanced Benefits will be paid in nine (9) equal installments (or fewer installments as provided in Paragraph 2(c)) in conjunction with the 1st payment of the Enhanced Severance Payment in any given months;
 - (c) Notwithstanding the foregoing, no obligations hereunder shall commence until and unless this Letter Agreement is executed by you. As provided in Paragraph 10 of this Letter Agreement, as required by law, you may take up to twenty-one (21) days to consider the terms of this Letter Agreement and may take up to seven (7) days to revoke it thereafter. No Enhanced Severance Payment nor Benefits Enhancement as provided herein, shall start until and unless the Letter Agreement is executed and delivered to TeleTech and only after the passage of the aforementioned revocation period.
7. Restrictive Covenants. All prohibitions outlined in Paragraphs 7(d), 7(e), 7(f), 7(g), and 7(h) of this Letter Agreement shall collectively be referred to as "Restrictive Covenants". In consideration of TeleTech providing the Enhanced Severance Payment and Enhanced Benefits, you hereby agree to the following:
- (a) Restricted Period. These covenants and restrictions shall remain in effect for a period of time after the Effective Date ("Restricted Period") as provided in each specific Paragraph of this Letter Agreement. The Restricted Period shall be extended by a period of time equal to any period during which you are in breach of any Restrictive Covenant set forth herein, including the period of any litigation for the enforcement of such Restrictive Covenant.
 - (b) Restricted Area. You acknowledge that the business and enterprise of TeleTech and any of its subsidiaries and affiliates (collectively, the "TeleTech Group") is intended to be and is global. You further agree that your role as a TeleTech Executive Vice President and a member of the company's Executive Committee, your activities in competition with TeleTech anywhere in the world in violation of the Restrictive Covenants contained herein would unfairly damage the TeleTech group of companies and its legitimate business interests. Therefore, the Restrictive Covenants contained in this Letter Agreement shall apply and be effective throughout the world (the "Restricted Area").
 - (c) Capacity and Knowledge of the Executive for Restrictive Covenants. For purposes of the Restrictive Covenants, you agree not to engage in any of the prohibited or restricted activities directly or indirectly, individually or as an employee, officer, director, independent contractor, consultant, or agent, or as a venturer, partner, member, shareholder, or other beneficial holder of any interest in any entity or organization. The phrase "to your knowledge" shall mean your actual knowledge and/or information available to you upon reasonable inquiry.
 - (d) Covenant Against Competition. Except as further clarified in Paragraph 7(e) for a fifteen (15) months Restricted Period ending on December 1, 2017 and within the Restricted Area, you agree not to work or otherwise contribute your knowledge, directly or indirectly, in whole or in part, as an employee, officer, owner, manager, advisor, consultant, agent, partner, director, significant
-

shareholder (i.e. a shareholder holding more than 5% of outstanding equity in any such entity), volunteer, intern or in any other similar capacity anywhere in the world to a business entity engaged in the same or substantially similar business as TeleTech group of companies, including entities engaged in the full life cycle of customer strategy, analytics-driven, technology-enabled customer engagement management solutions from customer engagement strategy consulting, to technology and analytics driven customer acquisition, to technology solution development and integration, to business process outsourcing customer care (collectively, "TeleTech Business").

- (e) Competition Consent. For the avoidance of doubt, even if it would be reasonable for TeleTech to do so (given the amount of Enhanced Severance we are providing under this Letter Agreement) it is not the intent of TeleTech to prevent you from seeking and securing gainful employment during the Restricted Period. Notwithstanding the provisions of Paragraph 7(d) above, therefore, in business areas other than business process outsourcing customer care, TeleTech is willing to entertain waiving the provisions of Paragraph 7(d) to allow you to accept employment with a company the business of which may overlap with TeleTech Business. Such waiver may be provided in TeleTech's sole discretion, based on specific facts and circumstances that you would share with us, assuming TeleTech believes that a role and opportunity you are considering would not be harmful to TeleTech.
- (f) Covenant Against Interference with Client Relations. For a fifteen (15) months Restricted Period and within the Restricted Area, you shall not interfere in any manner with any TeleTech relationships with its Clients or Prospective Clients, as defined below. Your activities prohibited hereunder shall include, but are not limited to, any requests, suggestions, advice, recommendations, solicitations, or other actions or attempts to induce or influence a Client or a Prospective Client to
- (i) withdraw from, curtail, or cease discussions with TeleTech about any Client or Prospective Client projects or business opportunities; or
 - (ii) cancel, breach, terminate, or otherwise fail to go forward with any contract or business relation with any of the TeleTech companies.

As used herein the term "Client" shall include any person or entity to whom services have been provided by any of the TeleTech companies or with whom TeleTech established strategic marketing alliances as of the Effective Date. The term "Prospective Client" shall include any person or entity to whom any TeleTech company has submitted a bid or proposal or directed tangible efforts to establish a Client relationship or strategic alliance during your employment with TeleTech as of the Effective Date.

- (g) Covenant Against Interference with Employment Relations. For a fifteen (15) months Restricted Period and within the Restricted Area, you shall not interfere in any manner (directly or through others) with any TeleTech companies' relationships with any senior person who, to your knowledge, is employed by or otherwise is in the service of one or more of TeleTech companies during the Restricted Period. Activities prohibited hereunder shall include, but are not limited to, your requests, suggestions, advice, recommendations, solicitations, or other actions or attempts to induce or influence a senior employee to leave employment or the service of any of TeleTech companies nor identification of any senior persons so engaged by any of the TeleTech companies as a target of recruiting activities by others. For purposes of this provision a 'senior person' or 'senior employee' shall exclusively refer to any participant in the 2016 Annual Restricted Stock Unit Grant.
- (h) Notice to Future Employers. In addition to the foregoing, during the fifteen (15) months Restricted Period, you agree to notify your future employer(s) that your separation of employment from TeleTech is subject to these Restrictive Covenants against competition, against interference with client relationships, and against solicitation of TeleTech employees.
- (i) Covenant Against Non-Disparagement. You and TeleTech agree not to engage in negative discourse of any kind with respect to the each other and to refrain from making any comments (verbally or in writing) that disparage the other, including but not limited to TeleTech's business or management practices, your performance, or any of each other's reputations, current or former employees or financial status, or any of each other's business relationships. Notwithstanding the foregoing, the parties understand that TeleTech is a large company with more than 40,000 employees worldwide. This non-disparagement undertaking on the part of TeleTech is an obligation that relates to the conduct of the company's CEO and senior management team only (i.e. members of TeleTech Executive Committee), as TeleTech cannot take on the responsibility of monitoring or overseeing the private conduct of its employees worldwide with respect to any statements they may make casually or intentionally to whomever about you. And for clarification and for the avoidance of doubt, it will not be a violation of this Paragraph for either you or TeleTech to make truthful statements, under oath, as required by law or formal legal process.
8. No Admission of Wrongdoing: By entering into this Letter Agreement, TeleTech does not concede or admit

Charles "Keith" Gallacher
Separation Agreement and Release of Claims Letter

to any wrongdoing or violation of law or breach of the terms and conditions of the Gallacher Employment Agreement.

9. **Return and Prohibition of Removal of Company Property and Records.** You shall return all TeleTech property and records in your possession on or before the Effective Date. In the event you fail to return such property or records provided herein, you shall be liable to TeleTech for the value of all such property and records, and all reasonable costs, including attorneys' fees, incurred by TeleTech in recovering such property or records may be set-off against any payments due to you under this Agreement. TeleTech property and records shall include, but is not limited to laptops, tablets, printers, and other electronic devices, any TeleTech related document whether in written or electronic form and whether created by you or another person or entity. Company equipment, files or business information of any kind, whether written, electronic, digital, or otherwise, shall not be copied, taken or otherwise used by you without the prior written consent of TeleTech, if any. TeleTech reserves the right to pursue all legal and equitable relief available for breach of this Paragraph.
10. **Effectiveness of the Letter Agreement.**
- (a) As required by law, the offer of Enhanced Severance Payment, Benefit Enhancement and releases outlined in this Letter Agreement shall remain in effect for twenty-one (21) days from the date hereof (the date as stated at the top of this document, assuming it is delivered to you on that date or the delivery date if otherwise). If you elect to execute this Letter Agreement before the end of this twenty-one day period, you acknowledge that you do so voluntarily. Furthermore, you acknowledge and understand that you may revoke the signing of the Letter Agreement any time within the seven (7) day period following your execution thereof.
- (b) To be effective, your revocation must be in writing and tendered to TeleTech Legal Department, 9197 S. Peoria Street, Englewood, CO 80112, Attn: Margaret Mclean, General Counsel, either by mail or by hand delivery. The Letter Agreement, related releases, and parties obligations therein will become effective on the eighth day after you sign it, provided you do not revoke your acceptance.
- (c) You understand that TeleTech is not required to make any payments described in this Letter Agreement unless and until this Letter Agreement and various releases therein become effective; and you understand that this Letter Agreement does not waive any rights or claims that may arise after this Letter Agreement is signed and becomes effective, which is after TeleTech actually receives your signed signature page for this Letter Agreement and after the 7-day revocation period has expired.
11. **Legal Review; Sophisticated Parties; No Changes.** Both parties acknowledge that this Letter Agreement sets forth the entire understanding between them. Neither party has relied upon any representation nor did statement, written or oral, not set forth in this Letter Agreement. The terms and undertakings of this Letter Agreement may not be changed orally, but only by a specific written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. By signing below, you acknowledge that TeleTech has encouraged you to review the legal effects and implications of this Letter Agreement with an attorney and to review this Letter Agreement carefully and thoroughly prior to signing. As a senior executive and a sophisticated, financially savvy party, you acknowledge that you reviewed this Letter Agreement and understand its terms and conditions.
12. **Mutuality.** This Letter Agreement is deemed to have been drafted jointly by the parties and any uncertainty or ambiguity shall not be construed for or against any party based upon attribution of drafting to any party. The parties forever waive all rights to assert that this Letter Agreement was the result of a mistake in law or in fact. Further, the parties forever waive all rights to assert that any or all of the legal theories or factual assumptions used for negotiating purposes are for any reason inaccurate, inapplicable or inappropriate.
10. **Governing Law; Dispute Resolution and Venue.**
- (a) The Parties agree that this Letter Agreement shall be construed and enforced as provided in the Gallacher Employment Agreement.
- (b) You and TeleTech agree that any controversy or claim with respect to this Letter Agreement, including without any limitation any claim on whether a breach of Restrictive Covenants or other undertakings has taken place, shall be resolved expeditiously in accordance with the provisions of the Arbitration Agreement that you and the company executed in connection with the Gallacher Employment Agreement.
11. **Confidentiality of Terms.** You agree that the terms and conditions of this Letter Agreement are confidential. You also agree not to tell anyone about this Letter Agreement and not to disclose any information contained
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Charles "Keith" Gallacher
Separation Agreement and Release of Claims Letter

in this Letter Agreement to anyone, other than your lawyer, financial advisor, and immediate family members, unless you are compelled to do so by law.

12. Mutual Breach of this Letter Agreement. Both TeleTech and you promise to abide by the terms and conditions in this Letter Agreement, including without limitation your non-compete, client non-interference, employee non-solicitation, and non-disparagement obligations on the one side and non-disparagement and payment obligations owed to you by TeleTech on the other side. Both parties understand that if they do not abide by the terms and conditions of this Letter Agreement, either party is entitled to seek damages from the other party, including injunctive relief against the other party and your then employer. In addition to the foregoing and for the avoidance of doubt, you understand and agree that TeleTech's financial obligations under this Letter Agreement are specifically tied to you honoring and not breaching the terms of this Letter Agreement, and if you breach your obligations in such a way that cannot be reasonably cured hereunder, TeleTech will provide you with a written notice, documenting such breach to give you the opportunity to respond and cure, if applicable. TeleTech will reserve the right to suspend its payment obligations under the Enhanced Severance Payment and Benefit Enhancement provisions of this Letter Agreement until the resolution of the breach, or indefinitely if the breach is not capable of being cured.

To reflect your agreement with the provisions of this Letter Agreement, please sign and return to TeleTech Corporate Legal Department as instructed above.

TeleTech Services Corporation

By: /s/ Regina M. Paolillo
Regina M. Paolillo,
EVP and Chief Administrative Officer

Date: August 31, 2016

Charles "Keith" Gallacher
Separation Agreement and Release of Claims Letter

ACCEPTED AND AGREE

By: /s/ Charles Keith Gallacher
Charles "Keith" Gallacher

Date: 31 August, 2016

Charles "Keith" Gallacher
Separation Agreement and Release of Claims Letter

Attachment A

**OFFICER/DIRECTORSHIPS FOR
Charles Gallacher**

As of August 17, 2016

Entity	Title	State/Country of Incorp
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NONE

Kilmer Capital Fund II L.P.

and

8169306 Canada Inc.

and

BMO Capital Partners

and

the Persons listed as Management Sellers on the signature page hereto

collectively, as Sellers

and

9746366 Canada Inc.

as Purchaser

and

TELETECH HOLDINGS, INC.

as Purchaser Guarantor

SHARE PURCHASE AGREEMENT

November 9, 2016

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SHARE PURCHASE AGREEMENT

Share Purchase Agreement dated November 9, 2016 among Kilmer Capital Fund II L.P., acting through its general partner, Kilmer Capital Partners II L.P., acting through its general partner, Kilmer Capital GP II Limited (on its own behalf and as agent for and on behalf of Sellers) ("**Kilmer**"), 8169306 Canada Inc. ("**Founders Holdco**"), Bank of Montreal, doing business as BMO Capital Partners ("**BMOCP**"), the Persons listed as Management Sellers on the signature page hereto (such Persons, the "**Management Sellers**" and collectively with Kilmer, Founders Holdco and BMOCP, "**Sellers**") and 9746366 Canada Inc. ("**Purchaser**"), and as intervened to by TeleTech Holdings, Inc. ("**Purchaser Guarantor**") solely with respect to Section 8.7.

RECITALS:

- (i) As of November 8, 2016, Kilmer was the owner of all of the issued and outstanding shares in the capital of 8176825 Canada Inc. ("**Kilmer Holdco**");
- (ii) As of November 8, 2016, Kilmer Holdco, Founders Holdco, BMOCP and the Management Sellers were the owners of all of the issued and outstanding shares in the capital of Atelka Enterprise Inc. ("**Atelka**");
- (iii) On November 8, 2016, Kilmer Holdco was amalgamated with Atelka (the "**Amalgamation**", and the amalgamated corporation, "**Amalco**") and Sellers became the owners of all of the issued and outstanding shares in the capital of Amalco; and
- (iv) Sellers wish to sell to Purchaser, and Purchaser wishes to purchase from Sellers, all of the issued and outstanding shares in the capital of Amalco (the "**Purchased Shares**"), upon the terms and subject to the conditions set forth herein.

In consideration of the above recitals and the mutual agreements contained in this Agreement, the Parties agree as follows:

Article 1 INTERPRETATION

1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

- (a) "**Adjustment Methodology**" means the methods and principles set out in the Adjustment Statement, which methods and principles shall, except as expressly set forth in the Adjustment Statement, be consistent with GAAP applied on a basis consistent with the Financial Statements.
 - (b) "**Adjustment Statement**" means a statement substantially in the form and content of Schedule 1.1(b) of the Disclosure Letter, provided that the figures
-

included in Schedule 1.1(b) of the Disclosure Letter are for illustration purposes only and will not be binding on the Parties.

- (c) "**Adjustment Time**" means 12:01 a.m. on the Closing Date or such other time as Kilmer, as agent for and on behalf of Sellers, and Purchaser may agree to in writing.
- (d) "**Affiliate**" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with such specified Person.
- (e) "**Agreement**" means this share purchase agreement and all schedules and exhibits attached to it, as it may be amended, restated, replaced or supplemented from time to time in accordance with this Agreement.
- (f) "**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over such Person.
- (g) "**Bonus Amount**" means the aggregate amount of those bonuses awarded and payable to Employees in connection with the transactions contemplated by this Agreement listed in Schedule 1.1(g) of the Disclosure Letter.
- (h) "**Bonus Net Amount**" means the difference between the Bonus Amount and the Bonus Withholding Amount.
- (i) "**Bonus Withholding Amount**" means the aggregate amount required to be withheld by Corporation on account of Taxes in respect of the payment of the Bonus Amount.
- (j) "**Business**" means the business carried on by Corporation which is comprised of the provision of full-service multi-language outsourced contact center services in the Provinces of Québec, Ontario, Prince Edward Island and New Brunswick, as such business is presently conducted.
- (k) "**Business Day**" means any day of the year, other than a Saturday, Sunday or day on which Canadian chartered banks are closed for business in Montréal, Québec or Englewood, Colorado.
- (l) "**Cash**" means, with respect to Corporation, the sum of all cash and cash equivalents, determined in accordance with GAAP.
- (m) "**Closing**" means the completion of the transactions of purchase and sale contemplated in this Agreement on the Closing Date.
- (n) "**Closing Date**" means the date hereof.

