SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

X Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1997, or

_ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____________ to _____________

Commission file number 0-21055

TELETECH HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	84-1291044
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1700 Lincoln Street, Suite 1400, Denver, Colorado	80203
(Address of Principal Executive Offices)	(Zip Code)

(303) 894-4000
(Registrant's Telephone Number, Including Area Code)

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

Securities registered pursuant to Section 12(g)of the Act: Common Stock, $.01 par value per share

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 X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes X No _____

As of March 13, 1998, there were 56,691,555 shares of the registrant's common stock outstanding. The aggregate market value of the registrant's voting stock that was held by non-affiliates on such date was $217,903,025 based on the closing sale price of the registrant's common stock on such date as reported on the Nasdaq National Market.

Documents Incorporated by Reference:

Portions of TeleTech Holdings, Inc.'s proxy statement for its annual meeting of stockholders to be held on May 8, 1998, are incorporated by reference into Part III of this Form 10-K, as indicated.

PART I

ITEM 1. BUSINESS.

OVERVIEW

TeleTech Holdings, Inc. (together with its wholly owned subsidiaries or, for periods prior to December 1994, its predecessors, the Company or TeleTech) is a leading provider of customer care solutions for large and multinational companies. TeleTech's customer care solutions encompass a wide range of telephone- and computer-based customer acquisition, retention and satisfaction programs designed to maximize the long-term value of the relationships between TeleTech's clients and their customers. Such programs involve all stages of the customer relationship and consist of a variety of customer service and product support activities, such as providing new product information, enrolling customers in client programs, providing 24-hour technical and help desk support, resolving customer complaints and conducting satisfaction surveys. TeleTech works closely with its clients to rapidly design and implement large-scale, tailored customer care programs that provide comprehensive solutions to their specific business needs.

TeleTech delivers its customer care services primarily through customer-initiated (inbound) telephone calls and also over the Internet. Services are provided by trained customer care representatives (representatives) in response to an inquiry that a customer makes by calling a toll-free telephone number or by sending an Internet message. Additionally, in 1997 the Company first used interactive video technology to provide customers of a major technology company with information and presales support. In this application, potential customers can use a video phone, located in retail stores that sell the client's products, to obtain immediate sales assistance from TeleTech representatives working in a TeleTech call center (call centers). TeleTech believes that interactive video will be a growing factor in its customer care architecture as use of the medium increases.

Representatives respond to customer inquiries from call centers utilizing state-of-the-art workstations, which operate on TeleTech's advanced technology platform, enabling the representatives to provide rapid, single-call resolution. This technology platform incorporates digital switching, client/server technology, object-oriented software modules, relational database management systems, proprietary call tracking management software, computer telephony integration and interactive voice response. TeleTech provides services from call centers leased, equipped and staffed by TeleTech (fully outsourced programs) and from call centers leased and equipped by its clients and staffed by TeleTech (facilities management programs).

TeleTech typically establishes long-term, strategic relationships, formalized by multiyear contracts, with selected clients in the telecommunications, transportation, technology, government services, healthcare, financial services and utilities industries. TeleTech targets clients in these industries because of their complex product and service offerings and large customer bases, which require frequent, increasingly sophisticated, customer interactions. For example, since 1996 the Company has entered into a multiyear contract with the U.S. Postal Service (the Postal Service) and entered into a multiyear, multifacility contract with GTE.

The Company was founded in 1982 and has been providing inbound customer care solutions since its inception. As of December 31, 1997, TeleTech leased or managed a total of 17 call centers, 12 located in the United States, two in Australia and one each in the United Kingdom, New Zealand and Mexico, equipped with a total of 6,500 state-of-the-art workstations. TeleTech expects to open three new U.S. and three new international call centers in 1998. The Company is also engaged in ongoing evaluations of possible strategic acquisitions. In 1997, approximately 98% of the Company's call handling revenues were derived from inbound customer inquiries.

SERVICES

TeleTech offers a wide range of services designed to provide superior customer care. An integral component of TeleTech's services is process re-engineering, by which the Company develops and applies improved processes to make a client's customer service or product support processes more cost-effective, productive and valuable. At the start of a potential new client relationship, TeleTech assesses the client's existing capabilities; goals and strategies; customer service or product support processes and related software, hardware and telecommunications systems; training;

real-estate project development; and facilities management and develops a tailored customer care solution based on its assessment. After presenting a proposed solution and being awarded a contract, TeleTech works closely with the client to further develop, refine and implement more efficient and productive customer interaction processes and technological solutions that link the customer, the client and TeleTech. These processes generally include the development of event-driven software programs for customer interactions where the script being followed by a representative changes depending upon information contained in the customer file or on information gathered during the representative's interaction with the customer.

After the Company designs and develops a customer care program, representatives provide a wide range of ongoing voice and data communications services incorporating one or more customer acquisition, service and retention or satisfaction and loyalty programs. In a typical inbound customer interaction, a customer calls a toll-free number to request product, service or technical information or assistance. TeleTech's advanced telecommunications system identifies each inbound call by its telephone number and routes the call to an appropriate representative who is trained for that particular client program. Upon receipt of the call, the representative's computer screen automatically displays the client's specific product, service or technical information to enable the representative to assist the customer. TeleTech has also extended its capabilities to incorporate multimedia technology for customer interactions, including e-mail and interactive video.

Each customer interaction, even in its simplest form, presents TeleTech and its clients with an opportunity to gather valuable customer information, including the customer's demographic profile and preferences. This information can prompt the representative to make logical, progressive inquiries about the customer's interest in additional services, identify additional revenue-generating and cross-selling opportunities, or resolve other customer issues relating to a client's products or services. TeleTech frequently provides several of the services listed below in an integrated program tailored to its clients' needs.

CUSTOMER ACQUISITION PROGRAMS. Customer acquisition programs are designed to secure new customers and can include a wide range of activities depending upon the customer inquiry. A sampling of these services includes:

- providing presales product or service education

- processing and fulfilling information requests for product or service offerings

- verifying sales and activating services

- directing callers to product or service sources

- receiving orders for and processing purchases of products or services

- providing initial post-sales support, including operating instructions for new product or service use

CUSTOMER SERVICE AND RETENTION PROGRAMS. Customer service and retention programs are designed to maintain and extend the customer relationship and maximize the long-term value of a client's relationships with its customers. These programs generally are driven by the customer's purchase of a product or service, or by the customer's need for ongoing help desk resources. The majority of the Company's revenues are generated by the provision of customer service and retention programs. A sampling of these services includes:

- providing technical help desk, product or service support
- activating product or service upgrades
- responding to billing and other account inquiries
- resolving complaints and product or service problems
- registering warranty information
- dispatching on-site service

CUSTOMER SATISFACTION AND LOYALTY PROGRAMS. Customer satisfaction and loyalty programs enable clients to learn from their customers, be more responsive to customers' needs and concerns, and reward customers for their continued patronage. A sampling of these services includes:

- responding to client promotional, affinity-building programs
- developing and implementing client-branded loyalty programs
- conducting satisfaction assessments
- confirming receipt of promised products or services
- reserving and reconfirming reservations at product or service seminars

MARKETS AND CLIENTS

TeleTech focuses its marketing efforts on large and multinational companies in the telecommunications, transportation, technology, government services, healthcare, financial services and utilities industries, which accounted for approximately 35%, 25%, 21%, 7%, 5%, 4% and 1%, respectively, of the Company's revenues in 1997. The Company's three largest clients in 1997 were United Parcel Service, AT&T and GTE, which accounted for approximately 24%, 18% and 16%, respectively, of the Company's revenues. (See "Risk Factors - Reliance on a Few Major Clients.") The SBUs are responsible for developing and implementing customized, industry-specific customer service and product support for clients in their respective target industries. TeleTech's healthcare, financial services and utilities SBUs are still in the development stage. TeleTech may introduce additional SBUs in 1998 as it develops technologies for other industries and broadens its client base.