- (o) "**Competition Act**" means the *Competition Act*, R.S.C., 1985, c. C 34, as amended from time to time.
- (p) "**Contracts**" means, in respect of Corporation, all written or oral agreements, contracts, licences, undertakings, work orders, statements of work or legally binding commitments of any nature, together with any amendments, exhibits and schedules thereto, made by or in favour of Corporation, as the case may be, including the Material Contracts.
- (q) "**Control**" means (i) in relation to a Person that is a body corporate, the ownership, directly or indirectly, of voting securities of such Person carrying more than fifty percent (50%) of the voting rights attaching to all voting securities of such Person or the right to elect or appoint a majority of the board of directors (or equivalent) of such Person, and (ii) in relation to a Person that is a partnership, limited partnership, business trust or other similar entity, (A) the ownership, directly or indirectly, of voting securities of such Person carrying more than fifty percent (50%) of the voting rights attaching to all voting securities of such Person or (B) the ownership, directly or indirectly, of other interests or the holding of a position (such as trustee) entitling the holder thereof to exercise control and direction over the activities of such Person, and "**Controls**" and "**Controlled**" shall have corresponding meanings.
- (r) "**Corporation**" means, prior to the Amalgamation, Atelka and, after giving effect to the Amalgamation, Amalco.
- (s) "**Current Assets**" means with respect to Corporation, the sum of all current assets as defined by GAAP including all current assets identified in the Adjustment Statement, provided that if the Old AR is greater than \$100,000, then the "Adjusted Accounts Receivable" on the Adjustment Statement will be reduced by such excess amount (the "**Old AR Excess Amount**"), and, for greater certainty, excludes (A) any item included in the definition of Cash, and (B) any income Taxes receivable, income Taxes paid in advance and future Tax assets, in each case, determined in accordance with the Adjustment Methodology.
- (t) "**Current Liabilities**" means with respect to Corporation, the sum of all current liabilities as defined by GAAP including all current liabilities identified in the Adjustment Statement, and, for greater certainty, excludes (A) any item included in the definitions of Debt, Bonus Amount and Optionholder Consideration, and (B) any income Taxes accrued or payable and any future Tax liabilities, in each case, determined in accordance with the Adjustment Methodology.
- (u) "**Damage**" means a loss, liability, damage, cost or expense (including interest, penalties and reasonable legal fees and disbursements and amounts paid in settlement), whether or not involving a Third Party Claim.
- (v) "**Debt**" means with respect to Corporation, the amount equal to the sum of (without duplication): (i) all indebtedness for borrowed money (including

overdraft facilities) (whether short term or long term); (ii) all obligations evidenced by notes, bonds, debentures or other similar instruments or debt securities; (iii) all indebtedness arising under capitalized leases, conditional sales Contracts and other similar title retention instruments; (iv) all obligations in respect of letters of credit and bankers' acceptances, in each case, to the extent drawn; (v) all liabilities less all assets arising under any interest rate swap or other interest rate protection agreement or other similar interest rate agreement; (vi) all loans received from any related party (within the meaning of the Tax Act); (vii) all indebtedness of others referred to in paragraph (i) through (vi) above guaranteed by Corporation; (viii) all accrued and unpaid fees and expenses owing to Kilmer Capital Limited Partners pursuant to the Management Services Agreement entered into between Kilmer Capital Limited Partners and Corporation as of April 30, 2012; (ix) all accrued and unpaid management fees and expenses owing to 6515037 Canada Inc. pursuant to the management services arrangement with 6515037 Canada Inc.; (x) all accrued interest, fees, prepayment penalties or other similar obligations with respect to any of the foregoing paragraphs (i) through (ix); and (xi) (A) all income Taxes accrued or payable less (B) all income Taxes receivable and income Taxes paid in advance; but excluding any item included in the definitions of Current Liabilities, Bonus Amount and Optionholder Consideration and any future Tax liabilities.

- (w) "**Defending Party**" means, with respect of any Third Party Claim, (i) the Indemnified Party, if it is controlling the investigation and defense thereof pursuant to Section 6.10(a), or (ii) the Indemnifying Party, if it is controlling the investigation and defense thereof pursuant to Section 6.10(b).
- (x) "**Direct Claim**" means any cause not involving a Third Party Claim which entitles an Indemnified Party to make a claim for indemnification under this Agreement.
- (y) "**Disclosure Letter**" means the letter of disclosure dated the Closing Date and signed by Sellers and delivered to Purchaser.
- (z) "**(E) Holdback Claim**" means any Direct Claim or Third Party Claim in respect of which any Purchaser Indemnified Person has indemnification rights or benefits under this Agreement and which, upon a Final Damages Determination, will or may be set off by way of compensation against the (E) Holdback Amount pursuant to Section 6.11(a).
- (aa) "**Employees**" means all employees of Corporation.
- (bb) "**Environmental Laws**" means all Laws relating to human health and safety, hazardous substances or the protection of natural resources or the environment, including civil responsibility for acts or omissions with respect thereto, and all Authorizations issued or required to be issued pursuant to such Laws.

- (cc) "**Expense Reserve Holdback**" means any amount which Kilmer, in its sole discretion as agent for and on behalf of Sellers, decides to retain from any amount paid by Purchaser to, or to the benefit of, Sellers, to be used by Kilmer, as agent for and on behalf of Sellers, (i) to make any payment which Sellers may have an obligation to make under or in connection with this Agreement and (ii) for the payment of any fees, costs, expenses, commissions, Taxes and disbursements (including the fees and expenses of counsel, experts and other agents and consultants) incurred by Kilmer in exercising its duties and performing its functions set out in this Agreement.
- (dd) "**Final Adjustment Amount**" means the aggregate amount owing to Sellers or Purchaser, as the case may be, pursuant to Sections 2.5(g) and 2.5(h).
- (ee) "**Final Damages Determination**" means, with respect to the amount of Damages due from an Indemnifying Party to an Indemnified Party, (i) an agreement between the Indemnifying Party and the Indemnified Party, (ii) a settlement as permitted under Section 6.10, (iii) a final non appealable judgement, or (iv) with respect to a claim involving Taxes, the expiry of the period to appeal from or object to the relevant assessment, reassessment or additional assessment by Canada Revenue Agency or other taxing authority if no such appeal is taken or no such objection is made.
- (ff) "**Financial Statements**" means the audited financial statements of Corporation for the 12-month periods ending April 30, 2015 and April 30, 2016, respectively, a copy of which is attached to this Agreement as Schedule 3.2(t) of the Disclosure Letter.
- (gg) "**Former Property**" means real property that Corporation previously, but not as of the Closing Date, owned, leased, occupied (whether as lessee or licensee), managed or otherwise controlled, it being understood that all references herein to Former Property shall be only with respect to the period of time during which such Former Property was owned, leased, occupied, managed or otherwise controlled by Corporation.
- (hh) "**GAAP**" means the Canadian accounting standards for private enterprises (ASPE) as set out in the Chartered Professional Accountants Canada Handbook – Accounting, as applicable, at the relevant time, applied on a consistent basis.
- (ii) "**General Holdback Claim**" means any Direct Claim or Third Party Claim in respect of which any Purchaser Indemnified Person has indemnification rights or benefits under this Agreement and which, upon a Final Damages Determination, will or may be set off by way of compensation against the General Holdback Amount pursuant to Section 6.11(a).
- (jj) "**Governmental Entity**" means (i) any governmental or public department, central bank, court, minister, governor-in-council, cabinet, commission, tribunal, board, bureau, agency, commissioner or instrumentality, whether international,

multinational, national, federal, provincial, state, municipal, local, or other; (ii) any subdivision or authority of any of the above; (iii) any stock exchange; and (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

- (kk) "**Intellectual Property**" means any trademarks, trade names, business names, brand names, service marks, logos, domain names and rights in telephone, fax numbers and e-mail addresses, computer software and computer programs (other than standard off-the-shelf software), copyrights (including applications and registrations), designs (including applications and registrations), drawings, inventions, patents, formulae, processes, ideas, research and development, technical data, know-how, trade secrets and technology, whether domestic or foreign, registered or unregistered, as well as any applications, continuations, continuations in part, divisional applications or analogous rights therefor and other industrial or intellectual property and all licenses, permissions, agreements and other contracts and commitments relating to any of the foregoing.
- (ll) "**Interim Financial Statements**" means the unaudited interim financial statements of Corporation for the 3-month period ending July 31, 2016, a copy of which is attached as Schedule 3.2(t) of the Disclosure Letter.
- (mm) "**Laws**" means all applicable international, federal, provincial and/or municipal (i) constitutions, treaties, laws, statutes, codes, ordinances, principles of common and civil law, orders, decrees, rules, regulations, policies, guidelines and by-laws, and (ii) all judgments, orders, writs, injunctions, decisions, rulings, sanctions and awards of any Governmental Entity.
- (nn) "**Lien**" means any encumbrance, hypothec, mortgage, charge, pledge, prior claim, security interest, assignment, lien (statutory or otherwise), *Bank Act* (Canada) security, servitude, easement, conditional sale, resolutive condition, title retention agreement, adverse claim, reservation, right of occupation or other encumbrance, arrangement or condition of any nature.
- (oo) "**Net Debt**" means the amount equal to the positive or negative difference between Debt and Cash as at the Adjustment Time.
- (pp) "**Net Working Capital**" means the positive or negative difference between Current Assets and Current Liabilities as at the Adjustment Time.
- (qq) "**Non-Defending Party**" means, with respect to any Third Party Claim, (i) the Indemnifying Party, if the Indemnified Party is controlling the investigation and defense thereof pursuant to Section 6.10(a), or (ii) the Indemnified Party, if the Indemnifying Party is controlling the investigation and defense thereof pursuant to Section 6.10(b).
- (rr) "**Old AR**" means the total amount of all Receivables outstanding for more than ninety (90) days past due as at the Adjustment Time.

- (ss) "**Option**" means each outstanding, unexpired, unexercised option to purchase one or more shares in the capital of Corporation granted on or prior to the Closing Date to any current or former employee of Corporation pursuant to the Option Plan.
- (tt) "**Option Plan**" means the share option plan of Corporation dated as of May 2, 2014.
- (uu) "**Optionholder Consideration**" means an amount equal to the aggregate "in-the-money" value of the Options as at Closing.
- (vv) "**Optionholder Net Consideration**" means the difference between the Optionholder Consideration and the Optionholder Withholding Amount.
- (ww) "**Optionholder Withholding Amount**" means the aggregate amount required to be withheld by Corporation on account of Taxes in respect of the transfer of the Options by the Optionholders to Corporation as described in Section 2.3(e).
- (xx) "**Optionholders**" means the holders of Options listed in Schedule 3.2(f) of the Disclosure Letter.
- (yy) "**Ordinary Course**" means, with respect to an action taken by a Person, that such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal operations of such Person.
- (zz) "**Parties**" means Sellers and Purchaser.
- (aaa) "**Payoff Creditors**" means the creditors of Debt listed in Schedule 1.1(aaa) of the Disclosure Letter.
- (bbb) "**Payoff Debt**" means the Debt owing to the Payoff Creditors as at the Adjustment Time.
- (ccc) "**Payoff Letter**" means, with respect to any Payoff Creditor, a letter or other instrument addressed by such Payoff Creditor to Corporation setting out the Debt as at the Adjustment Time owed to such Payoff Creditor and containing an irrevocable undertaking from such Payoff Creditor to terminate all financial instruments relating to such Debt and to take all required actions in order to discharge all Liens on the assets of Corporation that exist for its benefit, subject to receipt of payment of such Debt.
- (ddd) "**Permitted Liens**" means (i) Liens for Taxes which are not yet due and payable or which are being contested in good faith and diligently by appropriate proceedings and for which adequate reserves in accordance with GAAP will have been set aside on the financial books and records of Corporation; (ii) carriers', warehousemen's, vendors', mechanics', materialmen's, repairers', contractors', suppliers of materials', legal hypothecs, construction and other like

Liens imposed by Law or relating to the maintenance, repair, renovation or operation of any property, provided that such Liens are related to obligations not yet due and payable or that are being contested in good faith by appropriate procedures and for which adequate reserves in accordance with GAAP will have been set aside on the financial books and records of Corporation; (iii) registered easements, rights-of-way, servitudes, restrictions and similar rights in the Leased Properties or interests therein granted or reserved to other Persons, provided that such rights or their exercise do not interfere with the use of the Leased Properties in the Business and operations of Corporation; (iv) Liens given in the Ordinary Course to a public utility or any Governmental Entity, provided that the Liens do not interfere with the use of the Leased Properties in the Business and operations of Corporation; (v) title defects or irregularities which do not detract from the value of the Leased Properties concerned or interfere with the use of the Leased Properties in the Business and operations of Corporation; and (vi) Liens listed and described in Schedule 1.1(ddd) of the Disclosure Letter.

- (eee) "**Person**" means an individual, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.
- (fff) "**Pre-Closing Tax Period**" means any Tax period ending on or before the Closing Date.
- (ggg) "**Purchaser's Core Representations**" means the representations and warranties of Purchaser and Purchaser Guarantor in Sections 4.1(a) (Incorporation and Status), 4.1(b) (No Conflict) and 4.1(d) (Execution and Binding Obligation).
- (hhh) "**Receivables**" means those amounts invoiced by Corporation that have not been paid.
- (iii) "**Representation and Warranty Policy**" means the buyer side representation and warranty insurance policy delivered by Purchaser at Closing, it being understood that Sellers are responsible for the payment of the R&WI Premium and that such policy will provide that the insurer will not be subrogated to the rights of Purchaser against Sellers or any of their Affiliates.
- (jjj) "**Sellers' Core Representations**" means the representations and warranties of Sellers in Sections 3.1(a) (Incorporation and Power; Capacity), 3.1(b) (No Conflict), 3.1(d) (Execution and Binding Obligation), 3.1(e) (Title to Purchased Shares), 3.1(f) (No other Agreements to Purchase), 3.1(g) (Kilmer Holdco), 3.2(a) (first sentence only) (Incorporation and Qualification of Corporation), 3.2(b) (Corporate Authorization), 3.2(c) (No Conflict), 3.2(f) (Authorized and Issued Capital of Corporation), 3.2(g) (Subsidiaries and Other Interests) and 3.2(ff) (No Brokers).

- (kkk) "**Seller's Pro Rata Share**" means, in respect of a Seller, the percentage set forth beside such Seller's name in Schedule 1.1(kkk) of the Disclosure Letter.
- (lll) "**Target Net Working Capital**" means \$14,543,787.
- (mmm) "**Tax Act**" means the *Income Tax Act* (Canada).
- (nnn) "**Tax Returns**" means all returns (including information returns), declarations, reports, statements, schedules, notices, forms or other documents or information filed or required to be filed in respect of the determination, assessment, collection, payment or refund of any Tax or in connection with the administration, implementation or enforcement of any legal requirement relating to any Tax.
- (ooo) "**Taxes**" means any and all federal, state, provincial, municipal, local and foreign taxes, assessments, reassessment and other governmental charges, duties, impositions and liabilities, whether disputed or not, including Canada Pension Plan and Provincial Pension Plan contributions, provincial health plan contributions and unemployment insurance contributions and employment insurance contributions and including taxes based upon or measured by gross receipts, income, profits, sales, capital use and occupation, good and services, and value added, ad valorem, transfer, franchise, withholding, customs duties, payroll, employment, excise and property taxes, including estimated taxes, together with all interest, penalties, fines and additions imposed with respect to such amounts.
- (ppp) "**Third Party Claim**" means any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, including a Governmental Entity, against an Indemnified Party which entitles the Indemnified Party to make a claim for indemnification under this Agreement.
- (qqq) "**Vested Options**" has the meaning ascribed to such term in the Option Plan.

1.2 Other Defined Terms.

In addition to the defined terms in Section 1.1 (Defined Terms), each of the following capitalized terms has the meaning ascribed thereto in the corresponding Section:

<u>Term</u>	<u>Section</u>
(A) to (D) Survival Period	6.5
(E) Holdback Amount	2.3(f)
(E) Survival Period	6.5
Amalco	Recitals
Amalgamation	Recitals
Atelka	Recitals
Benefit Plan	3.2(w)(iii)

BMOCP	Recitals
Closing Payment	2.2(a)
Collective Agreement	3.2(w)(i)
Confidentiality Agreement	7.1
Deductible	6.6(f)
Dispute Notice	6.9(b)
Disputed Items	2.5(d)
Draft Statement	2.5(a)
Estimated Net Debt	2.3(a)
Estimated Net Working Capital	2.3(a)
Estimated Net Working Capital Excess	2.3(b)
Estimated Net Working Capital Shortfall	2.3(b)
Estimated Statement	2.3(a)
Excess Portion	2.5(b)
Final Net Working Capital	2.5(f)
Final Statement	2.5(f)
Financial Advisor	3.2(dd)
Founders Holdco	Recitals
General Survival Period	6.1
General Holdback Amount	2.3(f)
Indemnification Notice	6.8
Indemnified Party	6.8
Indemnifying Party	6.8
Independent Auditor	7.4(a)
Kilmer	Recitals
Kilmer Holdco	Recitals
Lease Documents	3.2(n)
Leased Properties	3.2(n)
Management Sellers	Recitals
Material Contracts	3.2(p)(i)
Notice	8.1
Notice of Dispute	2.5(d)
Old AR Excess Amount	1.1(r)
Old AR Schedule	2.3(a)(ii)
Purchase Price	2.2
Purchased Shares	Recitals
Purchaser	Recitals
Purchaser Guarantor	Recitals
Purchaser Indemnified Persons	6.2
R&WI Premium	2.3(f)

R&WI Underwriting Fee	2.3(f)
Related Party Contracts	3.2(o)
SE	8.17
Sellers	Recitals
Sellers Indemnified Persons	6.3
Separate Representations and Covenants	6.6(a)
Single Claim Threshold	6.6(e)
Specified Matters	6.6(e)
Tail Insurance	7.3(a)(ii)
Tail Insurance Cost	2.3(f)
Tax Assessment Period	6.1(c)
Tax Proceeding	7.4(e)
Third Party Auditors	2.5(e)
Trademarks and Domain Names	3.2(s)(i)

1.3 Gender and Number.

Any reference in this Agreement to gender includes all genders. Words importing the singular number only include the plural and *vice versa*.

1.4 Headings, etc.

The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect its interpretation.

1.5 Currency.

All references in this Agreement to dollars or to "\$" are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Certain Phrases, etc.

In this Agreement, (a) the words "including", "includes" and "include" or any derivatives of such words mean "including (or includes or include) without limitation", (b) the words "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of", (c) the phrase "made available", when used in reference to a document, means that the document was made available for viewing in the "Project Alexander" electronic data room hosted by Firmex Inc., as that site existed as of 6:00 p.m. two (2) days prior to the date of this Agreement, and (d) the words "hereof", "herein", "hereunder", "hereto" and similar expressions refer to this Agreement as a whole and the words "Article", "Section", "Exhibit" or "Schedule" refer to an Article of, Section of, Exhibit to or Schedule to, this Agreement, unless specified otherwise. In the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word

"from" means "from and including" and the words "to" and "until" each mean "to but excluding".

1.7 Accounting Terms.

Except as otherwise provided in this Agreement, all accounting terms not specifically defined in this Agreement are to be interpreted in accordance with GAAP.

1.8 Statutory References.

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it as they may have been or may from time to time be amended, re-enacted or replaced.

1.9 References to Persons.

Any reference in this Agreement to a Person includes its or his heirs, administrators, liquidators, executors, successors and permitted assigns.

1.10 Schedules, Exhibits and Disclosure Letter.

- (a) The schedules and exhibits attached to this Agreement will, for all purposes of this Agreement, form an integral part of it.
- (b) Contemporaneously with the execution and delivery of this Agreement, Kilmer, as agent for and on behalf of Sellers, is delivering to Purchaser the Disclosure Letter required to be delivered pursuant to this Agreement, which is deemed to form an integral part of this Agreement and to qualify the representations and warranties of Sellers contained in this Agreement. The purpose of the Disclosure Letter is to set out the qualifications, exceptions and other information called for in this Agreement. The Parties acknowledge and agree that the Disclosure Letter and the information and disclosures contained in it do not constitute or imply, and will not be construed as:
 - (i) any representation, warranty, covenant or obligation which is not expressly set out in this Agreement;
 - (ii) an admission of any liability or obligation of Sellers or Corporation;
 - (iii) an admission that the information is material or within or outside the Ordinary Course of the Business;
 - (iv) a standard of materiality, a standard for what is or is not in the Ordinary Course of the Business, or any other standard contrary to the standards contained in the Agreement; or
 - (v) an expansion of the scope of effect of any of the representations, warranties, covenants and obligations set out in the Agreement.

- (c) Disclosure of any information in the Disclosure Letter that is not strictly required under this Agreement has been made for informational purposes only and does not imply disclosure of all matters of a similar nature. Inclusion of an item in any Schedule of the Disclosure Letter is deemed to be disclosure for all other Schedules of the Disclosure Letter to the extent that it is apparent that such disclosure is relevant to such other Schedules, including the underlying representation or warranty.
- (d) The Disclosure Letter itself is confidential information and may not be disclosed unless (i) it is required by Law (unless the Law permits non-disclosure of information for confidentiality or other purposes and if such non-disclosure is not permitted, the Party seeking to disclose will notify the other Party and seek confidential treatment of such information), or (ii) a Party reasonably needs to disclose it in order to enforce or exercise its rights under this Agreement.

1.11 Knowledge.

Where any representation or warranty contained in this Agreement is qualified by reference to the knowledge of Sellers or is otherwise expressed to be limited in scope to matters known to Sellers, it will be deemed to refer to the actual knowledge of the Chief Executive Officer, Chief Financial Officer and Vice President, Operations of Corporation and with respect to Section 3.2(w) only, the Vice President of Human Resources of Corporation, in each case after making diligent inquiry as reasonably necessary to inform themselves as to the relevant matters and without personal liability on the part of any of them, provided that nothing in this Section 1.11 shall obligate Corporation or any of the individuals listed in this Section 1.11 to obtain new reports, audits or opinions from third parties, such as auditors, legal counsel and similar advisors, in order to satisfy their obligation to make diligent inquiry.

1.12 Non-Business Days.

Whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment will be made or such action will be taken on or not later than the next succeeding Business Day.

1.13 Time References.

References to times of the day are to local time in Montréal, Québec.

Article 2 PURCHASED SHARES AND PURCHASE PRICE

2.1 Purchase and Sale.

On the terms and subject to the conditions of this Agreement, at Closing, Sellers will sell to Purchaser, and Purchaser will purchase from Sellers, all (but not less than all) of the Purchased Shares, which shares will constitute at Closing, all of the issued and outstanding shares in the capital of Corporation.

2.2 Purchase Price.

The aggregate purchase price payable by Purchaser for the Purchased Shares will be an amount (the "**Purchase Price**") equal to:

- (a) \$59,000,000, (i) minus the Estimated Net Debt, (ii) plus the Estimated Net Working Capital Excess or minus the Estimated Net Working Capital Shortfall, as the case may be, (iii) minus the Optionholder Consideration, (iv) minus the Bonus Amount (the "**Closing Payment**");
- (b) plus or minus the Final Adjustment Amount, as the case may be;
- (c) minus, as contemplated in Section 6.11(c), any payment made by Sellers as an Indemnifying Party pursuant to Article 6, as the case may be; and
- (d) plus, as contemplated in Section 6.11(c), any payment made by Purchaser as an Indemnifying Party pursuant to Article 6, as the case may be.

2.3 Determination and Payment of Closing Payment.

- (a) **Preliminary Adjustment.** Prior to the Closing Date, Kilmer, as agent for and on behalf of Sellers, shall have caused Corporation to prepare and deliver to Purchaser:
 - (i) an Adjustment Statement prepared in accordance with the Adjustment Methodology (the "**Estimated Statement**") setting forth (A) Corporation's good faith estimate of the Net Debt (the "**Estimated Net Debt**") and Net Working Capital (the "**Estimated Net Working Capital**"), (B) the aggregate amount of the Optionholder Consideration, (C) the aggregate amount of the Bonus Amount and (D) a breakdown of the Debt; and
 - (ii) a schedule setting forth Corporation's good faith estimate of the Old AR (the "**Old AR Schedule**") and a detailed Receivables aging analysis for the most recent month-end period. The Old AR Schedule shall contain a level of detail sufficient to identify the customers and services related thereto.
- (b) **Cash.** Sellers covenant and agree to cause Corporation to maintain a minimum of \$3,500,000 in Corporation's bank account up until (and including) the Closing Date.
- (c) **Access.** Purchaser and its representatives shall be provided reasonable access during normal business hours to the books and records, personnel and advisors of Corporation to the extent required in connection with the review of the Estimated Statement and Old AR Schedule, including Corporation's work papers

underlying or utilized in preparing such estimates and calculations contained in the Estimated Statement and Old AR Schedule.

- (d) **Estimated Net Working Capital Adjustment.** If the Estimated Net Working Capital amount is (i) equal to the Target Net Working Capital, then no adjustment will be made to the Purchase Price pursuant to Section 2.2(a), (ii) greater than the Target Net Working Capital, then the Purchase Price will be increased as set forth in Section 2.2(a), dollar for dollar, by such excess amount (the "**Estimated Net Working Capital Excess**"), or (iii) less than the Target Net Working Capital, then the Purchase Price will be decreased as set forth in Section 2.2(a), dollar for dollar, by such shortfall amount (the "**Estimated Net Working Capital Shortfall**").
- (e) **Treatment of Options.** Prior to Closing, Sellers will cause Corporation to take such steps as may be necessary or desirable to allow all Optionholders to surrender their Vested Options to Corporation in consideration of the Optionholder Consideration and to cause all other Options to be cancelled and forfeited, in each case, conditional and effective upon Closing.
- (f) **Payment of Closing Payment.** At Closing, Purchaser will pay the Closing Payment by paying Kilmer, as agent for and on behalf of Sellers, an amount equal to difference between (A) the Closing Payment and (B) the sum of (i) the premium payable (plus applicable taxes) on the Closing Date in connection with the Representation and Warranty Policy (the "**R&WI Premium**") currently estimated at \$235,000 plus taxes, (ii) \$35,000, being the underwriting fee paid by Corporation, for and on behalf of Sellers, in connection with the Representation and Warranty Policy (the "**R&WI Underwriting Fee**") (iii) \$15,751, being the cost of the Tail Insurance payable on the Closing Date (the "**Tail Insurance Cost**"), (iv) \$1,250,000 (the "**General Holdback Amount**"), and (v) \$750,000 (the "**(E) Holdback Amount**"), by wire transfer of immediately available funds to the account designated by Kilmer, as agent for and on behalf of Sellers.

2.4 Other Payments at Closing.

- (a) **Payment of Payoff Debt.** On the Closing Date, Purchaser will pay, for and on behalf of Corporation, the amount of Payoff Debt owing to each Payoff Creditor as set forth in the Estimated Statement in accordance with the terms and conditions of the applicable Payoff Letter.
- (b) **Payment of Optionholder Consideration and Bonus Amount.** On the Closing Date, Purchaser will advance to Corporation (i) the amount of Optionholder Consideration and (ii) the amount of Bonus Amount, as set forth in the Estimated Statement, by wire transfer of immediately available funds to Corporation's existing CAD bank account with Bank of Montreal; and subject to Section 2.6, Corporation will remit, through payroll adjustments, (i) the amount of Optionholder Net Consideration owing to each Optionholder and (ii) the amount

of Bonus Net Amount owing to each applicable Employee, by wire transfer of immediately available funds to each Optionholder and applicable Employee.

- (c) **Payment of R&WI Premium.** On the Closing Date, Purchaser will pay, for and on behalf of Sellers, the amount of the R&WI Premium to JLT Specialty USA, by wire transfer of immediately available funds in accordance with the payment instructions provided in connection with the Representation and Warranty Policy.
- (d) **Payment of Tail Insurance.** On the Closing Date, Purchaser will pay, for and on behalf of Sellers, the amount of the Tail Insurance Cost to GPL Assurance Inc., for and on behalf of Chubb Insurance Company of Canada, by wire transfer of immediately available funds in accordance with the payment instructions provided in connection with the Tail Insurance.
- (e) **Repayment of R&WI Underwriting Fee.** On the Closing Date, Purchaser will repay, for and on behalf of Sellers, the amount of the R&WI Underwriting Fee paid by Corporation prior to the Closing Date, by wire transfer of immediately available funds to Corporation's existing CAD bank account with Bank of Montreal.

2.5 Determination and Payment of Final Adjustments.

- (a) **Preparation of Draft Statement.** Within ninety (90) days following the end of the calendar month following the Closing Date, Purchaser will cause to be prepared by Corporation and reviewed by Corporation's current auditors, being KPMG LLP, and delivered to Kilmer, as agent for and on behalf of Sellers, an Adjustment Statement prepared in accordance with the Adjustment Methodology (the "**Draft Statement**") setting forth the determination of the Net Debt and Net Working Capital.
- (b) **Receivables.** If, during the six (6) months following the end of the calendar month in which Closing occurs, any of the Receivables recorded in the Old AR Schedule have been collected by Corporation, then Purchaser shall remit all amounts so received in excess of \$100,000 to Kilmer (the "**Excess Portion**"), as agent for and on behalf of Sellers, within forty-five (45) days of the end of the calendar month of collection, provided the amount of any such Excess Portion so collected in any given month exceeds \$25,000. If the amount of any Excess Portion so collected in any given month does not exceed \$25,000, it shall carry over to the following month. Purchaser will cause Corporation to use reasonable endeavours to collect such Old AR, but nothing in this Section 2.5(b) shall require Corporation to (i) use reasonable endeavours to collect any Old AR if the aggregate balance of the Old AR is \$25,000 or less, and (ii) commence any legal proceedings in respect of such Old AR. For purposes of matching collected amounts to the appropriate invoices for services rendered, the Parties agree that when a relevant customer indicates that it is paying a specific invoice, then the Parties shall accept that indication in determining which invoices have been

collected. Otherwise, Purchaser shall cause Corporation to use reasonable endeavours, including discussions with the relevant customer, to identify the appropriate invoice to which a payment is intended to be applied, provided that following such efforts, should Corporation be unable to identify the appropriate invoice, Purchaser shall allocate all collected Receivables from relevant customers to satisfy the oldest undisputed invoices for services rendered first before satisfying newer invoices for services (i.e., first-in-first-out).