TELECOMMUNICATIONS. The telecommunications SBU primarily services long-distance, local and wireless telephone service providers, including GTE, AT&T and certain regional Bell operating companies. Services include verifying long-distance service sales, responding to customer inquiries, providing consumer and business telephone service account management and providing ongoing product and service support. In 1997, TeleTech entered into a five-year agreement with GTE to provide support for GTE's new national sales, service and marketing unit. Under the agreement, TeleTech provides turnkey customer acquisition, retention and loyalty solutions across multiple GTE product offerings. TeleTech believes that the Telecommunications Act of 1996, which has removed barriers to competition in and between the local and long-distance telephone markets within the United States, and the development of new wireless products, including those utilizing personal communication services (PCS) technology, are expanding the breadth of products and services that require customer service and support and will create additional demand for TeleTech's services within the telecommunications industry.

TRANSPORTATION. TeleTech's transportation SBU provides a variety of services to clients in the package delivery and travel industries. Since 1996, TeleTech has managed three call centers and provided customer service and support on behalf of United Parcel Service, one of the nation's largest parcel delivery companies. Under its five-year contract, TeleTech provides services to United Parcel Service from three call centers leased by United Parcel Service but staffed and managed by TeleTech.

TECHNOLOGY. The growth of high technology products and services, including Internet-related products and services, has increased demand for consumer and technical product support. TeleTech intends to further utilize its technological capabilities to serve customers over the Internet and is exploring business opportunities related to new interactive media.

GOVERNMENT SERVICES. In September 1996, the Postal Service awarded TeleTech a contract to staff and manage the Postal Service's call center in Montbello, Colorado, and to provide customer service and support to Postal Service customers. The Postal Service contract has an initial two-year term and is renewable by the Postal Service for up to three additional one-year terms.

HEALTHCARE. TeleTech provides customer care solutions on behalf of healthcare providers located primarily in the United Kingdom, Australia and New Zealand. Services include emergency and non-emergency medical information and referral services; information and assistance to parents of newborns; information about drug interventions; referrals to community support organizations such as home care, child care and counseling options; and medical claims review services. The Company provides these services to customers by means of telephone access to registered nurses, counselors, pharmacists, medical librarians, dieticians and other specially trained representatives.

FINANCIAL SERVICES. From its call centers in Australia and New Zealand, TeleTech provides customer services for several large Australian banks. The Australia and New Zealand operations also provide customer care solutions to customers of insurance companies and automobile club clients. Solutions include providing emergency home repair assistance, responding to customer inquiries regarding property damage and insurance coverage, procuring emergency roadside automobile and medical assistance and facilitating motor vehicle insurance claims. TeleTech has begun to provide some financial services in the U.S. market. TeleTech also is developing new and more responsive delivery capabilities to satisfy the demands of financial institutions seeking to reduce customer reliance on face-to-face interactions and increase customer utilization of electronic and telephone banking and automated teller machines. (See "International Operations.")

UTILITIES. TeleTech's utilities SBU is currently developing opportunities in this marketplace given the deregulation and privatization taking place in the industry.

SALES AND MARKETING

As most companies consider the customer care function to be strategic in nature, the Company's business development personnel generally focus their marketing efforts on potential clients' senior executives. For each SBU, TeleTech hires business development personnel who have substantial industry expertise and can identify and generate sales leads.

TeleTech employs a consultative approach in assessing the current and prospective needs of a potential client. Following initial discussions with a potentially significant client, a carefully chosen TeleTech team, usually composed of applications and systems specialists, operations experts, human resources professionals and other appropriate management personnel, thoroughly studies the client's operations. The Company invests significant resources during the development of a potentially large client relationship to understand the client's existing customer service processes, culture, decision parameters and goals and strategies. TeleTech assesses the client's customer care needs and, with input from the client, develops and implements tailored customer care solutions.

As a result of its consultative approach, TeleTech can identify new revenue generating opportunities, customer communication possibilities and product or service improvements previously overlooked or not adequately addressed by the client. TeleTech's technological capabilities enable it to develop working prototypes of proposed customer care programs and to rapidly implement strategic customer care solutions, generally with minimal capital investment by the client.

TeleTech generally provides customer care solutions pursuant to written contracts with terms ranging from one to five years, which often contain renewal or extension options. Under substantially all of its significant contracts, TeleTech generates revenues based on the amount of time representatives devote to a client's program. In addition, clients typically are required to pay fees relating to TeleTech's training of representatives to implement the client's program, setup and management of the program, and development of computer software and technology. TeleTech utilizes a standard Form of Client Services Agreement (CSA) in contractual negotiations with its clients. The CSA generally contains provisions that (i) allow TeleTech or the client to terminate the contract upon the occurrence of certain events, (ii) designate the manner by which TeleTech is to receive payment for its services, (iii) limit TeleTech's maximum liability to the client thereunder and (iv) protect the confidentiality and ownership of information and materials owned by TeleTech or the client that are used in connection with the performance of the contract. Many of TeleTech's contracts also require the client to pay TeleTech a contractually agreed amount in the event of early termination. TeleTech's material contracts generally have terms of at least two years and, in some cases, contain contractual provisions adjusting the amount of TeleTech's fees if there are significant variances from estimated implementation expenses.

OPERATIONS

TeleTech provides its customer care services through the operation of state-of-the-art call centers located in the United States, the United Kingdom, Australia, New Zealand and Mexico. As of December 31, 1997, TeleTech leased 12 call centers and also managed five call centers on behalf of three clients. TeleTech expects to open three new U.S. and three new international call centers in 1998. TeleTech has received ISO 9002 certification for five of its U.S. call centers and for its Sydney, Australia, call center. The Australia call center is the first international location to be a part of the multisite quality system. TeleTech plans to certify additional call centers in 1998.

TeleTech uses standardized development procedures to minimize the time it takes to open a new call center. The Company applies predetermined site selection criteria to identify locations conducive to operating large-scale, sophisticated customer care facilities in a cost-effective manner. TeleTech can establish a new, fully operational, inbound call center containing 450 or more workstations within 90 to 180 days. TeleTech's corporate real estate delivery practices and processes drive the development and management of world-class call centers. TeleTech site selection processes are based on extensive geographic analyses of labor demographics, economic incentives and competitive market development costs.

Call center capacity is determined both by geographical analysis and site selection as well as complexity and type of customer care programs provided. The Company's U.S.-leased, full-scale call centers range in size from 39,000 to 105,000 square feet and contain between 312 and 512 production workstations. Although the dimensions of its existing call centers currently are not uniform, the Company has developed a standardized technology and infrastructure platform for TeleTech-leased call centers. The Company expects that new U.S. call centers will contain approximately 65,000 to 75,000 square feet of space and between 450 to 650 workstations.

CALL CENTER MANAGEMENT. TeleTech manages its U.S. call centers through its Technology Command Center in Colorado (the Command Center). The Command Center operates 24 hours per day, 7 days a week, and is responsible for monitoring, coordinating and managing TeleTech's U.S. operations. Each U.S. call center is connected to the Command Center and to other U.S. call centers through multiple fiber-optic voice/data T-1 circuits to form an integrated and redundant wide area network. This network connectivity provides a high level of security and redundancy that is integral to TeleTech's ability to ensure recovery capabilities in the event of a disaster or structural failure. If a call center were to experience extreme excess call volume or become non-operational, the Command Center would coordinate the rerouting of incoming calls to an appropriate site.

TeleTech also has established uniform operational policies and procedures to ensure the consistent delivery of high-quality service at each call center. These policies and procedures detail specific performance standards, productivity and profitability objectives and daily administrative routines designed to ensure efficient operation. All TeleTech call centers are designed to operate 24 hours a day, seven days a week. TeleTech believes that recruiting, training and managing full-time representatives who are dedicated to a single client facilitates integration between client and representative, enhances service quality and efficiency and differentiates TeleTech from its competitors.