- (c) **Cooperation.** During the period from the date of delivery of the Draft Statement until the date that is 30 days following delivery of the Draft Statement, and upon Kilmer's reasonable request, as agent for and on behalf of Sellers, Purchaser will provide, and will cause Corporation to provide, to Kilmer, as agent for and on behalf of Sellers, and its legal, financial and other representatives reasonable access to the work papers of Corporation and KPMG LLP, and the appropriate personnel in order to enable Kilmer, as agent for and on behalf of Sellers, and its legal, financial and other representatives to reasonably assess the Draft Statement.
- (d) **Objection Period.** Within 30 days following delivery of the Draft Statement, Kilmer, as agent for and on behalf of Sellers, will notify Purchaser in writing of any objection to the Draft Statement (the "**Notice of Dispute**"). The Notice of Dispute must state in reasonable detail the basis of each objection and the approximate amounts in dispute (the "**Disputed Items**"). Sellers will be deemed to have agreed with all other items and amounts set forth in the Draft Statement other than those specified in the Notice of Dispute. If (i) Kilmer, as agent for and on behalf of Sellers, does not notify Purchaser of any objection within such period of 30 days or (ii) Kilmer, as agent for and on behalf of Sellers, delivers a written acceptance notice in respect of the Draft Statement during such period of 30 days, then Sellers will be deemed to have accepted the Draft Statement as of the end of the 30-day review period or the date of receipt by Purchaser of such written acceptance notice, as applicable.
- (e) **Settlement of Dispute.** If Kilmer, as agent for and on behalf of Sellers, sends a Notice of Dispute in accordance with Section 2.5(d), then Kilmer, as agent for and on behalf of Sellers, and Purchaser will work expeditiously and in good faith in an attempt to resolve such dispute within a period of 10 Business Days after the date of the Notice of Dispute, failing which the dispute may be submitted by Kilmer, as agent for and on behalf of Sellers, or Purchaser for final determination to the Montréal offices of Ernst & Young LLP, or if Ernst & Young LLP is unwilling or unable to act, Deloitte LLP (in any such case, the "**Third Party Auditors**"). Kilmer, as agent for and on behalf of Sellers, and Purchaser will use commercially reasonable efforts to cause the Third Party Auditors to complete their work within 30 days of their engagement. The Third Party Auditors will allow Purchaser and Kilmer, as agent for and on behalf of Sellers, to present their respective positions regarding the Disputed Items and Purchaser and Kilmer, as agent for and on behalf of Sellers, will have the right to present additional

documents, materials and other information, and make an oral presentation to the Third Party Auditors regarding the dispute. The Third Party Auditors will consider such additional documents, materials and other information and such oral presentations. Any such other documents, materials or other information will be copied to Purchaser and Kilmer, as agent for and on behalf of Sellers, and each of Purchaser and Kilmer will be entitled to attend any such oral presentation, and to reply thereto. Purchaser and Kilmer, as agent for and on behalf of Sellers, will jointly instruct the Third Party Auditors that: (i) they will act as an expert in accounting, and not as an arbitrator, to resolve the unresolved Disputed Items and amounts that were properly included in the Notice of Dispute in accordance with this Agreement; (ii) they will base their decision solely on the documents, materials, written submissions and oral presentations of Purchaser and Kilmer, as agent for and on behalf of Sellers, and not on independent review; and (iii) they may not assign a dollar value to any Disputed Item greater than the highest amount or less than the lowest amount claimed by Purchaser or Kilmer, as agent for and on behalf of Sellers, as applicable. The determination of the Third Party Auditors will be final and binding upon the Parties and will not be subject to appeal, absent manifest error. The Draft Statement will be revised as necessary to reflect the Third Party Auditors' written decision, and judgment may be entered upon the determination of the Third Party Auditors in any court having jurisdiction over the Party against whom such determination is to be enforced.

- (f) **Final Determination.** Within five (5) Business Days following (i) the 30 day review period referred to in Section 2.5(d) during which no Notice of Dispute was given, (ii) the date of receipt by Purchaser of the written acceptance notice referred to in Section 2.5(d) or (iii) after the resolution of any dispute in accordance with Section 2.5(e), as the case may be, Purchaser will deliver to Kilmer, as agent for and on behalf of Sellers, an Adjustment Statement (the "**Final Statement**") setting forth the final determination of the Net Debt (the "**Final Net Debt**") and Net Working Capital (the "**Final Net Working Capital**"). The Final Statement will reflect the resolution of any Disputed Items in accordance with Section 2.5(e). The Final Statement will be final and binding upon the Parties upon delivery thereof and will not be subject to appeal, absent manifest error.
- (g) **Final Net Debt Adjustment.** If the Final Net Debt is greater than the Estimated Net Debt, then Sellers will owe an amount equal to such excess to Purchaser. If the Final Net Debt is less than the Estimated Net Debt, then Purchaser will owe an amount equal to such shortfall to Sellers.
- (h) **Final Net Working Capital Adjustment.** If the Final Net Working Capital is greater than the Estimated Net Working Capital, then Purchaser will owe an amount equal to such excess to Sellers. If the Final Net Working Capital is less than the Estimated Net Working Capital, then Sellers will owe an amount equal to such shortfall to Purchaser.

(i) **Adjustment to Purchase Price.**

(i) If the Final Adjustment Amount is owed by Purchaser to Sellers, then, within three (3) Business Days of the Final Statement becoming final and binding in accordance with Section 2.5(f), (i) Purchaser shall pay such Final Adjustment Amount at the direction of Kilmer, as agent for and on behalf of Sellers, by wire transfer of immediately available funds to the account(s) designated by Kilmer, and (ii) the Purchase Price shall be increased by such Final Adjustment Amount as set forth in Section 2.2(b).

(ii) If the Final Adjustment Amount is owed by Sellers to Purchaser, then, within three (3) Business Days of the Final Statement becoming final and binding in accordance with Section 2.5(f), (i) Kilmer, as agent for and on behalf of Sellers, shall pay such Final Adjustment Amount at the direction of Purchaser by wire transfer of immediately available funds to the account designated by Purchaser, and (ii) the Purchase Price shall be decreased by such Final Adjustment Amount as set forth in Section 2.2(b).

(j) **Fees and Expenses.** Sellers, on the one hand, and Purchaser, on the other hand, will bear the fees and expenses of their respective legal, financial and other representatives in reviewing or settling the Draft Statement and the Final Statement, as the case may be. In the case of a dispute and the retention of Third Party Auditors to determine such dispute, the fees and expenses of the Third Party Auditors will be divided between Sellers, on the one hand, and Purchaser, on the other hand, based on the percentage which the portion of the contested amount not awarded to each Party bears to the total amount actually contested by such Party. For illustration purposes only: (i) if the total amount of items in dispute is \$100,000, and each Party is awarded \$50,000 by the Third Party Auditors, then each Party will bear the Third Party Auditors' fees and expenses equally; or (ii) if the total amount of items in dispute is \$100,000, and a Party is awarded \$25,000 by the Third Party Auditors, then such Party will bear 75% and the other Party will bear 25% of the Third Party Auditors' fees and expenses. Sellers and Purchaser will each bear their own fees and expenses in presenting their respective cases to the Third Party Auditors.

2.6 Withholding Rights.

Each of Purchaser and Corporation shall be entitled to deduct and withhold from any amount payable pursuant to this Agreement to an Optionholder or Employee such amounts as Purchaser or Corporation and Kilmer, as agent for and on behalf of Sellers, reasonably determine are required to be deducted and withheld with respect to such payment under any provision of applicable Law, including the Optionholder Withholding Amount and the Bonus Withholding Amount. To the extent that amounts are so deducted and withheld, such deducted and withheld amounts shall be treated for all purposes as having been paid to the Person in

respect of which such deduction and withholding was made and shall be paid by Purchaser or Corporation to the appropriate Governmental Entity directly or through Corporation's payroll agent.

Article 3
REPRESENTATIONS AND WARRANTIES OF SELLERS

3.1 Representations and Warranties as to Sellers.

Each Seller separately represents and warrants, as to itself or himself and in the case of Kilmer, also as to Kilmer Holdco, but not as to any other Seller, to Purchaser as follows, and acknowledges and agrees that Purchaser is relying upon such representations and warranties in connection with the purchase by Purchaser of the Purchased Shares.

- (a) **Incorporation and Power; Capacity.** In the case of a Seller that is a legal Person, it is an entity formed and existing under the Laws of its jurisdiction of formation and has full power and authority to enter into, deliver and perform its obligations under this Agreement. In the case of a Seller that is an individual, he has full legal capacity to enter into and perform his obligations under this Agreement.
- (b) **No Conflict.** The execution, delivery and performance by such Seller of this Agreement:
 - (i) in the case of a Seller that is a legal Person, have been duly authorized by all necessary action on its part;
 - (ii) in the case of a Seller that is a legal Person, do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the constating documents, by-laws or other similar documents of such Seller; and
 - (iii) will not result in the violation of any Law applicable to such Seller.
- (c) **Required Authorizations.** No filing with, notice to or Authorization of, any Governmental Entity is required on the part of such Seller as a condition to the lawful completion of the transactions contemplated by this Agreement.
- (d) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by, and constitute a legal, valid and binding obligation of such Seller, enforceable against it in accordance with its terms subject only to any limitation on enforcement under applicable Laws relating to (i) bankruptcy, winding-up, insolvency, arrangement and other similar Laws of general application affecting the enforcement of creditors' rights; and (ii) the discretion that a court may

exercise in the granting of extraordinary remedies such as specific performance and injunction.

- (e) **Title to Purchased Shares.** Such Seller is as of the Closing Date the owner of the shares in the capital of Corporation set out next to such Seller's name in column (b) of Schedule 3.1(e) of the Disclosure Letter, with good and valid title thereto, free and clear of all Liens, other than those Liens listed in Schedule 3.1(e) of the Disclosure Letter. At Closing, such Seller will be the owner of the Purchased Shares set out next to such Seller's name in column (c) of Schedule 3.1(e) of the Disclosure Letter. Such shares will constitute all of such Sellers' share of the Purchased Shares and such Seller will transfer good and valid title to Purchaser of such Purchased Shares, free and clear of all Liens.
- (f) **No Other Agreements to Purchase.** Except for Purchaser's rights under this Agreement, no Person has any contractual right or privilege for the purchase or acquisition from such Seller of any of the Purchased Shares.
- (g) **Kilmer Holdco.** Kilmer Holdco did not, as of the time immediately prior to the Amalgamation, have any right or interest in any assets of any kind other than shares in the capital of Corporation. Kilmer Holdco did not engage in any activity, other than the holding of shares in the capital of Corporation. Kilmer Holdco never had any employees. Kilmer Holdco did not, as of the time immediately prior to the Amalgamation, have any indebtedness or any other liabilities whatsoever.

3.2 Representations and Warranties as to Corporation.

Each Seller (other than BMOCP) jointly (and not solidarily) (within the meaning of the *Civil Code of Québec*) represents and warrants to Purchaser as follows as of the Closing Date, except for the representations and warranties in Sections 3.2(a), 3.2(b), 3.2(c), 3.2(f), 3.2(g), 3.2(h), 3.2(m), 3.2(dd) and 3.2(ff) which are given by each Seller (including BMOCP) jointly (and not solidarily) (within the meaning of the *Civil Code of Québec*) as of the Closing Date, and each Seller acknowledges and agrees that Purchaser is relying upon such representations and warranties in connection with the purchase by Purchaser of the Purchased Shares.

- (a) **Incorporation, Power and Qualification.** Corporation is incorporated and existing under the Laws of its jurisdiction of incorporation. Corporation has the corporate power and authority to own its property. Corporation is duly registered, licensed or qualified to carry on its business in each jurisdiction in which the Business as now being conducted by it makes such registration, licensing or qualification necessary, except for any failure to be so registered or qualified which would not reasonably be expected to be material to the Business.
- (b) **Corporate Authorization.** The completion of the transactions contemplated by this Agreement has been duly authorized by all necessary corporate action on the part of Corporation. The Amalgamation was duly authorized by all necessary actions in compliance with the terms or provisions of the constating documents,

by-laws and other similar documents of Kilmer Holdco and Atelka, and was effected in compliance with all Contracts binding upon Kilmer Holdco and Atelka and in compliance with all applicable Laws.

- (c) **No Conflict.** The execution, delivery and performance by Sellers of this Agreement:
- (i) do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the constating documents, by-laws or other similar documents of Corporation;
 - (ii) do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach of, or cause the termination or revocation of, any material Authorization held by Corporation that is necessary to the conduct of the Business; and
 - (iii) will not result in the violation of any Law applicable to Corporation that would be material to the Business.
- (d) **Required Consents.** Except as disclosed in Schedule 3.2(d) of the Disclosure Letter, there is no requirement to obtain any consent, approval or waiver of a party under any Material Contract, for the completion of the transactions contemplated by this Agreement (including the Amalgamation) where the failure to obtain such consent would reasonably be expected to be material to the Business.
- (e) **Required Authorizations.** No filing with, notice to or Authorization of, any Governmental Entity is required on the part of Corporation as a condition to the lawful completion of the transactions contemplated by this Agreement where the failure to make the filing, give notice or obtain and maintain any such Authorization would be material to the Business.
- (f) **Authorized and Issued Capital of Corporation.**
- (i) The authorized, issued and outstanding capital of Corporation as of the Closing Date is as set out in Schedule 3.2(f) of the Disclosure Letter. All of the Purchased Shares will at Closing have been duly authorized and validly issued as fully paid and non-assessable and have been issued by Corporation in compliance with all applicable Laws. The Purchased Shares will at Closing constitute all of the issued and outstanding shares in the capital of Corporation.
 - (ii) Except as set out in Schedule 3.2(f) of the Disclosure Letter, there are no outstanding options, warrants, securities, debentures, loans or notes held

by any Person convertible or exchangeable for any shares or other securities of Corporation.

(iii) Corporation is not a reporting issuer (as such term is defined in the *Securities Act* (Québec)) and there is no published market for the Purchased Shares. Corporation is a "private issuer" as defined in section 2.4 of *Regulation 45-106 respecting Prospectus Exemptions*.

(g) **Subsidiaries and Other Interests.** Corporation does not, directly or indirectly, own or hold any shares or other ownership, equity or proprietary interest in any Person.

(h) **Corporate Records.** The corporate records of Corporation contain complete and accurate records of all actions taken by the shareholders and board of directors (or equivalent governing parties) and any committees thereof, and include complete and accurate articles and by-laws, minutes of meetings and resolutions of shareholders, directors or any committee of the board of directors, and the share certificate books, securities register, register of shareholders, register of transfers and register of directors of Corporation. The corporate records of Corporation have been maintained in accordance with sound business practices. A complete and accurate copy of all such records has been made available by Corporation to Purchaser. All officers and directors of Corporation have been elected or appointed, in accordance with relevant regulations.

(i) **Conduct of Business.** Except as disclosed in Schedule 3.2(i) of the Disclosure Letter or in order to give effect to the Amalgamation, since May 1, 2016, Corporation has:

(i) not amended its articles or by-laws;

(ii) not split, combined or reclassified any shares of its share capital;

(iii) not issued, sold or otherwise disposed of any share of Corporation, or granted any options, warrants or other rights to purchase shares or any other securities of Corporation;

(iv) not declared or paid any dividends or distributions on or in respect of any share of Corporation or completed a redemption, purchase or acquisition of any share of Corporation;

(v) conducted the Business in the Ordinary Course;

(vi) not made any change in its accounting principles and practices which are not required by GAAP as theretofore applied;

(vii) not settled any litigation, other than litigation which is not material to the Business;

- (viii) terminated, entered into, amended or otherwise modified any Material Contract;
- (ix) not sold, leased, transferred or assigned, in one or more transactions, any assets, tangible or intangible, other than in the Ordinary Course or in transactions which are not material to the Business;
- (x) not incurred, assumed or guaranteed any monetary indebtedness to, or made any investment in, any other Person, in each case, other than as reflected in the Interim Financial Statements or the Estimated Statement; and
- (xi) made any change in the rate or form of compensation or remuneration or benefits payable or to become payable to any of its Employees, in such a way that materially increased the compensation, remuneration or benefits to the Employees, except
 - (i) as required by applicable Laws or the terms of the Collective Agreement, and
 - (ii) general salary increases in the Ordinary Course of the Business.
- (j) **Compliance with Laws.** Corporation is currently and has always been conducting the Business in compliance with all applicable Laws in each jurisdiction in which it carries on business. Corporation has complied and is in compliance with all Laws applicable to Corporation with respect to data privacy and all Laws applicable to Corporation related to capturing, storing and disclosing of personal data or personally identifiable information.
- (k) **Title to Assets.** Except for any Authorizations, licensed Intellectual Property, Leased Properties and assets otherwise used by Corporation pursuant to leases or licenses, Corporation owns all of the material assets that it purports to own, with good and valid title thereto, free and clear of all Liens, other than Permitted Liens.
- (l) **Condition of Tangible Assets.** The tangible material assets owned or leased by Corporation and the Leased Properties are in good operating condition and repair having regard to their use and age, have been reasonably maintained consistent with standards generally followed in the industry and are adequate and suitable for the uses to which they are being put. None of the tangible assets used in the Business require or are reasonably expected to require any special or extraordinary expenditures to remain in such condition.
- (m) **Real Property.** Corporation does not own any real or immovable property.
- (n) **Leased Property.** Schedule 3.2(n) of the Disclosure Letter lists each real or immovable property or premises currently leased (including properties subject to ground or emphyteutic leases) or subleased by Corporation (collectively, the "**Leased Properties**") and sets forth the name of the landlord and the date of the lease (collectively, the "**Lease Documents**"). Neither Corporation nor, to the

knowledge of Sellers, any other party thereto, is in breach or violation of, or default (in each case, with or without notice or lapse of time or both) under, any of the Lease Documents and Corporation has not received or given any notice of default under any such Lease Documents which remains uncured. Schedule 3.2(n) of the Disclosure Letter sets forth the number of contact center agent seats at each Leased Property.

- (o) **Affiliate Transactions.** None of Sellers, their respective Affiliates (other than Corporation), or any of their respective officers, directors or employees, is a party to any Contract with Corporation or has any interest in any material assets used by Corporation, except (i) for services as Employees, directors or officers, or (ii) as set forth in Schedule 3.2(o) of Disclosure Letter (the Contracts referred to in (ii), the "**Related Party Contracts**").

- (p) **Material Contracts.**
 - (i) Schedule 3.2(p) of the Disclosure Letter contains a complete list of the following Contracts as of the Closing Date (the Contracts described in this Section 3.2(p)(i) and the Related Party Contracts being the "**Material Contracts**"):
 - (A) any Contract under which Corporation expects to receive payments on an annual basis in excess of \$250,000 in the aggregate;
 - (B) any Contract (other than the Collective Agreement) under which Corporation is obliged to make payments on an annual basis in excess of \$50,000 in the aggregate;
 - (C) any Contract (other than capital leases) pursuant to which Corporation is a lessee of any equipment or other movable or personal property under which Corporation is obliged to make payments on an annual basis in excess of \$100,000 in the aggregate;
 - (D) any capital lease or other similar agreement relating to the Business;
 - (E) any partnership, joint venture, franchise agreement or other similar agreement relating to the Business;
 - (F) any Contract (other than any Contract related to Payoff Debt) under which monetary indebtedness is outstanding or pursuant to which any asset of Corporation is mortgaged or pledged or otherwise subject to a Lien (other than a Permitted Lien);

- (G) any Contract that purports to limit in any material respect the right of Corporation to engage in any line of business or to compete with any Person or operate in any location;
 - (H) any Contract providing for the sale or acquisition of, or option to sell or acquire, any asset of Corporation with a fair market value in excess of \$50,000 in respect of which the applicable transaction has not been consummated, in each case other than any such Contract entered into in the Ordinary Course;
 - (I) any Contract providing for the indemnification by Corporation of any Person or the assumption of any tax, environmental or other liability of any Person;
 - (J) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting and advertising Contracts to which Corporation is a party;
 - (K) all Contracts with any Governmental Entity to which Corporation is a party;
 - (L) all collective bargaining agreements or Contracts with any union to which Corporation is a party; and
 - (M) except as already disclosed in Schedule 3.2(p) of the Disclosure Letter, any Contract to which Corporation is a party entered into outside the Ordinary Course.
- (ii) Except as disclosed in Schedule 3.2(p)(ii) of the Disclosure Letter, neither Corporation nor, to the knowledge of Sellers, any other party thereto, is in material breach or violation of, or default in any material respect (in each case, with or without notice or lapse of time or both) under, any Material Contract and Corporation has not received or given any notice of default under any such Material Contract which remains uncured.
- (q) **Authorizations.** Corporation holds all Authorizations required to carry on the Business as currently conducted by it. All such Authorizations are valid and in full force and effect and Corporation is in compliance with the terms and requirements of all such Authorizations. All fees and charges with respect to such Authorizations as of the Closing Date have been paid in full except to the extent reflected or reserved against in the Interim Financial Statements or the Estimated Statement.
- (r) **Environmental Matters.**

- (i) Corporation, its operations, the Business, the Leased Properties and any Former Property have been and are in material compliance with, and there exists no material liability of Corporation under, all Environmental Laws.
 - (ii) Except as has been entirely resolved, Corporation has not been required by any Governmental Entity to (A) alter any of the Leased Properties in any way in order to be in compliance with Environmental Laws, (B) file any notice with any Governmental Entity relating to any potential or actual contamination of the Leased Properties or any Former Property, or (C) perform any environmental closure, decommissioning, rehabilitation, restoration, containment or post-remedial investigation or monitoring or other remediation or response action on, about or in connection with the Leased Properties or any Former Property.
 - (iii) Except as has been entirely resolved, Corporation nor, in respect of the Business, the Leased Real Properties or the Former Property, Sellers has ever received any written notice of or been prosecuted for any actual or alleged material non-compliance with any Environmental Laws.
 - (iv) Sellers have delivered to Purchaser complete and accurate copies of all environmental reports, audits, evaluations, assessments, studies or tests relating to Corporation, the Business, the Leased Properties, the Former Property and their use by Corporation that are under, the possession or control of Sellers.
- (s) **Intellectual Property.**
- (i) Schedule 3.2(s) of the Disclosure Letter contains an accurate listing of any registered and material unregistered Intellectual Property owned by or licensed to and used by Corporation in the conduct of the Business (the trademarks, trade names and domain names listed on Schedule 3.2(s) of the Disclosure Letter, the "**Trademarks and Domain Names**").
 - (ii) There are no patent applications and patents owned by or licensed to and used by Corporation in the conduct of the Business.
 - (iii) Corporation owns, or has the right to use, all Intellectual Property required to carry on the Business as currently conducted by it.
 - (iv) There is no action, suit, proceeding or claim pending or, to the knowledge of Sellers, threatened by others, against Corporation challenging the validity or scope of any Trademarks and Domain Names or Corporation's rights thereto.
 - (v) There is no action, suit, proceeding or claim pending or, to the knowledge of Sellers, threatened by others, against Corporation to the

effect that Corporation infringes any Intellectual Property of any third party.

- (vi) To the knowledge of Sellers, there is no infringement by third parties of any Intellectual Property owned or licensed by Corporation.
- (vii) To the knowledge of Sellers, Corporation is not or has not been infringing any Intellectual Property owned by third parties.
- (t) **Financial Statements.** The Financial Statements and the Interim Financial Statements have been prepared in accordance with GAAP applied on a basis consistent with past practices, and each presents fairly, in all material respects: (i) the financial position of Corporation as at the respective dates of the relevant statements, and (ii) the financial performance and cash flows of Corporation for the period covered by the Financial Statements, subject to, in the case of the Interim Financial Statements, normal year-end adjustments and the absence of notes thereto and applicable disclosures required by GAAP. True, correct and complete copies of the Financial Statements and the Interim Financial Statements are attached as Schedule 3.2(t) of the Disclosure Letter.
- (u) **No Undisclosed Liabilities.** Corporation has no liabilities, obligations or commitments of any nature whatsoever, other than (i) liabilities as reflected or reserved against in the Interim Financial Statements or the Estimated Statement, (ii) liabilities incurred in the Ordinary Course since April 30, 2016, (iii) liabilities disclosed in Schedule 3.2(u) of the Disclosure Letter, (iv) liabilities which are non-monetary obligations under any Contract or Authorization, and (v) future liabilities and obligations under the Contracts and the Lease Documents that will become due in accordance with the terms thereof.
- (v) **Tax Matters.** Except as disclosed in Schedule 3.2(v) of the Disclosure Letter:
 - (i) Corporation has duly filed or caused to be filed on a timely basis with the appropriate Governmental Entity, in the manner prescribed by applicable Law, all Tax Returns and no jurisdiction or authority in or with which Corporation does not file a Tax Return has alleged that Corporation is required to file such a Tax Return. The information contained in such Tax Returns is correct and complete in all respects;
 - (ii) Corporation has paid all Taxes which are due and payable as required by applicable Law and has made adequate provision in its financial books and records and the Financial Statements for all Taxes which are not yet due and payable but which relate to periods ending on or before the Closing Date;
 - (iii) there are no outstanding agreements, arrangements, waivers or objections extending the statutory limitations period or providing for an

extension of time with respect to the assessment or reassessment of Taxes of Corporation;

- (iv) there are no claims, actions, suits or audits pending or, to the knowledge of Sellers, threatened against Corporation in respect of Taxes that have been raised in writing by a Governmental Entity. Sellers are not aware of any contingent liability for Taxes or any ground for the assessment or reassessment of Corporation other than as disclosed in the Financial Statements;
- (v) Corporation has withheld and collected the amount of all Taxes required to be withheld and collected and has remitted such amounts when due, in the form required under applicable Laws to the applicable Governmental Entities;
- (vi) the Purchased Shares do not derive, and have not derived at any particular time during the 60-month period that ended on Closing, directly or indirectly, more than 50% of their fair market value from one or any combination of (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resource properties; and (iv) options in respect of, interests in, or for civil law rights in, any of (i), (ii) or (iii) above, whether or not the property exists, as such terms are defined for purposes of the definition of "taxable Canadian property" in subsection 248(1) of the Tax Act;
- (vii) there are no Liens on any of the assets of Corporation that arose in connection with any failure (or alleged failure) to pay any Taxes;
- (viii) Corporation has provided to Purchaser all correspondence with any Governmental Entity relating to Taxes for any taxation periods that remain open for assessment or reassessment as of the Closing Date;
- (ix) Schedule 3.2(v) of the Disclosure Letter provides a summary of all income Tax years still open for assessment or reassessment in respect of Corporation under all applicable Laws imposing a requirement to file Tax Returns;
- (x) amounts payable by Corporation in respect of compensation, including but not limited to salary, wages or other remuneration (other than reasonable vacation or holiday pay) have been paid within 180 days of the end of the taxation year in which the expense was incurred; and
- (xi) Corporation has not, either directly or indirectly, transferred property to or acquired property from a Person with whom Corporation was not dealing at arm's length as that term is understood for purposes of the Tax Act for consideration other than consideration equal to the fair

(w) **Employee Matters.**

- (i) The collective agreement listed in Schedule 3.2(w) of the Disclosure Letter is the only collective agreement by which Corporation is bound by (the "**Collective Agreement**"). There are no material grievances or arbitration proceedings under the Collective Agreement or any other material labour or employment proceedings of any nature whatsoever. Corporation is not in material default with respect to any of the provisions contained in the Collective Agreement.
- (ii) Except as set forth in Schedule 3.2(w) of the Disclosure Letter, Corporation is not a party to any written agreement pursuant to which either: (i) bonus, severance, notice of termination or pay in lieu of notice of termination, change of control or severance payments or any other payment of any nature whatsoever to any director, officer or Employee may be required to be paid, waived or renounced solely as a result of the completion of the transactions contemplated by this Agreement; or (ii) any Employee or consultant who is bound by confidentiality, non-competition or non-solicitation covenants with Corporation is relieved thereof as a result of the completion of the transactions contemplated by this Agreement.
- (iii) Except as set forth in Schedule 3.2(w) of the Disclosure Letter: (i) there are no material pension, retirement, profit sharing, bonus, savings, deferred compensation, stock option, purchase or appreciation, change of control, health, life insurance, disability, sick pay, notice of termination or pay in lieu of notice of termination, severance pay (except as required by Law), group insurance or other Employee benefit plans, programs or arrangements maintained or contributed to by Corporation (other than government-sponsored employment insurance, workers' compensation, parental insurance, health insurance or pension plans) (each such plan, program or arrangement being referred to herein as a "**Benefit Plan**"); (ii) each Benefit Plan has been administered in all material respects according to its terms and applicable Laws and there are no outstanding violations or defaults thereunder, in any material respect, nor any material actions, claims or other proceedings pending or, to the knowledge of Sellers, threatened with respect to any Benefit Plan; (iii) no Benefit Plan is currently under a governmental investigation or audit and, to the knowledge of Sellers, no such investigation or audit is threatened; (iv) each Benefit Plan covers only current or former employees of Corporation and their dependents and beneficiaries; (v) to the knowledge of Sellers, no promise or commitment to increase benefits under any Benefit Plan or to adopt any additional

Benefit Plan has been made except as required by Law; (vi) no Benefit Plan provides for the payment of post-employment or post-retirement benefits; (vii) the transactions contemplated herein will not increase or accelerate any entitlement under any Benefit Plan, and (viii) there have been no withdrawals of surplus or contribution holiday, except as permitted by Law and the terms of the Benefit Plans.

- (iv) Except as set forth in Schedule 3.2(w) of the Disclosure Letter, Corporation is in compliance with and in good standing under all applicable Laws relating to the Employees and their employment, including provisions thereof relating to employment standards, wages, hours of work, vacation pay, overtime, notice of termination, pay in lieu of notice of termination, severance pay, mass layoff, human rights, workers' compensation, occupational health and safety, manpower training, pay equity, unfair labour practices, collective bargaining, equal opportunity or similar Laws, codes and policies related to employment obligations and has properly completed and filed all material reports and filings required by such Laws, except where failure to do so would not reasonably be expected to be material to the Business.
- (v) There has not been, for a period of 12 consecutive months preceding the Closing Date, nor is there existent or, to the knowledge of Sellers, threatened any strike, lockout, slowdown, picketing or work stoppage or any other labour disruption with respect to the Employees.
- (vi) There are no written personnel policies, rules or procedures applicable to employees of Corporation, other than those set forth in Schedule 3.2(w) of the Disclosure Letter, true and correct copies of which have been delivered to Purchaser.
- (x) **Insurance.** Schedule 3.2(x) of the Disclosure Letter sets out a list of insurance policies which are maintained by Corporation. Corporation is not in default with respect to any of the provisions contained in the insurance policies or the payment of any premiums under any insurance policy, nor has Corporation failed to give any notice or to present any claim under any insurance policy in a due and timely fashion. Corporation has not received any notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such insurance policies and all premiums due on such insurance policies have either been paid or are reflected or reserved against in the Interim Financial Statements or the Estimated Statement. There are no claims related to Corporation or the Business pending under any such insurance policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. During the past three (3) years, Corporation has not been refused any insurance or had any insurance canceled. True and complete copies of such insurance policies have been made available to Purchaser.

- (y) **Customers.** Schedule 3.2(y) of the Disclosure Letter contains a list of the top five (5) customers of Corporation (measured by aggregate billings) for the financial year ended April 30, 2016. Since July 31, 2016, none of such customers has ceased to do business with Corporation or otherwise modified its relationship with Corporation, materially, or notified Corporation in writing of any intention to do any of the foregoing, in each case, other than as a result of Ordinary Course statement of work completion.
- (z) **Receivables.** The Receivables (other than the Old AR Excess Amount) reflected on the Financial Statements and the Interim Financial Statements and the Receivables arising after the date thereof have arisen from bona fide transactions entered into by Corporation involving the rendering of services in the Ordinary Course.
- (aa) **Warranties.** No service provided by Corporation is subject to any guaranty, warranty, or other indemnity beyond the applicable terms and warranties that are standard for Corporation's industry and terms and warranties provided by Corporation to its customers pursuant to the corresponding Material Contracts. Except as disclosed in Schedule 3.2(aa) of the Disclosure Letter, to the knowledge of Sellers, each service provided by Corporation has been in material conformity with all applicable contractual commitments and all express and implied warranties provided by Corporation, and, there are no claims pending, or, to the knowledge of Sellers, threatened, against Corporation alleging that any services performed by Corporation do not conform to any express or implied warranty applicable to such service and which could have any material adverse effect on Corporation.
- (bb) **Powers of Attorney.** Except as disclosed in Schedule 3.2(bb) of the Disclosure Letter, there are no outstanding powers of attorney executed on behalf of Corporation.
- (cc) **Litigation.** Except as disclosed in Schedule 3.2(cc) of the Disclosure Letter, there are no claims, actions, proceedings, suits, inquiries, reviews, judgments or decrees (or, to the knowledge of Sellers, any investigation by any Governmental Entity) pending or, to the knowledge of Sellers, threatened against or involving Corporation before any Governmental Entity. As at the Closing Date, Corporation is not subject to a judgment, order or decree.
- (dd) **Regulatory Matters.** Corporation, together with its affiliates (as defined in section 2 of the Competition Act) has: (i) assets in Canada whose value does not exceed \$170,000,000; and (ii) gross revenues from sales in, from or into Canada that do not exceed \$160,000,000; in each case, calculated in accordance with section 109 of the Competition Act and the Notifiable Transactions Regulations promulgated under the Competition Act.
- (ee) **Anti-Corruption and Anti-Bribery Laws.** Corporation has not (nor, to the knowledge of Sellers, has any of Corporation's officers, directors, agents,

distributors, employees or any other Person associated with or acting on their behalf), directly or indirectly, used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, made any unlawful payment to foreign or domestic government officials or employees or made any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment, or taken any action which would cause it to be in violation of any anti-corruption or anti-bribery Laws. There are no pending or, to the knowledge of Sellers, threatened claims, charges, violations, settlements, civil or criminal enforcement actions, lawsuits, or other court actions against Corporation with respect to any anti-corruption or anti-bribery Laws and, to the knowledge of Sellers, no investigations pending with respect to any anti-corruption or anti-bribery Laws applicable to Corporation. To the knowledge of Sellers, there are no actions, conditions or circumstances pertaining to Corporation's activities that would reasonably be expected to give rise to any future claims, charges, investigations, violations, settlements, civil or criminal actions, lawsuits, or other court actions under any anti-corruption or anti-bribery Laws.