TeleTech utilizes a number of sophisticated applications designed to minimize administrative burdens and maximize productivity. Such applications include a proprietary agent performance system that tracks representative activity at each workstation and a proprietary billing system that tracks time spent on administration, training, data processing and other processes conducted in support of client or internal tasks.

QUALITY ASSURANCE. TeleTech monitors and measures the quality and accuracy of its customer interactions through a quality assurance department located at each center. Each department evaluates, on a real-time basis, approximately 1% of calls per day. TeleTech also has the capabilities to enable its clients to monitor customer interactions as they occur. Quality assurance professionals monitor customer interactions and simultaneously evaluate representatives according to criteria mutually determined by the Company and the client. Representatives are evaluated and provided with feedback on their performance on a weekly basis and, as appropriate, recognized for superior performance or scheduled for additional training and coaching.

TECHNOLOGY

Utilizing industry standard tools and upon request, the Company creates relational database management systems customized for a client. These systems enable the Company to track the details of each customer interaction and consolidate that information into a customer file that can be accessed and referred to by representatives as they deliver services. TeleTech call centers employ state-of-the-art technology that incorporates digital switching technology, object-oriented software modules, relational database management systems, proprietary call tracking and work force management systems, CTI and interactive voice response. TeleTech's digital switching technology enables calls to be routed to the next available representative who has the appropriate knowledge, skill and language sets. Call tracking and workforce management systems generate and track historical call volumes by client, enabling the Company to schedule personnel efficiently to accommodate anticipated fluctuations in call volume. TeleTech's technology base enables it to provide single call resolution and decrease customer hold times, thereby enhancing customer satisfaction.

TeleTech-leased call centers utilize "Universal Representative" workstations with inbound, outbound, Internet and faxback capabilities, the majority of which run on Pentium 7-based computers. All workstations are PC-based and utilize CTI technology, which connects the computer to a telephone switch allowing calls and computer data to be transferred simultaneously. By using simple, intuitive graphical user interfaces (GUI), which substitute easy-to-understand graphics for text, TeleTech enables its representatives to focus on assisting the customer rather than on the technology and to obtain customer information using significantly fewer keystrokes. The user-friendly interface also helps to decrease training time and increase the speed of call handling.

TeleTech's applications software uses products developed by Microsoft, Oracle, Novell, IBM and others. TeleTech has invested significant resources in designing, developing and debugging industry-specific and open-systems software applications and tools. As a result, TeleTech maintains an extensive library of reusable, object-oriented software codes that are used by TeleTech's applications development professionals to develop customized customer care software. TeleTech's systems capture and download a variety of information obtained during each customer interaction into relational databases for real-time, daily, weekly or monthly reporting to clients. TeleTech runs its applications software on open-system, client-server architecture that utilizes computer processors, server components and hardware platforms produced by manufacturers such as Compaq, Hewlett Packard, IBM and Sun Microsystems. TeleTech has and will continue to invest significant resources into the development of new and emerging customer care and technical support technologies.

The Company continually evaluates acquisitions of companies that would enhance TeleTech's technological capabilities. In February 1998, TeleTech acquired Intellisystems, Inc., a leading manufacturer of automated product support systems. Intellisystems, through its patented technology, provides systems that automatically answer and resolve a significant percentage of calls coming into customer support centers. It allows customers to diagnose their own problems and receive product information 24 hours a day, seven days a week. The information that customers need is contained in a knowledge base, which is accessible with a touch tone telephone, the Internet or a modem. The system's rule-based design enables each of the callers' answers to be stored and used to determine which questions or information will follow. Conversely, typical decision-tree systems are set up in a fixed format, requiring callers to answer all questions in the order presented regardless of its applicability to the inquiry. Additionally, Intellisystems' product allows for specific solutions to be delivered immediately over the phone, faxed directly to a caller's fax machine or displayed on a computer screen. If a resolution is not found, the caller is transferred to a TeleTech representative who can review a summary of the caller's session and continue troubleshooting where the system left off.

Intellisystems' products are installed at 75 high technology companies, including Digital Equipment Corporation, Gateway 2000, Intuit, Netscape Communications Corporation and Quantum Corporation. TeleTech management believes Intellisystems' capabilities will enable TeleTech to provide its clients with enhanced customer care solutions and greater operating efficiencies.

The Company utilizes a significant number of computer software programs and operating systems over its entire organization. In addition, the Company's systems must interface with various information systems of its clients. The Company has made a preliminary determination that it will not incur any significant costs to prepare its systems for the Year 2000. The Company will begin working with its clients in 1998 to determine if there are Year 2000 issues that may impact the client systems in which the Company interfaces.

HUMAN RESOURCES

TeleTech's success in recruiting, hiring and training large numbers of skilled employees is critical to its ability to provide high-quality customer care solutions to its clients. TeleTech generally offers a competitive pay scale, hires primarily full-time employees who are eligible to receive the full range of employee benefits and provides employees with a clear, viable career path.

TeleTech is committed to the continued education and development of its employees and believes that providing TeleTech employees with access to new learning opportunities produces job satisfaction, ensures a higher quality labor force and fosters loyalty between TeleTech's employees and the clients they serve. Before taking customer calls, representatives receive from one to five weeks of on-site training in TeleTech's or the client's training facilities to learn about the client's corporate culture, specific product or service offerings, and the customer care program that TeleTech and the client will be undertaking. Representatives generally receive a minimum of six to eight hours of ongoing training per month and often receive supplemental laboratory training as needed to provide high-quality customer service and product support.

As of January 1, 1998, TeleTech had approximately 7,200 representatives, of which approximately 85% were full time. Although the Company's industry is very labor intensive and has experienced significant personnel turnover, the Company seeks to manage employee turnover through proactive initiatives. None of TeleTech's employees are subject to a collective bargaining agreement, and TeleTech believes its relations with its employees are good.

The Company's success is largely dependent on its ability to recruit, hire, train and retain qualified employees. The Company's industry is very labor intensive and has experienced high rates of personnel turnover. A significant increase in the Company's employee turnover rate could increase the Company's recruiting and training costs and decrease operating effectiveness and productivity.

INTERNATIONAL OPERATIONS

TeleTech leases and operates two call centers in Australia, one call center in each of the United Kingdom, New Zealand and Mexico, and jointly leases a call center located in the United Kingdom through the Company's joint venture with PPP, one of the largest private medical insurers in the United Kingdom. The joint venture, which operates from a 64-workstation call center located in London, currently provides services primarily to PPP customers but intends to progressively increase the proportion of its services that it provides to customers of other companies. Apart from the joint venture, TeleTech provides traditional outsourcing services in the United Kingdom, similar to the type TeleTech provides in the United States.

In May 1997, TeleTech acquired Telemercadeo Integral (TMI), a Mexico-based provider of inbound customer care services. TMI employs more than 400 customer care representatives and provides services including customer acquisition, support and satisfaction to major Mexican and U.S. companies. This acquisition has allowed TeleTech to introduce its services to large Mexican companies and to aid U.S. companies in serving their Mexican customers. In March 1998, TeleTech announced its plans to build a customer care center in Glasgow, Scotland. The Company plans to construct a 78,000 square-foot center with 550 to 650 workstations, targeted to open in early 1999. An interim facility with more than 200 seats is expected to open mid-1998. TeleTech employees will provide customer acquisition, retention, loyalty and technical support services via the telephone and Internet for customers of TeleTech's international clients, especially in Europe.

A key component of the Company's growth strategy is to continue its international expansion, which may include the acquisition of businesses with products or technologies that extend or complement TeleTech's existing businesses. The Company is engaged in ongoing evaluations of, and discussions with, third parties regarding possible acquisitions; however, the Company currently has no agreements, commitments or understandings with respect to any material acquisitions.