- (ff) **No Brokers.** Other than the fee payable by Sellers to KPMG Corporate Finance Inc. (the "**Financial Advisor**"), no broker, finder or investment banker or other Person engaged by Sellers or Corporation is directly or indirectly entitled to receive from Sellers or Corporation any brokerage, finder's or other contingent fee or commission or any similar charge in connection with the transactions contemplated by this Agreement.
- (gg) **Full Disclosure.** Neither this Agreement nor any document delivered pursuant to this Agreement by any of Sellers or Corporation nor any certificate, report, statement or other document furnished by any of Sellers or Corporation in connection with the negotiation of this Agreement, to the knowledge of Sellers contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. Sellers do not have knowledge of any fact that has specific application to Corporation and that may reasonably be expected to materially and adversely affect the assets, Business, financial condition or results of operation of Corporation that has not been set forth in this Agreement or the Disclosure Letter.

3.3 Disclaimer of Sellers.

Except as set forth in this Article 3, none of Sellers, their respective Affiliates (including, prior to Closing, Corporation) or any of their respective officers, directors, employees or representatives makes or has made any other representation or warranty, express or implied, with respect to the Purchased Shares, Corporation or the Business, including with respect to (i) the operation of Corporation after the Closing, and (ii) the success or profitability of Corporation after the Closing.

REPRESENTATIONS AND WARRANTIES OF PURCHASER AND PURCHASER GUARANTOR

4.1 Representations and Warranties of Purchaser and Purchaser Guarantor.

Purchaser represents and warrants to and in favour of Sellers as follows and acknowledges and agrees that Sellers are relying upon such representations and warranties in connection with sale by Sellers of the Purchased Shares.

- (a) **Incorporation and Status.** Each of Purchaser and Purchaser Guarantor is incorporated and existing under the Laws of its jurisdiction of incorporation and has the corporate power and authority to enter into and perform its obligations under this Agreement.
- (b) **No Conflict.** The execution, delivery and performance by Purchaser and Purchaser Guarantor of this Agreement:
 - (i) have been duly authorized by all necessary action on the part of Purchaser or Purchaser Guarantor;
 - (ii) do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the constating documents, by-laws or other similar documents of Purchaser or Purchaser Guarantor; and
 - (iii) will not result in the violation of any Law applicable to Purchaser or Purchaser Guarantor.
- (c) **Required Authorizations.** No filing with, notice to or Authorization of, any Governmental Entity is required on the part of Purchaser or Purchaser Guarantor as a condition to the lawful completion of the transactions contemplated by this Agreement.
- (d) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by, and constitute a legal, valid and binding obligation of Purchaser or Purchaser Guarantor, enforceable against it in accordance with its terms subject only to any limitation on enforcement under applicable Laws relating to (i) bankruptcy, winding-up, insolvency, arrangement and other similar Laws of general application affecting the enforcement of creditors' rights; and (ii) the discretion that a court may exercise in the granting of extraordinary remedies such as specific performance and injunction.
- (e) **Litigation.** There are no actions, suits, appeals, claims, applications, orders, proceedings, grievances, arbitrations or alternative dispute resolution processes

in progress (or, to the knowledge of Purchaser, any investigation by any Governmental Entity) pending, or to its knowledge, threatened against Purchaser or Purchaser Guarantor, which prohibit, restrict or seek to enjoin the transactions contemplated by this Agreement.

- (f) **Regulatory Matters.** Purchaser is a WTO investor within the meaning of the *Investment Canada Act*, R.S.C., 1985, c. 28 (1st Supp.). Purchaser, together with its affiliates (as defined in Section 2 of the Competition Act) has: (i) assets in Canada whose value does not exceed \$230,000,000; and (ii) gross revenues from sales in, from or into Canada that do not exceed \$240,000,000; in each case, calculated accordance with section 109 of the Competition Act and the *Notifiable Transactions Regulations* promulgated under the Competition Act.
- (g) **Funding.** Purchaser will have, as of Closing, sufficient funds to enable Purchaser to consummate the transactions contemplated by this Agreement and to satisfy its obligations hereunder, including payment of the Purchase Price and fees and expenses owed by Purchaser relating to the transactions contemplated by this Agreement. Purchaser acknowledges and agrees that its obligations hereunder are not subject to any conditions regarding Purchaser's or any other Person's ability to obtain financing for the consummation of the transactions contemplated by this Agreement.
- (h) **No Brokers.** No broker, finder or investment banker or other Person engaged by Purchaser is directly or indirectly entitled to any brokerage, finder's or other contingent fee or commission or any similar charge in connection with the transactions contemplated by this Agreement.
- (i) **No Reliance.** Purchaser acknowledges that, except for the specific representations and warranties contained in Article 3, it is not relying upon any representation or warranty of Sellers, nor upon the accuracy of any projection or forecast made available to Purchaser in the performance of its due diligence review.

Article 5 DELIVERIES

- (a) **Deliveries.** At or prior to Closing, Sellers will have delivered, or caused to be delivered, to Purchaser the following, in form and substance satisfactory to Purchaser, acting reasonably:
 - (i) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable stock transfer powers duly executed in blank, in either case, by the holders of record;
 - (ii) certified copies of (i) the constating documents of Corporation and (ii) all required resolutions of the board of directors of Corporation, approving the completion of the transactions contemplated by this Agreement;

- (iii) a certificate of status, compliance, good standing or like certificate with respect to Corporation issued by the appropriate government official of its jurisdiction of incorporation;
 - (iv) the written resignations of each director and officer of Corporation listed in Schedule 5(a)(iv) of the Disclosure Letter, together with a mutual release of all claims against and by Corporation by and in favour of each such directors and officers;
 - (v) non-competition and non-solicitation agreements duly executed by each of the four shareholders of Founders Holdco, as well as by one of the Management Sellers, the whole on terms and conditions satisfactory to Purchaser, acting reasonably;
 - (vi) the Estimated Statement, which shall have been delivered to Purchaser before the Closing Date;
 - (vii) notices of surrender from all Optionholders, duly executed by each such Optionholders;
 - (viii) the Payoff Letters, duly executed by the Payoff Creditors;
 - (ix) evidence of the termination of the Option Plan satisfactory to Purchaser; and
 - (x) evidence of the termination of (1) the management services agreement entered into between Kilmer Capital Limited Partners and Corporation as of April 30, 2012; (2) the management services agreement entered into between 6515037 Canada Inc. and Corporation; and (3) any shareholders' agreement with respect to the Corporation in each case satisfactory to Purchaser, acting reasonably.
- (b) **Deliveries.** At or prior to Closing, Purchaser will have delivered, or caused to be delivered, to Kilmer, as agent for and on behalf of Sellers, the following in form and substance satisfactory to Kilmer, acting reasonably:
- (i) certified copies of (i) the constating documents (or local equivalent) of Purchaser, (ii) all required resolutions of the board of directors (or equivalent) of Purchaser approving the completion of the transactions contemplated by this Agreement;
 - (ii) a certificate of status, compliance, good standing or like certificate with respect to Purchaser issued by the appropriate government official of its jurisdiction of formation;
 - (iii) a copy of the Representation and Warranty Policy; and

- (iv) the payments required by Sections 2.3(f) and 2.4.

Article 6 INDEMNIFICATION

6.1 Survival of Representations and Warranties.

The representations and warranties contained in this Agreement will survive Closing and continue in full force and effect for a period of 24 months after the Closing Date (the "**General Survival Period**"), except that:

- (a) the Sellers' Core Representations, the Purchaser's Core Representations will survive Closing and continue in full force and effect for a period of five (5) years after the Closing Date;
- (b) the representations and warranties set out in Section 3.2(r) (Environmental Matters) will survive Closing and continue in full force and effect for a period of thirty-six (36) months after the Closing Date;
- (c) the representations and warranties set out in Section 3.2(v) (Tax Matters) will survive for a period of 90 days following the expiration of the period ("**Tax Assessment Period**") during which any Tax assessment may be issued by a Governmental Entity in respect of any Tax period to which such representations and warranties extend. The Tax Assessment Period will be determined having regard to any consent, waiver, agreement or other document that extends the period during which a Governmental Entity may issue a Tax assessment provided by Corporation with the prior written consent of Kilmer, as agent for and on behalf of Sellers, such consent not to be unreasonably withheld, conditioned or delayed. A Tax assessment includes any assessment, reassessment or other form of recognized document assessing liability for Taxes under applicable Law; and
- (d) a claim for any breach or inaccuracy of any of the representations and warranties contained in this Agreement that is based on actual and intentional fraudulent misrepresentation will survive Closing and continue in full force and effect without limitation of time.

6.2 Indemnification in favour of Purchaser by Sellers.

Subject to the limitations set out in Sections 6.5 and 6.6, Sellers will jointly (and not solidarily) (within the meaning of the *Civil Code of Québec*) indemnify and save Purchaser, its Affiliates (including after Closing, Corporation) and their respective directors, officers and employees (the "**Purchaser Indemnified Persons**") harmless from any Damages suffered by, imposed upon or asserted against Purchaser Indemnified Persons as a result of, in respect of, connected with, or arising out of, under, or pursuant to:

- (a) any failure of Sellers to perform or fulfil any of their covenants or obligations under this Agreement;
- (b) any breach or inaccuracy of any representation or warranty given by Sellers contained in this Agreement;
- (c) any liabilities or obligations of Corporation for Taxes in connection with any Pre-Closing Tax Period or the portion of any other Tax period ending immediately prior to the Closing Date in each case not taken into account in the final determination of the Purchase Price;
- (d) any liabilities or obligations of Purchaser arising under Part XIII of the Tax Act as a result of the agreements referred to in Section Article 5(a)(v);
- (e) any liabilities or obligations of Corporation arising out of the matters listed in Schedule 6.2(e) of the Disclosure Letter; and
- (f) any liabilities or obligations relating to the Amalgamation.

6.3 Indemnification in favour of Sellers by Purchaser.

Subject to the limitations set out in Sections 6.5, 6.6 and 6.7, Purchaser will indemnify and save Sellers, their Affiliates (including prior to Closing, Corporation) and their respective directors, officers and employees (the "**Sellers Indemnified Persons**") harmless from any Damages suffered by, imposed upon or asserted against Sellers Indemnified Persons as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any failure of Purchaser to perform or fulfil any of its covenants or obligations under this Agreement; and
- (b) any breach or inaccuracy of any representation or warranty given by Purchaser contained in this Agreement.

6.4 Indemnification of each Seller in favour of the other Sellers.

Each Seller will indemnify and save the other Sellers harmless from any Damages suffered by, imposed upon or asserted against any such other Sellers under this Article 6 (Indemnification) as a result of, in respect of, connected with, or arising out of, under or pursuant to any breach or inaccuracy of, or failure to perform or fulfill, any of the Separate Representations and Covenants assumed or given by such Seller.

6.5 Time Limitations.

The obligation of indemnification set out in Article 6 will survive Closing, except (i) for the obligation of indemnification arising from any breach or inaccuracy of any representation or warranty made by Purchaser or Sellers, as the case may be, which in each such case will be subject to the limitations regarding survival of representations and warranties set forth in

Section 6.1, (ii) for the obligation of indemnification set out in Sections 6.2(c) and 6.2(d) which will survive for a period of 90 days following the expiration of the applicable Tax Assessment Period, (iii) for the obligation of indemnification pursuant to Section 6.2(e) with respect to the matters listed in (A) through (D) of Schedule 6.2(e) of the Disclosure Letter which will survive for a period of 18 months following the Closing Date (the "**(A) to (D) Survival Period**"), and (iv) for the obligation of indemnification pursuant to Section 6.2(e) with respect to the matters listed in (E) of Schedule 6.2(e) of the Disclosure Letter which will survive for a period of 12 months following the Closing Date (the "**(E) Survival Period**").

6.6 Other Limitations.

The obligation or liability of Sellers and Purchaser for indemnification pursuant to this Agreement will be limited as follows.

- (a) The covenants of each Seller contained in Section 2.1 (Purchase and Sale), the representations and warranties of each Seller contained in Section 3.1 and the corresponding indemnification obligations in Section 6.2 (Indemnification in favour of Purchaser by Sellers) are assumed and given separately by such Seller with respect to itself only and by Kilmer also with respect to Kilmer Holdco (collectively, the "**Separate Representations and Covenants**"). Accordingly, the particular Seller making the Separate Representations and Covenants will be solely liable for any Damages suffered by, imposed upon or asserted against Purchaser Indemnified Persons as a result of, in respect of, connected with, or arising out of, under or pursuant to such Separate Representations and Covenants as they pertain to such Seller and in the case of Kilmer, Kilmer Holdco, but not as they pertain to the other Sellers. Each Seller will be jointly (and not solidarily) (within the meaning of the Civil Code of Quebec) liable for Damages suffered by, imposed upon or asserted against Purchaser Indemnified Persons as a result of, in respect of, connected with, or arising out of, under, or pursuant to the balance of the representations, warranties, covenants and indemnification obligations contained in this Agreement, in each case up to such Seller's allocated portion of Damages determined in accordance with such Seller's Pro Rata Share.
- (b) Each Indemnified Party will take all commercially reasonable steps to mitigate its Damages upon and after becoming aware of any facts which would reasonably be expected to give rise to any Damages, including if a claim may be reduced by any recovery under or pursuant to any insurance coverage, including pursuant to the Representation and Warranty Policy once the retention amount under such policy has been exceeded (and Purchaser will provide prompt notice to the insurer of applicable Damages that would apply towards satisfaction of such retention amount), taking commercially reasonable steps to enforce such recovery.
- (c) No Indemnified Party is entitled to double recovery for any claims even though they may have resulted from the breach or inaccuracy of, or the failure to

perform or fulfil, more than one of the representations, warranties, covenants and obligations of the Indemnifying Party in this Agreement.

- (d) No Indemnifying Party will have any obligation or liability for indemnification to the extent that the amount of Damages for which a claim of indemnification is made was taken into account in the final determination of the Purchase Price or is reserved for in the Interim Financial Statements.
- (e) The obligations of indemnification of Sellers pursuant to Section 6.2(b) will not be applicable for a single claim for indemnification hereunder unless the Damages in respect of such single claim exceeds \$20,000 (the "**Single Claim Threshold**"), other than (i) claims for Damages with respect to Sellers' Core Representations, (ii) claims for Damages with respect to representations and warranties set out in Section 3.2(u) (Tax Matters); and (iii) claims for Damages based on actual and intentional fraudulent misrepresentation (the matters referred to in clauses (i), (ii) and (iii), together with claims for Damages pursuant to Sections 6.2(a), 6.2(c), 6.2(d), 6.2(e) and 6.2(f) the "**Specified Matters**"), which will not be subject to the limitations contained in this Section 6.6(e).
- (f) The obligations of indemnification of Sellers pursuant to Section 6.2(b) will not be applicable until the aggregate of all claims for Damages exceed \$250,000 (the "**Deductible**"), after which Sellers will be liable only for those Damages in excess of the Deductible (provided that no claim for Damages of less than the Single Claim Threshold will be taken into account in determining whether the Deductible has been met). Notwithstanding the foregoing, claims for Damages with respect to any Specified Matter shall not be subject to the limitations contained in this Section 6.6(f).
- (g) The obligations of indemnification of Sellers pursuant to Section 6.2(e) with respect to the matters listed in (A) of Schedule 6.2(e) of the Disclosure Letter will not be applicable until the aggregate of all claims for Damages exceed \$20,000, after which Sellers will be liable for those Damages from the first dollar.
- (h) Notwithstanding anything to the contrary herein:
 - (i) the aggregate liability of Sellers to Purchaser for Damages under Section 6.2(b) will not exceed the General Holdback Amount, other than claims for Damages with respect to any Specified Matter, and each Seller's corresponding liability will not exceed such Seller's Pro Rata Share of the General Holdback Amount;
 - (ii) the aggregate liability of Sellers to Purchaser for Damages with respect to the Specified Matters (other than with respect to claims for Damages pursuant to Section 6.2(e) with respect to the matters listed in (A), (B) and (E) of Schedule 6.2(e) of the Disclosure Letter) will not exceed the aggregate net proceeds received by Sellers hereunder;

- (iii) the aggregate liability of Sellers to Purchaser for Damages under Section 6.2(e) with respect to the matters listed in (A) of Schedule 6.2(e) of the Disclosure Letter will not exceed \$500,000;
 - (iv) the aggregate liability of Sellers to Purchaser for Damages under Section 6.2(e) with respect to the matters listed in (B) of Schedule 6.2(e) of the Disclosure Letter will not exceed \$500,000; and
 - (v) the aggregate liability of Sellers to Purchaser for Damages under Section 6.2(e) with respect to the matters listed in (E) of Schedule 6.2(e) of the Disclosure Letter will not exceed \$750,000.
- (i) For all purposes of this Article 6, "Damages" will be net of (i) any insurance or other recoveries received by the Indemnified Party or any of its Affiliates in connection with the facts giving rise to the right of indemnification, including pursuant to the Representation and Warranty Policy, and (ii) any prior or subsequent recovery by the Indemnified Party or any of its Affiliates from any third party with respect to such Damages.

6.7 Limited Recourse.

- (a) To the extent any Damage incurred by any Purchaser Indemnified Person is subject to an obligation or liability for indemnification of Sellers under Section 6.2(b) (other than with respect to any Specified Matter) or under Section 6.2(e) with respect to the matters listed in (A) of Schedule 6.2(e) of the Disclosure Letter, the General Holdback Amount shall be Purchaser's sole and exclusive remedy and source of recovery for such Damage as against Sellers.
- (b) To the extent any Damage incurred by any Purchaser Indemnified Person is subject to an obligation or liability for indemnification of Sellers under Section 6.2(e) with respect to the matters listed in (E) of Schedule 6.2(e) of the Disclosure Letter, the (E) Holdback Amount shall be Purchaser's sole and exclusive remedy and source of recovery for such Damage as against Sellers.

6.8 Notification.

Promptly upon obtaining knowledge thereof, but in no event later than ten (10) Business Day upon obtaining knowledge thereof, the Person seeking indemnification pursuant to this Agreement (the "**Indemnified Party**") from a Party will notify such Party in writing (the "**Indemnifying Party**") (and Kilmer, as agent for and on behalf of Sellers, in the case of Sellers) of any Direct Claim or Third Party Claim (the "**Indemnification Notice**"). No claim may be asserted nor may any action be commenced against an Indemnifying Party under this Article 6, unless such Indemnification Notice is received by the Indemnifying Party describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action (including, to the extent known, the nature and estimated amount of the Damages and, in case of a Third Party Claim, the identity of the Person making the Third Party Claim) on or

prior to the date on which the representation, warranty, covenant or obligation on which such claim or action is based ceases to survive as set forth in this Agreement.

6.9 Direct Claims.

- (a) Following receipt of an Indemnification Notice pursuant to Section 6.8 relating to a Direct Claim, the Indemnifying Party has 60 days to investigate the Direct Claim and respond in writing. For purposes of the investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Direct Claim, together with such other information as the Indemnifying Party may reasonably request.
- (b) If the Indemnifying Party (or Kilmer, as agent for and on behalf of Sellers, in the case of Sellers being the Indemnifying Party) disputes the validity or amount of the Direct Claim, the Indemnifying Party shall provide written notice of the dispute (a "**Dispute Notice**") to the Indemnified Party within the 60-day period specified in Section 6.9(a). The Dispute Notice must describe in reasonable detail the nature of the Indemnifying Party's dispute. During the 30-day period immediately following receipt of a Dispute Notice by the Indemnified Party, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve the dispute. If the Indemnifying Party and the Indemnified Party fail to resolve the dispute within that 30-day time period, the Indemnified Party is free to pursue all rights and remedies available to it, subject only to this Agreement. If the Indemnifying Party fails to respond in writing to the Direct Claim within the 60-day period specified in Section 6.9(a), the Indemnifying Party is deemed to have rejected the Direct Claim, in which event the Indemnified Party is free to pursue all rights and remedies available to it, subject only to this Agreement.

6.10 Defense of Third Party Claim.

- (a) If a Third Party Claim shall be instituted or asserted against an Indemnified Party, then the Indemnified Party shall control the investigation and defense of such Third Party Claim with counsel of its own choice at its own cost and expense.
- (b) If the Indemnified Party does not undertake the investigation and defense of a Third Party Claim within thirty (30) days of the Indemnifying Party's receipt of the Indemnification Notice (or sooner if the nature of the Third Party Claim so requires), or subsequently fails to pursue and diligently continue the investigation and defense of the Third Party Claim, then the Indemnifying Party shall have the right (but not the obligation) to control the investigation and defense of such Third Party Claim at its sole cost and expense.
- (c) The Non-Defending Party shall at all times have the right to fully participate in the investigation and defense of any Third Party Claim at its own cost and expense, and the Defending Party shall reasonably cooperate with the Non-Defending Party in connection with such participation.

- (d) The Non-Defending Party will use its commercially reasonable efforts (i) to cooperate with the Defending Party in evaluating and participating in the investigation or defense of any Third Party Claim, and (ii) to make available to the Defending Party those employees (and, in the case of Purchaser, those employees of Corporation) whose assistance, testimony or presence is necessary to assist the Defending Party in the investigation or defense of such claim. In addition, the Non-Defending Party shall, at the request of the Defending Party, make available to the Defending Party or its representatives on a timely basis all documents, records and other materials in the possession of the Non-Defending Party (and, in the case of Purchaser, those documents, records and other materials in the possession of Corporation), at the expense of the Indemnified Party, reasonably required by the Indemnified Party for its use in the investigation or defense of any Third Party Claim.
- (e) The Defending Party shall not be permitted to compromise and settle or to cause a compromise and settlement of any Third Party Claim without the prior written consent of the Non-Defending Party, not to be unreasonably withheld, conditioned or delayed, and the Non-Defending Party shall not be bound by any such compromise or settlement effected without its consent.

6.11 Payments.

- (a) Any amounts due from Sellers to any Purchaser Indemnified Person following a Final Damages Determination pursuant to:
 - (i) the obligations of indemnification of Sellers limited to the General Holdback Amount as contemplated in Section 6.7(a) will be set off by way of compensation against the General Holdback Amount in accordance with the terms and conditions of this Agreement;
 - (ii) for so long as the balance of the General Holdback Amount after any set off pursuant to this Agreement is \$750,000 or greater, the obligations of indemnification of Sellers pursuant to Section 6.2(e) with respect to the matters listed in (B) through (D) of Schedule 6.2(e) of the Disclosure Letter will be set off by way of compensation against the General Holdback Amount in accordance with the terms and conditions of this Agreement;
 - (iii) the obligations of indemnification of Sellers limited to the (E) Holdback Amount as contemplated in Section 6.7(b) will be set off by way of compensation against the (E) Holdback Amount in accordance with the terms and conditions of this Agreement; and
 - (iv) subject to Sections 6.11(a)(i), 6.11(a)(ii) and 6.11(a)(iii), the obligations of indemnification of Sellers related to the Specified Matters will be set off by way of compensation, in whole or in part, at the option of such Purchaser Indemnified Person, against the General Holdback Amount or

(E) Holdback Amount in accordance with the terms and conditions of this Agreement or, subject to Section 6.6(a), satisfied by Sellers directly.

- (b) Any amount due from an Indemnifying Party to an Indemnified Party pursuant to this Article 6 shall, where applicable, (i) be set off by way of compensation against the then balance of the General Holdback Amount or the (E) Holdback Amount, or (ii) be paid by the Indemnifying Party to the Indemnified Party within ten (10) Business Days following the Final Damages Determination by way of wire transfer of immediately available funds to an account designated by the Indemnified Party (or Kilmer, as agent for and on behalf of Sellers).
- (c) Any amounts payable under this Article 6 will be deemed to be adjustments to the Purchase Price.

6.12 Other Remedies.

- (a) Prior to Closing, each of the Parties expressly acknowledges that, the failure to perform or fulfil any covenant or obligation contained in this Agreement may give rise to irreparable injury to the other Parties which may be inadequately compensable in Damages and nothing in this Agreement shall limit any Party's right to seek and obtain an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of this Agreement without proof of actual damage.
- (b) The Parties agree that (i) after the Closing, the indemnification provisions of Article 6 will be the sole and exclusive remedies of the Parties for any breach or inaccuracy of the representations and warranties given by any other Party in this Agreement and for any failure by any other Party to perform or fulfill any covenants and obligations under this Agreement, and (ii) notwithstanding anything herein to the contrary, no breach or inaccuracy of any representation or warranty given in this Agreement, or failure to perform or fulfil any covenant or obligation contained under this Agreement will give rise to any right on the part of any Party, after the Closing, to rescind this Agreement or any of the transactions contemplated hereby.

6.13 General Holdback.

- (a) Upon a Final Damages Determination of a General Holdback Claim at any time prior to the expiry of the General Survival Period, Purchaser shall set off by way of compensation against the General Holdback Amount an amount equal to all or a portion of the then-remaining General Holdback Amount up to the amount of Damages specified as being payable to Purchaser in such Final Damages Determination. The remaining balance of the General Holdback Amount, if any, will be kept by Purchaser until paid in accordance with this Section 6.13.
- (b) No later than five (5) days following the expiry of the (A) to (D) Survival Period, Purchaser shall pay to Kilmer, as agent for and on behalf of Sellers, an amount

equal to (i) \$500,000, less (ii) to the extent applicable, the aggregate amount of all Damages as estimated in each Indemnification Notice relating to a General Holdback Claim pursuant to Section 6.2(e) with respect to the matters listed in (A) of Schedule 6.2(e) of the Disclosure Letter for which no Final Damages Determinations has occurred. Upon the Final Damages Determination of any such General Holdback Claim, Purchaser shall pay to Kilmer, as agent for and on behalf of Sellers, an amount equal to the excess, if any, of the amount theretofore reserved and withheld from payment in respect of such claim over the amount of Damages specified as being payable to Purchaser in the Final Damages Determination.

- (c) No later than five (5) days following the expiry of the General Survival Period, Purchaser shall pay to Kilmer, as agent for and on behalf of Sellers, an amount equal to (i) the then-remaining amount of the General Holdback Amount, less (ii) to the extent applicable, the aggregate amount of all Damages as estimated in each Indemnification Notice relating to a General Holdback Claim for which no Final Damages Determinations has occurred. Upon the Final Damages Determination of any such General Holdback Claim, Purchaser shall pay to Kilmer, as agent for and on behalf of Sellers, an amount equal to the excess, if any, of the amount theretofore reserved and withheld from payment in respect of such claim over the amount of Damages specified as being payable to Purchaser in the Final Damages Determination.

6.14 (E) Holdback.

- (a) Upon a Final Damages Determination of a (E) Holdback Claim at any time prior to the expiry of the (E) Survival Period, Purchaser shall set off by way of compensation against the (E) Holdback Amount an amount equal to all or a portion of the then-remaining (E) Holdback Amount up to the amount of Damages specified as being payable to Purchaser in such Final Damages Determination. The remaining balance of the (E) Holdback Amount, if any, will be kept by Purchaser until paid in accordance with this Section 6.14.
- (b) No later than five (5) days following the expiry of the (E) Survival Period, Purchaser shall pay to Kilmer, as agent for and on behalf of Sellers, an amount equal to (i) the then-remaining amount of the (E) Holdback Amount, less (ii) to the extent applicable, the aggregate amount of all Damages as estimated in each Indemnification Notice relating to a (E) Holdback Claim for which no Final Damages Determinations has occurred. Upon the Final Damages Determination of any such (E) Holdback Claim, Purchaser shall pay to Kilmer, as agent for and on behalf of Sellers, an amount equal to the excess, if any, of the amount theretofore reserved and withheld from payment in respect of such claim over the amount of Damages specified as being payable to Purchaser in the Final Damages Determination.

Article 7
POST- CLOSING COVENANTS OF THE PARTIES

7.1 Confidentiality.

The terms of the Mutual Non-Disclosure Agreement dated June 3, 2016 (the "**Confidentiality Agreement**") between Corporation and Purchaser's affiliate, TeleTech Services Corporation, a Colorado corporation, are incorporated herein by reference and will continue in full force and effect until Closing, at which time such Confidentiality Agreement and the obligations of confidentiality of Purchaser and its Affiliates under the Confidentiality Agreement will terminate; provided, however, that the Confidentiality Agreement will terminate only in respect of that portion of the Confidential Information (as defined in the Confidentiality Agreement) exclusively relating to the Business and the transactions contemplated by this Agreement.

7.2 Books and Records.

For a period of six (6) years from the Closing Date or for such longer period as may be required by Law, Purchaser will retain, or will cause Corporation to retain, all books and records existing and in the possession of Corporation on the Closing Date. So long as any such books and records are retained by Purchaser or Corporation pursuant to this Agreement, Kilmer, as agent for and on behalf of Sellers, has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours.

7.3 Director and Officer Indemnification.

- (a) For a period of six (6) years after the Closing Date, Purchaser:
 - (i) will not, and will cause Corporation not to amend, repeal or modify any provision in Corporation's constating documents relating to the exculpation or indemnification of any current or former officer or director (unless required by Law), it being the intent of the Parties that the current and former officers and directors of Corporation continue to be entitled to such exculpation and indemnification to the full extent permitted by Law; and
 - (ii) will cause Corporation to (X) maintain the current directors' and officers' liability insurance policies maintained by Corporation immediately prior to the Closing Date (provided that Corporation may substitute therefor policies with at least the same coverage and amounts, and containing terms and conditions that are not less advantageous to the directors and officers of Corporation when compared to the insurance maintained by Corporation as of the Closing Date), and (Y) obtain, at Sellers expenses, as of the Closing Date "tail" insurance policies with respect to directors' and officers' liability with respect to claims arising out of or relating to events which occurred on or prior to the Closing Date (including in connection with the transactions contemplated by this Agreement), with

a claim period of six (6) years from the Closing Date with at least the same coverage and amounts, and containing terms and conditions that are not less advantageous to the directors and officers of Corporation when compared to the insurance maintained by Corporation as of the Closing Date (the "**Tail Insurance**").

- (b) This Section 7.3 is intended for the benefit of, and is enforceable by, each current and former officer and director of Corporation and his heirs, executors and representatives, and is in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by contract or otherwise.

7.4 Tax Matters.

- (a) **Filing of Tax Returns.** From and after the Closing Date, Purchaser shall cause Corporation to duly and timely prepare, in a manner consistent with best practice unless otherwise required by Law, and file all Tax Returns required to be filed by Corporation for any Pre-Closing Tax Period for which Tax Returns have not been filed as of the Closing Date. Purchaser shall submit a draft of all such income Tax Returns of Corporation to Kilmer, as agent for and on behalf of Sellers, at least 45 days before the date on which such Tax Returns are required by Law to be filed with the relevant Governmental Entity. Kilmer, as agent for and on behalf of Sellers, shall have the right to ask Purchaser for reasonable changes to be made to any such draft Tax Return by communicating such changes in writing to Purchaser within 15 days of the receipt thereof. Purchaser and Kilmer, as agent for and on behalf of Sellers, shall use commercially reasonable efforts to resolve any objection by Purchaser to Sellers' requested changes. If Purchaser and Kilmer, as agent for and on behalf of Sellers, cannot resolve any disputed item, then the item in question shall be resolved by an independent firm of chartered accountants mutually agreed by Kilmer, as agent for and on behalf of Sellers, and Purchaser (the "**Independent Auditor**"). The Parties agree that any change to a Tax Return requested by Kilmer, as agent for and on behalf of Sellers, shall be accepted provided that the Independent Auditor concludes that such change would reflect a reasonable filing position on the part of Corporation. Notwithstanding any other provision of this Agreement, any interest, penalty or other Tax arising as a result of the late-filing of any Tax Return submitted to the Independent Auditor pursuant to this Section 7.4(a) shall be borne exclusively by Purchaser, who shall not be entitled to indemnification by Sellers in respect thereof under Section 6.2, to the extent that the Independent Auditor concludes that the requested changes reflect a reasonable filing position. The fees and disbursements of the Independent Auditor will be divided between Sellers, on the one hand, and Purchaser, on the other hand, based on the percentage which the portion of the contested amount not awarded to each Party bears to the total amount actually contested by such Party. The determination of the Independent Auditor shall be final and binding

upon Sellers and Purchaser and shall be made before the date on which such Tax Returns are required by Law to be filed with the relevant Governmental Entity.