COMPETITION

The Company believes that it competes primarily with the in-house teleservices and customer service operations of its current and potential clients. TeleTech also competes with certain companies that provide teleservices and customer services on an outsourced basis, including APAC Teleservices, MATRIXX Marketing, Precision Response Corporation, SITEL Corporation, Sykes Enterprises Incorporated, TeleSpectrum Worldwide, Inc. and West TeleServices Corporation. TeleTech competes primarily on the basis of quality and scope of services provided, speed and flexibility of implementation, and technological expertise. Although the teleservices industry is very competitive and highly fragmented with numerous small participants, management believes that TeleTech generally does not directly compete with traditional telemarketing companies, which provide primarily outbound "cold calling" services.

RISK FACTORS

RELIANCE ON A FEW MAJOR CLIENTS. The Company strategically focuses its marketing efforts on developing long-term relationships with large and multinational companies in targeted industries. As a result, the Company derives a substantial portion of its revenues from relatively few clients. The Company's three largest clients in 1997, United Parcel Service, AT&T and GTE, accounted for 24%, 18% and 16%, respectively, of the Company's 1997 revenues. The Company's three largest clients in 1996, United Parcel Service, AT&T and CompuServe Incorporated ("Compuserve"), accounted for 28%, 27% and 14%, respectively, of the Company's 1996 revenues. The Company believes its customer concentration will continue because the Company's programs are becoming larger and more complex and because the lead time necessary to execute a new sales agreement with a client has been steadily increasing. In at least one instance, almost two years elapsed from the time of the Company's initial sales presentation until the time a written agreement was signed and the client program commenced. As a result of the longer sales cycle, it may become more difficult for the Company to replace lost clients or completed programs in a timely manner. There can be no assurance that the Company will not become more dependent on a few significant clients, that the Company will be able to retain any of its largest clients, that the volumes or profit margins of its most significant programs will not be reduced, or that the Company would be able to replace such clients or programs with clients or programs that generate a comparable amount of profits. Consequently, the loss of one or more of the Company's significant clients could have a material adverse effect on the business, results of operations or financial condition of the Company. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risks Associated with the Company's Contracts" and "Dependence on Key Industries.")

RISKS ASSOCIATED WITH THE COMPANY'S CONTRACTS. The Company's contracts do not ensure that it will generate a minimum level of revenues and the profitability of each client program may fluctuate, sometimes significantly, throughout the various stages of such program. Although the Company seeks to sign multiyear contracts with its clients, the Company's contracts generally enable the clients to terminate the contract, or terminate or reduce program call volumes, on relatively short notice. Although many of such contracts require the client to pay a contractually agreed amount in the event of early termination, there can be no assurance that the Company will be able to collect such amount or that such amount, if received, will sufficiently compensate the Company for its investment in the canceled program or for the revenues it may lose as a result of the early termination. The Company usually is not designated as its client's exclusive service provider; however, the Company believes that meeting its clients' expectations can have a more significant impact on revenues generated by the Company than the specific terms of its client contracts. In addition, some of the Company's contracts limit the aggregate amount the Company can charge for its services, and several prohibit the Company from providing services to the client's direct competitor that are similar to the services the Company provides to such client.

A few of the Company's contracts allow the Company to increase its service fees if and to the extent certain cost or price indices increase; however, a few of the Company's significant contracts do not contain such provisions and some contracts require the Company to decrease its service fees if, among other things, the Company does not achieve certain performance objectives. Increases in the Company's service fees that are based upon increases in cost or price indices may not fully compensate the Company for increases in labor and other costs incurred in providing services. Although several of the Company's clients have terminated contracts or reduced program volumes on relatively short notice to the Company, to date none of the foregoing types of contractual provisions has had a material adverse effect on the Company's business, results of operations or financial condition. (See "Reliance on a Few Major Clients," "Sales and Marketing," "Services" and "Management's Discussion and Analysis of Financial Condition and Results of Operations.")

DEPENDENCE ON THE SUCCESS OF ITS CLIENT'S PRODUCTS. In substantially all of its client programs, the Company generates revenues based, in large part, on the amount of time that the Company's personnel devotes to a client's customers. Consequently, and due to the inbound nature of the Company's business, the amount of revenues generated from any particular client program is dependent upon consumers' interest in, and use of, the client's products and/or services. Furthermore, a significant portion of the Company's expected revenues and planned capacity utilization relate to recently introduced product or service offerings of the Company's clients. There can be no assurance as to the number of consumers who will be attracted to the products and services of the Company's clients and who will therefore need the Company's services, or that the Company's clients will develop new products or services that will require the Company's services.

DIFFICULTIES OF MANAGING RAPID GROWTH. The Company has experienced rapid growth over the past several years. Continued future growth will depend on a number of factors, including the Company's ability to (i) initiate, develop and maintain new client relationships and expand its existing client programs; (ii) recruit, motivate and retain qualified management and hourly personnel; (iii) rapidly identify, acquire or lease suitable call center facilities on acceptable terms and complete build-outs of such facilities in a timely and economic fashion; and (iv) maintain the high quality of the services and products that it provides to its clients. There can be no assurance that the Company will be able to maintain or accelerate its growth rate, effectively manage its expanding operations or maintain its profitability. If the Company is unable to maintain its historical growth rate or effectively manage its growth, its business, results of operations or financial condition could be materially adversely affected.

The Company's profitability is influenced significantly by its call center capacity utilization. The Company attempts to maximize utilization; however, because almost all of the Company's business is inbound, the Company has significantly higher utilization during peak (weekday) periods than during off-peak (night and weekend) periods. In addition, the Company has experienced, and in the future may experience, at least short-term, excess peak period capacity when it opens a new call center or terminates or completes a large client program. There can be no assurance that the Company will be able to achieve or maintain optimal call center capacity utilization. (See "Reliance on a Few Major Clients.")

RISKS ASSOCIATED WITH RAPIDLY CHANGING TECHNOLOGY. The Company's business is highly dependent on its computer and telecommunications equipment and software capabilities. The Company's failure to maintain the superiority of its technological capabilities or to respond effectively to technological changes could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, a variety of automated customer support technologies, such as interactive voice response (IVR) and interactive Internet e-mail, have been and are being developed that could supplement, compete with or replace the Company's services. For some client applications, these alternative automated customer support technologies may achieve similar results and be more cost-effective to the client than the services currently provided by the Company. The Company's continued growth and future profitability will be highly dependent on a number of factors, including the Company's ability to (i) expand its existing service offerings to include automated customer support capabilities; (ii) achieve cost efficiencies in the Company's existing call center operations through the integration of alternative automated technologies; and (iii) introduce new services and products that leverage and respond to changing technological developments. There can be no assurance that technologies or services developed by the Company's competitors will not render the Company's products or services non-competitive or obsolete, that the Company can successfully develop and market any new services or products, that any such new services or products will be commercially successful or that the integration of automated customer support capabilities will achieve intended cost reductions. (See "Technology" and "Highly Competitive Market.")

DEPENDENCE ON LABOR FORCE. The Company's success is largely dependent on its ability to recruit, hire, train and retain qualified employees. The Company's industry is very labor intensive and has experienced high personnel turnover. A significant increase in the Company's employee turnover rate could increase the Company's recruiting and training costs and decrease operating effectiveness and productivity. Also, if the Company obtains several significant new clients or implements several new large-scale programs, it would be required to recruit, hire and train qualified personnel at an accelerated rate. The Company may not be able to continue to hire, train and retain sufficient qualified personnel to adequately staff new customer care programs. Because a significant portion of the Company's operating costs relate to labor costs, an increase in wages, costs of employee benefits or employment taxes could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, certain of the Company's call centers are located in geographic areas with relatively low unemployment rates, which could make it more difficult and costly to hire qualified personnel. (See "Difficulties of Managing Rapid Growth," "Human Resources" and "Management's Discussion and Analysis of Financial Condition and Results of Operations.")