- (b) **Cooperation.** Sellers and Purchaser shall co-operate fully with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of any Tax Return of Corporation for a period ending on, before or including the Closing Date and shall preserve such data and other information until the expiration of any applicable limitation period under any applicable Tax Laws.
- (c) **Amending Tax Returns.** Purchaser shall not, and shall cause Corporation not to, file any amended Tax Return relating to Corporation (or otherwise change such Tax Returns) or make an election, designation or other filing with respect to Pre-Closing Tax Periods without the prior written consent of Kilmer, as agent for and on behalf of Sellers, unless required to do so by Law. Purchaser and Kilmer, as agent for and on behalf of Sellers, shall use commercially reasonable efforts to resolve any objection by Kilmer, as agent for and on behalf of Sellers, to Purchaser's proposed amended Tax Return, election, designation or other Pre-Closing Tax Period filing. If Purchaser and Kilmer, as agent for and on behalf of Sellers, cannot resolve any objection or disputed item, then the item in question shall be resolved by the Independent Auditor, and the fees and disbursements of the Independent Auditor shall be will be divided between Sellers, on the one hand, and Purchaser, on the other hand, based on the percentage which the portion of the contested amount not awarded to each Party bears to the total amount actually contested by such Party. Notwithstanding the foregoing, the Parties agree that Purchaser, in its sole discretion, may cause Corporation to make an election pursuant to subsection 256(9) of the Tax Act in respect of its taxation years ending on the acquisition of control by Purchaser.
- (d) **Subsection 110(1.1) Election.** Purchaser will cause Corporation to file an election under subsection 110(1.1) of the Tax Act and otherwise comply with such provision in a timely manner in respect of the transfer of the Options by the Optionholders to Corporation and the payment by or on behalf of Corporation of the Optionholder Consideration.
- (e) **Audits.** Purchaser shall notify Kilmer, as agent for and on behalf of Sellers, upon receipt by Purchaser or Corporation of any Tax assessments which may affect the Tax liabilities of Corporation for which Sellers would be required to indemnify the Purchaser Indemnified Persons pursuant to Article 6, provided that failure to comply with this provision shall not affect the Purchaser Indemnified Persons' right to indemnification hereunder except to the extent such failure impairs Sellers' ability to contest any such Tax liabilities or assessments that could affect the indemnification obligations of Sellers. Purchaser shall have the right to control any Tax audit or administrative or court proceeding relating to any Tax (a "**Tax Proceeding**") and to employ counsel of its choice at its expense, provided however that Kilmer, as agent for and on behalf of Sellers, shall be permitted to

be present at, and participate in, any such Tax Proceeding (including the preparation of any correspondence) at its expense to the extent that said Tax Proceeding may affect the Tax liabilities of Corporation for which Sellers would be required to indemnify the Purchaser Indemnified Persons pursuant to Article 6. Notwithstanding the foregoing, there shall be no settlement or closing or other agreement with respect thereto without the prior written consent of Kilmer, as agent for and on behalf of Sellers, which consent shall not be unreasonably withheld, conditioned or delayed. Purchaser shall promptly notify Kilmer, as agent for and on behalf of Sellers, if it decides not to control the defense or settlement of any Tax Proceeding which may affect the Tax liabilities of Corporation for which Sellers would be required to indemnify the Purchaser Indemnified Persons pursuant to Article 6 and Kilmer, as agent for and on behalf of Sellers, thereupon shall be permitted to defend and settle such Tax Proceeding.

- (f) **Restrictive Covenant.** The Parties agree that (i) no proceeds shall be received or receivable by any Seller in connection with the transactions contemplated in this Agreement as consideration for granting any covenant in any agreement referred to in Section Article 5(a) (v), and (ii) all such covenants are being granted to maintain or preserve the fair market value of the Purchased Shares. At the request of a Seller, the Parties shall make any election or amended election provided for under section 56.4 of the Tax Act in connection with the foregoing. Sellers shall be responsible for preparing and filing the election form, together with any other documents required to be filed with the election, within the prescribed time limits in order for the election to be valid.

7.5 Further Assurances.

Each Party upon the request of any other Party, whether at or after the Closing, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered, all such further conveyances, transfers and other assurances as may be reasonably required to effectively transfer the Purchased Shares to Purchaser and carry out the intent of this Agreement.

Article 8 MISCELLANEOUS

8.1 Notices.

Any notice, direction or other communication given pursuant to this Agreement (each a "**Notice**") must be in writing, sent by personal delivery, courier or email and addressed:

- (a) to Purchaser or Purchaser Guarantor:

9197 South Peoria Street
Englewood, Colorado
USA 80112-5833

Attention: General Counsel

with a copy to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue
26th Floor
Montréal, QC H3A 3N9

Attention: Franziska Ruf
Email: fruf@dwpv.com

(b) to Sellers, to Kilmer, as agent for and on behalf of Sellers:

Kilmer Capital Partners L.P.
c/o Kilmer Capital Partners
Scotia Plaza
Suite 2700
King Street West, Box 127
Toronto, ON M5H 3Y2

Attention: William Blackburn and Eric Gottesman
Email: wblackburn@kilmercapital.com and egottesman@kilmercapital.com

with a copy to:

Stikeman Elliott LLP
1155 René-Lévesque Blvd. West
40th Floor
Montréal, QC H3B 3V2

Attention: John W. Leopold and Sophie Lamonde
Email: jleopold@stikeman.com and slamonde@stikeman.com

Notice is deemed to be given and received if sent by personal delivery or courier or electronic mail, on the date of delivery or transmission (as the case may be) if it is a Business Day and the delivery or transmission (as the case may be) was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed.

8.2 Time of the Essence.

Time is of the essence in this Agreement. The mere lapse of time in the performance of the terms of this Agreement by any Party will have the effect of putting such Party in default in accordance with Articles 1594 to 1600 of the *Civil Code of Québec*.

8.3 Appointment of Agent.

- (a) In order to administer efficiently the determination of certain matters under this Agreement, each Seller hereby irrevocably authorizes Kilmer to act as each such Seller's agent and mandatary (within the meaning of the *Civil Code of Québec*) with respect to all matters under this Agreement, other than as contemplated in this Section 8.3.
- (b) Without limiting the generality of the foregoing, Kilmer has full power and authority to make all decisions and take all actions relating to Sellers' respective rights, obligations and remedies under this Agreement, including to receive and make payments, to receive and send notices (including notices of termination), to receive and deliver documents, to exercise, enforce or waive rights or conditions, to give releases and discharges, to seek indemnification on behalf of Sellers and to defend against indemnification claims of Purchaser Indemnified Persons. All decisions and actions taken by Kilmer are binding upon all Sellers, and no Seller has the right to object, dissent, protest or otherwise contest the same.
- (c) Notwithstanding the foregoing or anything else contained in this Agreement, Kilmer shall not have the authority to do anything on behalf any Seller (other than itself only) that will increase or might have the result of increasing the liability of any Seller hereunder or decreasing the Purchase Price payable to any Seller other than in respect of settling adjustments to the Purchase Price contemplated hereby.
- (d) Purchaser is entitled to deal only with Kilmer in respect of all matters arising under this Agreement including to receive and make payments, to receive and send notices (including notices of termination), to receive and deliver documents, to exercise, enforce or waive rights or conditions, to give releases and discharges, to seek indemnification against Sellers or any one of them and to defend against indemnification claims of Sellers.
- (e) All references in this Agreement to decisions and actions to be taken by Sellers or any one of them, as the case may be, are deemed taken by Sellers or any one of them, as the case may be, if such decisions or actions are taken by Kilmer. All references in this Agreement to decisions and actions to be taken by Purchaser and directed to Sellers or any one of them, as the case may be, are deemed directed to Sellers or any one of them, as the case may be, if such decisions or actions are directed by Purchaser to Kilmer.

- (f) In no event will Purchaser be held responsible or liable for the application or allocation of any monies paid to Kilmer by Purchaser, and Purchaser will be entitled to rely upon any notice provided to Purchaser by Kilmer or action taken by Kilmer acting within the scope of its authority. All monies received by Kilmer hereunder for the account of Sellers shall be held by Kilmer in trust for Sellers and, subject to Section 8.3(g), shall be paid to Sellers, to the extent entitled thereto hereunder or for the account of whom such monies are held, reasonably promptly upon receipt.
- (g) Kilmer will establish an Expense Reserve Holdback to be deposited in an interest bearing account (or other interest-bearing instruments or deposits as selected by Kilmer, in its sole discretion). Kilmer will maintain the Expense Reserve Holdback for as long as it deems necessary or appropriate and, upon completion of performing its duties and functions under this Agreement, will pay to each Seller any remaining portion of the Expense Reserve Holdback in accordance with each such Seller's Pro Rata Share.
- (h) Notwithstanding the foregoing, no payment, notice, receipt or delivery of documents, exercise, enforcement or waiver of rights or conditions, indemnification claim or indemnification or a principal defence will be ineffective by reason only of it having been made or given to or by a Seller, as the case may be, directly if each of Purchaser and such Seller consent by virtue of not objecting to such dealings without the intermediary of Kilmer.
- (i) Kilmer shall, at the expense Sellers, be entitled to engage such counsel, experts and other agents and consultants as Kilmer shall deem necessary in connection with exercising its duties and performing its functions hereunder and shall be entitled to conclusively rely on the opinions and advice of such Persons. Kilmer shall have no liability to any of Sellers for any actions taken by it in good faith in its capacity as agent (and any action done or omitted pursuant to advice of counsel, expert or other agent or consultant shall be conclusive evidence of such good faith). Each Seller shall jointly (not solidarily) indemnify Kilmer and hold Kilmer harmless up to such Seller's Pro Rata Share against any Damages and shall reimburse Kilmer up to such Seller's Pro Rata Share for any out-of-pocket expenses incurred without gross negligence or bad faith on the part of Kilmer and arising out of or in connection with the acceptance or administration of Kilmer's duties and functions hereunder, including each Seller's Pro Rata Share of the reasonable fees and expenses of any counsel, expert or other agent or consultant retained by Kilmer in each case to the extent that the amount then held in the Expense Reserve Holdback is not sufficient for such purpose.

8.4 Announcements and Public Disclosure.

Unless required by Law or by a Governmental Entity, no press release, public statement or announcement or other public disclosure with respect to this Agreement or the transactions contemplated herein may be made except with the prior written consent and joint approval of

Kilmer, as agent for and on behalf of Sellers, and Purchaser. Where the public disclosure is required by Law or by a Governmental Entity, the Party required to make the public disclosure will use its commercially reasonable efforts to obtain the approval of Purchaser or Kilmer, as agent for and on behalf of Sellers, as the case may be, as to the form, nature and extent of the disclosure, which approval shall not be unreasonably withheld, conditioned or delayed.

8.5 Employee Information

The Parties agree that (i) the Employee information disclosed to Purchaser was necessary for Purchaser's determination to enter into this Agreement and proceed with the transactions contemplated hereby and for the Parties to proceed with Closing, and (ii) such information relates solely to carrying on the Business and will only be used for those purposes for which it was initially collected from or in respect of such Employees.

8.6 Third Party Beneficiaries.

Except as provided in Section 7.3 and for the Purchaser Indemnified Persons and the Sellers Indemnified Persons, the Parties intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties. No Person, other than the Parties, the Persons listed in Section 7.3, the Purchaser Indemnified Persons and the Sellers Indemnified Persons, is entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. The Parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person.

8.7 Guarantee.

Purchaser Guarantor, having taken cognizance of this Agreement, hereby intervenes to this Agreement for the purpose of (i) guaranteeing the timely performance and fulfillment by Purchaser of its payment obligations under this Agreement, including pursuant to Article 2 and Article 6, and (ii) agreeing that it will be solidarily (within the meaning of the *Civil Code of Québec*) liable with Purchaser, waiving the benefit of division and discussion, with respect to its liabilities and obligations under this Agreement. The liabilities and obligations of Purchaser Guarantor are subject to the terms of this Agreement and shall not exceed any liability or obligation of Purchaser under this Agreement. Purchaser Guarantor is entitled to all rights, privileges and defences available to Purchaser with respect to any liability or obligation.

8.8 Expenses.

Except as otherwise set forth in this Agreement, Sellers, on the one hand, and Purchaser, on the other hand, will pay for its own fees and expenses incident to the negotiation, preparation and execution of this Agreement and the transactions contemplated herein and therein.

8.9 Amendments.

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by Purchaser, Purchaser Guarantor and Sellers.

8.10 Waiver.

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

8.11 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties will not merge on and will survive Closing and, notwithstanding such Closing, will continue in full force and effect. Closing will not prejudice any right of one Party against any other Party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

8.12 Entire Agreement.

This Agreement together with the agreements referred to herein and therein constitutes the entire agreement among the Parties with respect to the transactions contemplated in this Agreement and therein and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. Except as set forth in this Agreement, there are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, among the Parties in connection with the subject matter of this Agreement and neither Party has relied or is relying on any other information, discussion or understanding in entering into and completing the transactions contemplated in this Agreement.

8.13 Successors and Assigns.

This Agreement will become effective as of the Adjustment Time on the Closing Date and after that time will be binding upon and inure to the benefit of the Parties and their respective heirs, administrators, liquidators, executors, successors and permitted assigns.

8.14 Assignment.

Neither this Agreement nor any of the rights or obligations under this Agreement will be assignable or transferable by any Seller without the prior written consent of Purchaser or by Purchaser without the prior written consent of Kilmer, as agent for and on behalf of Sellers. Any purported assignment or transfer without such written consent will be null and void and of no effect; provided however that each of Purchaser and Sellers may assign, transfer or delegate, as

applicable, this Agreement or any of its rights, and obligations under this Agreement, in whole or in part, to any of its Affiliates without prior written consent of the other parties, provided that any assignor and its Affiliate remain solidarily (within the meaning of the *Civil Code of Québec*) bound by the terms and conditions of this Agreement so assigned.

8.15 Severability.

If any provision of this Agreement is determined to be illegal, invalid or unenforceable, by any court of competent jurisdiction from which no appeal exists or is taken, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

8.16 Governing Law.

- (a) This Agreement is governed by, and will be interpreted and construed in accordance with, the Laws of the Province of Québec and the federal Laws of Canada applicable therein.
- (b) The Parties agree that the courts of the District of Montréal, Province of Québec, Canada, will have exclusive jurisdiction for the adjudication of any and all disputes or controversies arising out of or relating directly or indirectly to this Agreement (other than a dispute relating to the adjustment of the Purchase Price which will be resolved in accordance with Section 2.5) and waive any objections to the assertion or exercise of jurisdiction by such courts, including any objection based on forum non conveniens.

8.17 Retention of Counsel

It is acknowledged by each of the Parties hereto that Corporation has retained Stikeman Elliott LLP ("SE") to act as its counsel in connection with the transactions contemplated hereby. Purchaser hereby agrees that, in the event that a dispute arises after Closing between Purchaser and Sellers, SE may represent Kilmer and the other Sellers in such dispute even though the interests of Sellers may be directly adverse to Purchaser or Corporation, and even though SE may have represented Corporation in a matter substantially related to such dispute.

8.18 Counterparts.

This Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first above mentioned.

Sellers:

KILMER CAPITAL FUND II L.P., acting through its general partner, Kilmer Capital Partners II L.P., acting through its general partner, Kilmer Capital GP II Limited

By:

Name: [●]

Title: [●]

8169306 CANADA INC.

By:

Name: [●]

Title: [●]

BANK OF MONTREAL, doing business as BMO CAPITAL PARTNERS

By:

Name: [●]

Title: [●]

Management Sellers:

[•]

[•]

Purchaser:

9746366 CANADA INC.

By:

Name: [•]

Title: [•]

Purchaser Guarantor:

TELETECH HOLDINGS, INC.

By:

Name: [•]

Title: [•]

CERTIFICATIONS

I, Kenneth D. Tuchman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TeleTech Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2016

By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Regina M. Paolillo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TeleTech Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2016

By: /s/ REGINA M. PAOLILLO
Regina M. Paolillo
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Executive Officer of TeleTech Holdings, Inc. (the "Company"), hereby certifies that, to his knowledge on the date hereof:

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2016 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chairman and Chief Executive Officer

Date: November 14, 2016

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the Chief Financial Officer of TeleTech Holdings, Inc. (the "Company"), hereby certifies that, to her knowledge on the date hereof:

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2016 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Regina M. Paolillo
Regina M. Paolillo
Chief Financial Officer

Date: November 14, 2016