DEPENDENCE ON KEY PERSONNEL. The Company's success to date has largely been the result of the skills and efforts of Kenneth D. Tuchman, the Company's founder, chairman of the board, president and chief executive officer. Continued growth and profitability will depend upon the Company's ability to strengthen its leadership infrastructure by recruiting and retaining qualified, experienced executive personnel. Competition in the Company's industry for executive-level personnel is fierce and there can be no assurance that the Company will be able to hire, motivate and retain other executive employees, or that the Company can do so on economically feasible terms. The loss of Mr. Tuchman or the Company's inability to hire or retain such other executive employees could have a material adverse effect on the Company's business, growth, results of operations or financial condition. The Company's success and achievement of its growth plans also depend on its ability to recruit, hire, train and retain other highly qualified technical and managerial personnel, including individuals with significant experience in the industries targeted by the Company. The inability of the Company to attract and retain the necessary technical and managerial personnel could have a material adverse effect on the Company's business, results of operations or financial condition. (See "Difficulties of Managing Rapid Growth.")

CLIENTS' POTENTIAL YEAR 2000 PROBLEM. Many of the Company's programs depend upon the Company's application software interfacing with and accessing data stored on its clients' computer systems. The Company has made a preliminary determination that it will not incur any significant costs to make its software programs and operating systems Year 2000 compliant; however, the Company currently is unable to ascertain the magnitude of any Year 2000 problems that may be resident in its clients' computer and information systems, or the impact any such problems could have on the programs provided by the Company to such clients. The occurrence of Year 2000 related failures in the computer and information systems of any of the Company's significant clients could have a materially adverse effect on the business, results of operations or financial condition of the Company.

DEPENDENCE ON KEY INDUSTRIES. The Company generates a majority of its revenues from clients in the telecommunications, technology and transportation industries. The Company's growth and financial results are largely dependent on continued demand for the Company's services from clients in these industries and current trends in such industries to outsource certain customer care services. A general economic downturn in any of these industries or a slowdown or reversal of the trend in any of these industries to outsource certain customer care services could have a material adverse effect on the Company's business, results of operations or financial condition. The Company also provides services to clients in the healthcare, financial services, government services and utilities industries; however, these SBUs are still in the development stage and there can be no assurance that the Company can successfully develop them.

A significant percentage of the revenues generated from clients in the telecommunications industry relate to the Company's provision of third-party verification of long-distance telephone service sales. Third-party verification services, which are required by the rules of the Federal Communications Commission, accounted for 8% of the Company's total revenues in both 1997 and 1996. Revenues generated from third-party verification services were significantly lower than expected in the second half of 1997 as a result of reductions implemented by a large telecommunications client in its direct marketing program. The Company's business, results of operations or financial condition could be materially adversely affected if its clients further reduce their direct marketing expenditures and their corresponding need for third-party sales verification and/or the Federal Communications Commission no longer requires such verification. (See "Highly Competitive Market" and "Markets and Clients.")

RISK OF BUSINESS INTERRUPTION. The Company's operations are dependent upon its ability to protect its call centers, computer and telecommunications equipment and software systems against damage from fire, power loss, telecommunications interruption or failure, natural disaster and other similar events. In the event the Company experiences a temporary or permanent interruption at one or more of its call centers, through casualty, operating malfunction or otherwise, the Company's business could be materially adversely affected and the Company may be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with the Company. The Company maintains property and business interruption insurance; however, such insurance may not

adequately compensate the Company for any losses it may incur. (See "Operations.")

HIGHLY COMPETITIVE MARKET. The Company believes that the market in which it operates is fragmented and highly competitive and that competition is likely to intensify in the future. The Company competes with small firms offering specific applications, divisions of large entities, large independent firms and, most significantly, the in-house operations of clients or potential clients. A number of competitors have or may develop greater capabilities and resources than those of the Company. Similarly, there can be no assurance that additional competitors with greater resources than the Company will not enter the Company's market. Because the Company's primary competitors are the in-house operations of existing or potential clients, the Company's performance and growth could be adversely affected if its existing or potential clients decide to provide in-house customer care services that currently are outsourced, or retain or increase their in-house customer service and product support capabilities. A variety of automated customer support technologies have been developed that may make it easier and more cost-effective for clients and potential clients to provide customer care services in-house. In addition, competitive pressures from current or future competitors also could cause the Company's services to lose market acceptance or result in significant price erosion, with a material adverse effect upon the Company's business, results of operations or financial condition. (See "Competition" and "Risks Associated with Rapidly Changing Technology.")

DIFFICULTIES OF COMPLETING AND INTEGRATING ACQUISITIONS AND JOINT VENTURES. One component of the Company's growth strategy is to pursue strategic acquisitions of companies that have services, products, technologies, industry specializations or geographic coverage that extend or complement the Company's existing business. There can be no assurance that the Company will be successful in acquiring such companies on favorable terms or in integrating such companies into the Company's existing businesses, or that any completed acquisition will enhance the Company's business, results of operations or financial condition. The Company has faced, and in the future may continue to face, increased competition for acquisition opportunities, which may inhibit the Company's ability to consummate suitable acquisitions on favorable terms. The Company may require additional debt or equity financing for future acquisitions, which financing may not be available on terms favorable to the Company, if at all. As part of its growth strategy, the Company also may pursue strategic alliances in the form of joint ventures. Joint ventures involve many of the same risks as acquisitions, as well as additional risks associated with possible lack of control of the joint ventures. (See "Difficulties of Managing Rapid Growth.")

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS AND EXPANSION. The Company currently conducts business in Australia, New Zealand, Mexico and the United Kingdom, and intends to begin conducting business in Scotland in 1998. The Company's international operations accounted for approximately 14% and 8% of its revenues for 1997 and 1996, respectively. In addition, a key component of the Company's growth strategy is continued international expansion. There can be no assurance that the Company will be able to (i) increase its market share in the international markets in which the Company currently conducts business, (ii) successfully market, sell and deliver its services in additional international markets or (iii) acquire companies that expand its international operations or successfully integrate acquired companies. In addition, there are certain risks inherent in conducting international business, including exposure to currency fluctuations, longer payment cycles, greater difficulties in accounts receivable collection, difficulties in complying with a variety of foreign laws, unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, political instability and potentially adverse tax consequences. Any one or more of such factors could have a material adverse effect on the Company's international operations and, consequently, on the Company's business, results of operations or financial condition. (See "International Operations.")

VARIABILITY OF QUARTERLY OPERATING RESULTS. The Company has experienced and could continue to experience quarterly variations in revenues as a result of a variety of factors, many of which are outside the Company's control. Such factors include the timing of new contracts; labor strikes and slowdowns; reductions or other modifications in its clients' marketing and sales strategies; the timing of new product or service offerings; the expiration or termination of existing contracts or the reduction in existing programs; the timing of increased expenses incurred to obtain and support new business; changes in the revenue mix among the Company's various service offerings; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company makes decisions regarding staffing levels, investments and other operating expenditures based on its revenue forecasts. If the Company's revenues are below expectations in any given quarter, its operating results for that quarter would likely be materially adversely affected. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations.")

COMPLIANCE WITH GOVERNMENT REGULATION. Because the Company's current business consists primarily of responding to inbound telephone calls, it is not highly regulated. However, in connection with the limited amount of outbound telemarketing services the Company provides, the Company must comply with various rules and regulations governing telephone solicitation that were promulgated by the Federal Communications Commission under the Federal Telephone Consumer Protection Act of 1991 and the Federal Trade Commission under the Federal Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994. The Company has considered expanding its outbound telemarketing services to improve off-peak call center utilization, in which case such rules and regulations would apply to a larger percentage of the Company's business. In addition, the Company's contract with the Postal Service requires the Company to comply with the Privacy Act of 1974, which governs the recording of telephone conversations. The Company believes that it currently is, and will continue to be, in compliance with such statute. There may be additional federal or state legislation, or changes in regulatory implementation, that limit the future activities of the Company or its clients or significantly increase the cost of compliance. Additionally, the Company could be responsible for its failure, or the failure of its clients, to comply with regulations applicable to its clients.

ITEM 2. PROPERTIES.

TeleTech's corporate headquarters are located in Denver, Colorado, in approximately 39,000 square feet of leased office space, with an adjacent 55,000-square-foot call center containing at least 500 workstations. As of December 31, 1997, TeleTech leased (unless otherwise noted) and operated the following call centers, containing an aggregate of approximately 940,000 square feet:

LOCATION	YEAR OPENED OR ACQUIRED	NUMBER OF PRODUCTION WORKSTATIONS	NUMBER OF TRAINING WORKSTATIONS (1)	TOTAL NUMBER OF WORKSTATIONS
U.S. CALL CENTERS				
Sherman Oaks, California	1985	512	90	602
Denver, Colorado	1993	438	76	514
Burbank, California.	1995	388	57	445
Niagara Falls, New York.	1997	502	60	562
Thornton, Colorado, Center 1 (2)	1996	483	60	543
Thornton, Colorado, Center 2 (2)	1996	503	58	561
Van Nuys, California	1996	312	50	362
INTERNATIONAL CALL CENTERS				
Melbourne, Australia	1997	223	24	247
Sydney, Australia (3).	1996	206	20	226
Mexico City, Mexico (4).	1997	250	n	250
Auckland, New Zealand (3).	1996	83	14	97
London, United Kingdom (5)	1996	136	20	156
MANAGED CALL CENTERS (6)				
Greenville, South Carolina	1996	648	72	720
Tucson, Arizona.	1996	628	118	746
Tampa, Florida	1996	672	116	788
Golden, Colorado (7)	1996	75	20	95
Montbello, Colorado.	1996	521	200	721
Total number of workstations		6,580	1,055	7,635

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(1) The training workstations are fully operative as production workstations when the Company requires additional capacity.

(2) TeleTech operates each floor in the Thornton facility as an independent call center and each of Thornton Call Center 1 and Thornton Call Center 2 employs its own call center management and representatives.

(3) Acquired January 1, 1996, through TeleTech's acquisition of its Australian subsidiary.

(4) Acquired May 27, 1997, through TeleTech's acquisition of TMI. The Company will open a new 750-workstation call center in Mexico City, Mexico, in the first quarter of 1998 and the existing call center will be closed.

(5) The Company plans to construct a 78,000 square-foot center with 550 to 650 workstations in Glasgow, Scotland, targeted to open in early 1999. An interim facility with more than 200 seats is expected to open in Scotland in 1998. Through its joint venture with PPP, the Company also provides value-added services in a separate call center.

(6) Managed by TeleTech on behalf of clients pursuant to facilities management agreements.

(7) As of January 1, 1998, the Company terminated management of this call center on behalf of Health Decisions International, LLC.

The leases for TeleTech's U.S. call centers have terms ranging from one to 15 years and generally contain renewal options. These leases are being structured with specific business terms that allow for flexibility in response to changing business conditions. Pursuant to its agreement with United Parcel Service, if United Parcel Service opens another U.S. call center, TeleTech has the option to staff and manage such call center. TeleTech would manage this additional call center pursuant to the same terms and conditions as the three call centers currently managed by TeleTech for United Parcel Service, unless the nature of the services to be provided at such call center is significantly different.

The Company believes that its existing call centers are suitable and adequate for its current operations and that each call center currently is substantially or fully utilized during peak (weekday) periods. The Company believes that additional call centers will be required in 1998 and 1999 to support continued growth. Due to the inbound nature of the Company's business, the Company experiences significantly higher capacity utilization during peak periods than during off-peak (night and weekend) periods. The Company has been and will be required to open or expand call centers to create the additional peak period capacity necessary to accommodate new or expanded customer care programs. The opening or expansion of a call center may result, at least in the short term, in excess capacity during peak periods until any new or expanded program is implemented fully. The Company may enter into additional contracts to provide certain outbound customer care services and consider acquiring a complementary service provider, such as a company that provides primarily outbound teleservices to improve call center utilization during off-peak periods.

ITEM 3. LEGAL PROCEEDINGS.

In late November 1996, CompuServe notified TeleTech that CompuServe was withdrawing its WOW! Internet service from the marketplace and that effective January 31, 1997, it would terminate all the programs TeleTech provided to CompuServe. Pursuant to its agreement with TeleTech, CompuServe was entitled to terminate the agreement for reasonable business purposes upon 20 days' advance notice and payment to TeleTech of a termination fee calculated in accordance with the agreement. In December 1996, TeleTech filed suit against CompuServe in the Federal District Court for the Southern District of Ohio to enforce these termination provisions and collect the termination fee. CompuServe filed a counterclaim in December 1996 alleging that the Company breached other provisions of this agreement and seeking unspecified monetary damages. In March 1997, CompuServe asserted a right to offset certain accounts receivable it owes to the Company for services rendered against the amount that may be awarded to CompuServe on its counterclaim, if any. These accounts receivable total $4.3 million. In mid-1997, because of the proposed acquisition of CompuServe by WorldCom, the parties agreed to delay proceedings in the lawsuit. In December 1997, proceedings related to the lawsuit were recommenced and currently are moving forward. Although the Company believes that these legal proceedings will not have a material adverse effect on the Company's financial condition or results of operations, the ultimate outcome of the proceedings is uncertain. (See Note 8 of "Notes to Consolidated and Combined Financial Statements.")

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

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

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of its fiscal year ended December 31, 1997.

PART II

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

In August 1996, the Company completed an initial public offering of the common stock (the Initial Public Offering) at an initial price to public of $14.50 per share. The market price of the common stock has been highly volatile and could continue to be subject to wide fluctuations in response to quarterly variations in operating results; announcements of new contracts or contract cancellations; announcements of technological innovations or new products or services by the Company or its competitors; changes in financial estimates by securities analysts; or other events or factors. The market price of the common stock also may be affected by the Company's ability to meet analysts' expectations, and any failure to meet such expectations, even if minor, could have a material adverse effect on the market price of the common stock.

The common stock is traded on the Nasdaq National Market under the symbol "TTEC." The following table sets forth the range of the high and low closing sale prices of the common stock for the fiscal quarters indicated as reported on the Nasdaq National Market:

	HIGH	LOW
Third Quarter 1996 (from August 1, 1996)	38	16-7/8
Fourth Quarter 1996.	36-1/2	25
First Quarter 1997	34-1/4	17-1/4
Second Quarter 1997.	27-1/8	16-5/8
Third Quarter 1997	25-1/2	12-7/8
Fourth Quarter 1997.	14-5/16	9-7/8

As of December 31, 1997, there were 56,311,143 shares of common stock outstanding, held by approximately 124 shareholders of record.

TeleTech did not declare or pay any dividends on its common stock in 1997 and it does not expect to do so in the foreseeable future. The board of directors anticipates that all cash flow generated from operations in the foreseeable future will be retained and used to develop and expand TeleTech's business. Any future payment of dividends will depend upon TeleTech's results of operations, financial condition, cash requirements and other factors deemed relevant by the board of directors.

The registration statement for the Company's Initial Public Offering was declared effective on July 30, 1996. The net proceeds to the Company from the Initial Public Offering were $52,565,000. The following is the amount of net offering proceeds used by the Company for each of the purposes listed below. The following use of proceeds does not represent a material change in the use of proceeds described in the Initial Public Offering prospectus.

	Direct or indirect payments to directors, officers, general partners of the issuer or their associates; to persons owning 10% or more of any class of equity securities of the issuer; and to affiliates of the issuer	Direct or indirect payments to others
Purchase and installation of machinery and equipment		$ 968,000
Acquisition of other business		2,337,000
Repayment of indebtedness		9,950,000
Working capital	$500,000	9,545,000
TEMPORARY INVESTMENT		
Morgan Stanley Cash Management Account		26,077,000
Wells Fargo Cash Management Account		2,200,000
OTHER PURPOSES		
Acquisition of 98,810 shares of Treasury stock		988,000

ITEM 6. SELECTED FINANCIAL DATA.

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

	ELEVEN MONTHS ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,			
	1993	1994	1995	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$19,520	$35,462	$50,467	$165,504	$263,477
Costs of services	10,727	17,406	27,246	99,539	167,798
SG&A expenses	7,956	15,860	18,625	42,753	64,636
Income from operations	837	2,196	4,596	23,212	31,043
Other income (expense)	(299)	(481)	2,489(1)	133	2,526
Provision for (benefit of) income taxes	(10)	20	2,929	9,589	13,296
Net income	$ 548	$ 1,695	$ 4,156(1)	$ 13,756	$ 20,273
Pro forma net income	$ 299(2)	$ 1,037(2)			
Net income per share:					
Basic	$ .01(2)	$ .03(2)	$ .08(1)	$ .26	$ .36
Diluted	$ .01(2)	$ .02(2)	$ .08(1)	$ .24	$ .34
Average shares outstanding:					
Basic	40,700	40,700	51,046	52,779	56,079
Diluted	43,753	43,753	54,304	56,409	59,247
OPERATING DATA:					
Number of production workstations	560	560	960	5,500	6,500
Number of call centers	2	2	3	14	17
BALANCE SHEET DATA:					
Working capital (deficit)	$ (228)	$ (780)	$11,305	$ 87,575	$ 79,436
Total assets	12,034	10,102	30,583	143,378	81,803
Long-term debt, net of current portion	3,528	2,463	3,590	9,937	8,915
Total stockholders' equity	942	2,197	3,791	106,315	133,010

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(1) Includes the $2.4 million pretax net proceeds of a one-time payment made by a former client to TeleTech in connection with such client's early termination of a contract.

(2) During 1993 and 1994, the Company was an S corporation and, accordingly, was not subject to federal income taxes. Pro forma net income includes a provision for income taxes at an effective rate of 44.4% for the 11 months ended December 31, 1993, and 39.5% for the year ended December 31, 1994.

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

OVERVIEW

TeleTech generates its revenues by providing customer care solutions, both from TeleTech-leased call centers (fully outsourced) and client-owned call centers (facilities management). The Company bills for its services based on the amount of time representatives devote to a client's program, and revenues are recognized as services are provided. The Company seeks to enter into multiyear contracts with its clients that cannot be terminated early except upon the payment of a contractually agreed amount. The majority of the Company's revenues are, and the Company anticipates that the majority of its future revenues will continue to be, from multiyear contracts. However, the Company does provide some significant programs on a short-term basis. The Company's agreements with its clients do not ensure that TeleTech will generate a specific level of revenue and may be canceled by the clients on short notice.

TeleTech's profitability is influenced significantly by its call center capacity utilization. The Company seeks to optimize new and existing call center capacity utilization during both peak (weekday) and off-peak (night and weekend) periods to achieve maximum fixed cost absorption. The Company has experienced excess capacity when a large client program is terminated, completed or significantly reduced. For example, the Company's capacity utilization was adversely affected in the second half of 1997 when one of the Company's telecommunications clients changed its marketing strategy, which resulted in significantly reduced call volumes in the Company's program for this client. The Company carefully plans the development and opening of new call centers to minimize the financial impact resulting from excess capacity. To enable the Company to respond rapidly to changing market demands, implement new programs and expand existing programs, TeleTech may require additional call center capacity. TeleTech expects to open call centers in Moundsville, West Virginia; Uniontown, Pennsylvania; and Mexico City in the first half of 1998. Typically, the Company's obligation to make lease payments under new leases does not begin until the Company first occupies the facility, which gives the Company flexibility in determining when to commence call center operations in each facility. In planning the opening of new call centers or the expansion of existing call centers, management considers numerous factors that affect its capacity utilization, including anticipated expirations, reductions, terminations or expansions of existing programs, and the size and timing of new client contracts that the Company expects to obtain. In addition, the Company has concentrated its marketing efforts toward obtaining larger, more complex, strategic customer care programs. As a result, the time required to negotiate and execute an agreement with the client has increased. If, prior to the opening or expansion of a call center, the Company has not contracted with clients for the provision of services, TeleTech may experience, at least in the short term, excess call center capacity. Management anticipates sufficient future business to utilize the additional capacity that will be provided by these facilities.

The Company records costs specifically associated with client programs as costs of services. These costs, which include direct labor wages and benefits, telecommunication charges, sales commissions and certain facility costs, are primarily variable in nature. All other expenses of operations, including technology support, sales and marketing, human resource management and other administrative functions and call center operational expenses that are not allocable to specific programs, are recorded as selling, general and administrative (SG&A) expenses. SG&A expenses tend to be either semivariable or fixed in nature. Historically, the majority of the Company's operating expenses have consisted of labor costs. Accordingly, representative wage rates, which comprise the majority of the Company's labor costs, have been and are expected to continue to be a key component of the Company's expenses.

The cost characteristics of TeleTech's fully outsourced programs differ significantly from the cost characteristics of its facilities management programs. Under facilities management programs, call centers and the related equipment are owned by the client but are staffed and managed by TeleTech. Accordingly, facilities management programs have higher costs of services as a percentage of revenues and lower SG&A expenses as a percentage of revenues than fully outsourced programs. As a result, the Company expects that its overall gross margin will continue to fluctuate as revenues attributable to fully outsourced programs vary in proportion to revenues attributable to facilities management programs. Based on the foregoing, management believes that the Company's operating margin, which is income from operations expressed as a percentage of revenues, is a better measure of "profitability" on a period-to-period basis than gross margin. Operating margin may be less subject to fluctuation as the proportion of the Company's business portfolio attributable to fully outsourced programs versus facilities management programs changes. The Company's first facilities management agreement began in the second quarter of 1996, and revenue from facilities management contracts represented 32% of consolidated revenues in 1997.

TeleTech's revenues and income from operations have grown significantly over the past three years. During this period, the Company's revenues have grown from $50.5 million in 1995 to $263.5 million in 1997, and operating income has increased from $4.6 million in 1995 to $31.0 million in 1997. Management attributes this growth to the successful implementation of the Company's strategy of developing long-term relationships with large corporate clients in targeted industries and the Company's resulting ability to spread its fixed costs over a larger revenue base.

During the second quarter of 1997, the Company and GTE announced that they entered into a five-year master agreement, which is renewable for two additional one-year terms, under which the Company will provide support for a new national sales service and marketing unit of GTE. Revenues from GTE represented 16% of the Company's consolidated revenues for the year ended December 31, 1997.

The Company acquired Telemercadeo Integral, S.A. (TMI) in May 1997 for consideration of $4.2 million, consisting of 100,000 shares of the Company's common stock and cash of $2.2 million. TMI is an inbound customer care provider in Mexico City. The results of TMI were not significant to the 1997 consolidated results of the Company.

The Company acquired TeleTech International Pty Limited, formerly Access 24 Services Corporation Pty Limited (together with its subsidiaries, "Access 24"), effective January 1, 1996, for consideration of $2.3 million in cash, 970,240 shares of common stock and costs of the acquisition for a total consideration of $7.6 million. Access 24 is headquartered in Sydney, Australia, with call centers in Australia and New Zealand.

RESULTS OF OPERATIONS

The following table sets forth certain income statement data as a percentage of revenues:

	1995	1996	1997
Revenues	100.0%	100.0%	100.0%
Costs of service	54.0	60.1	63.7
SG&A expenses	36.9	25.8	24.5
Income from operations	9.1	14.0	11.8
Other income (expense)	4.9(1)	0.1	1.0
Provision for income taxes	5.8	5.8	5.0
Net income	8.2(1)	8.3	7.7

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(1) Includes the $2.4 million pretax net proceeds of a one-time payment made by a former client to TeleTech in the first quarter of 1995 in connection with such client's early termination of a contract (the One-Time Payment).

1997 COMPARED TO 1996

REVENUES. Revenues increased $98.0 million, or 59.2%, to $263.5 million in 1997 from $165.5 million in 1996. The increase resulted from $73.1 million in revenues from new clients and $62.8 million in increased revenues from existing clients. These increases were offset in part by contract expirations and other client reductions, including the loss of $21.3 million from the termination of the CompuServe contract in the first quarter of 1997, which in 1996 accounted for 14% of consolidated revenues. Revenues for 1997 include approximately $84.0 million from facilities management contracts as compared with $48.4 million during 1996.

COSTS OF SERVICES. Costs of services increased $68.3 million, or 68.6%, to $167.8 million in 1997 from $99.5 million in 1996. Costs of services as a percentage of revenues increased from 60.1% in 1996 to 63.7% in 1997. This increase in the costs of services as a percentage of revenues is a result of reduced capacity utilization due to lower third and fourth quarter volumes in two significant client programs. These lower volumes resulted from a labor strike experienced by a client in the transportation industry coupled with increased efficiencies in this client's call centers and a reduction in marketing spending by a telecommunications client.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A expenses increased $21.9 million, or 51.2%, to $64.6 million in 1997, from $42.8 million in 1996. This increase is almost entirely the result of the increased level of operations during 1997. SG&A expenses as a percentage of revenues decreased from 25.8% in 1996 to 24.5% in 1997.

INCOME FROM OPERATIONS. As a result of the foregoing factors, income from operations increased $7.8 million, or 33.7%, to $31.0 million in 1997 from $23.2 million in 1996. Income from operations as a percentage of revenues decreased from 14% in 1996 to 11.8% in 1997. Income from operations as a percentage of revenues has declined from 14.1% in the first quarter of 1997 to 9.3% in the fourth quarter of 1997. This decline resulted from the reduced capacity utilization and lower revenue due to lower third and fourth quarter volumes associated with two significant clients in the telecommunications and transportation industries. The Company believes its operating margin in the first half of 1998 will approximate the 1997 fourth quarter operating margin of 9.3% as the Company replaces volumes lost during the second half of 1997 from these two programs. Operating margin is expected to improve in the last half of 1998 as capacity utilization increases as new clients are added.

OTHER INCOME (EXPENSE). Other income increased $2.4 million to $2.5 million in 1997 compared to $133,000 in 1996. Interest expense decreased $42,000 to $1.0 million in 1997, compared to $1.1 million in 1996. This decrease is primarily the result of a slight decrease in borrowings under capital leases during 1997. Interest income increased $2.0 million to $3.3 million in 1997 compared to $1.3 million in 1996. This increase is the result of the increase in invested funds during 1997 arising from the proceeds of the Company's two public stock offerings during the second half of 1996.

INCOME TAXES. The Company's effective tax rate decreased from 41.1% in 1996 to 39.6% in 1997. This is primarily the result of decreased state income taxes resulting from tax credits received from certain states for employment incentives as well as an increased tax benefit on the Company's United Kingdom operations.

NET INCOME. As a result of the foregoing factors, net income increased $6.5 million, or 47.4 %, to $20.3 million in 1997 from $13.8 million in 1996.

1996 COMPARED TO 1995

REVENUES. Revenues increased $115.0 million, or 228%, to $165.5 million in 1996 from $50.5 million in 1995. The increase resulted from $13.3 million in revenues of Access 24, acquired in the first quarter of 1996; $55.9 million in revenues from new clients (including $48.4 million attributable to facilities management agreements); and $61.3 million in increased revenues from existing clients. These increases were offset in part by contract expirations and other client reductions, including the loss of $7.9 million in revenues due to the expiration of the Continental Airlines contract in the first quarter of 1996.

COSTS OF SERVICES. Costs of services increased $72.3 million, or 265%, to $99.5 million in 1996 from $27.2 million in 1995. Costs of services as a percentage of revenues increased from 54% in 1995 to 60.1% in 1996. This increase in the costs of services as a percentage of revenues is a result of the higher proportion of revenues received in 1996 from the Company's facilities management programs, under which the Company commenced significant operations in April 1996. These programs have higher costs of services as a percentage of revenues than fully outsourced programs and correspondingly lower levels of SG&A. There were no facilities management program revenues in 1995.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A expenses increased $24.1 million, or 129.5%, to $42.8 million in 1996 from $18.6 million in 1995. This increase is almost entirely the result of the increased level of operations during 1996. SG&A expenses as a percentage of revenues decreased from 36.9% in 1995 to 25.8% in 1996, primarily due to the impact of the Company's facilities management programs, which have significantly lower levels of SG&A expenses, and also as a result of the spreading of fixed costs over a larger revenue base.

INCOME FROM OPERATIONS. As a result of the foregoing factors, income from operations increased $18.6 million, or 405%, to $23.2 million in 1996 from $4.6 million in 1995. Income from operations as a percentage of revenues increased from 9.1% in 1995 to 14% in 1996.

OTHER INCOME (EXPENSE). Other income decreased $2.4 million to $133,000 in 1996 compared to $2.5 million in 1995, which is primarily due to the impact of the One-Time Payment during the first quarter of 1995. Interest expense increased $621,000 to $1.1 million in 1996 compared to $459,000 in 1995. This increase is primarily the result of increased borrowings under capital leases during 1996. Interest income increased $762,000 to $1.3 million in 1996 compared to $577,000 in 1995. This increase is the result of the significant increase in invested funds arising from the proceeds of the Company's two public stock offerings during the second half of 1996.

NET INCOME. As a result of the foregoing factors, net income increased $9.6 million, or 231%, to $13.8 million in 1996 from $4.2 million in 1995. Excluding the One-Time Payment, net income in 1995 would have been $2.6 million. Accordingly, net income would have increased $11.2 million, or 430%, in 1996 compared to 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a $15.0 million unsecured revolving operating line of credit that expires on May 31, 1998. Borrowings under this line bear interest at various rates that are selected by the Company each time a draw is made. There currently are no outstanding borrowings under this facility. Under this line of credit, the Company has agreed to maintain certain financial ratios and capital expenditure limits. The Company is in compliance with all covenants of this agreement. The Company currently is negotiating a new, unsecured revolving line of credit that will increase the amount available for borrowing.

In addition, the Company has a master lease agreement under which the Company may lease equipment up to an aggregate value of $15.0 million. As of December 31, 1997, amounts outstanding under this agreement were approximately $8.0 million. Lease rates under this agreement are based upon a 125 basis point spread over three-year

U.S. Treasury notes.

Cash provided by operating activities was $30.2 million in 1997 as compared to $8.8 million in 1996. Cash provided by operating activities consists of $30.9 million of total net income before depreciation, amortization and other non-cash charges, offset in part by $653,000 of changes in working capital.

The amount of cash used by the Company in investing activities was $30.2 million in 1997. During 1997, the Company's capital expenditures (exclusive of $4.3 million in assets acquired under capital leases) were $32.5 million, and the Company used $2.4 million for the TMI acquisition. Cash used in investing activities was $69.2 million for 1996 resulting primarily from $7.4 million in capital expenditures and $61.2 million in increased short-term investments resulting from the public stock offerings.

Historically, capital expenditures have been, and future capital expenditures are anticipated to be, primarily for the development of call center facilities, the acquisition of equipment to support expansion of the Company's existing call centers, and expansion of the Company's call and data management systems and management information systems. The Company currently expects total capital expenditures in 1998 to be approximately $45.0 million to $50.0 million. The Company expects that such capital expenditures will be used primarily to open up to three new U.S. and three new international call centers during 1998. Such expenditures will be financed with internally generated funds, existing cash investments and additional borrowings. As of December 31, 1997, the Company had not contractually committed to any significant capital expenditures. The level of capital expenditures incurred in 1998 will be dependent upon new client contracts obtained by the Company and the corresponding need for additional capacity. In addition, if the Company's future growth is generated through facilities management contracts, the anticipated level of capital expenditures could be reduced significantly.

Cash provided by financing activities in 1997 was $944,000. This primarily resulted from the exercise of stock options and the related tax benefit offset in part by capital lease and long-term debt payments. In 1996, cash provided by financing activities of $65.9 million resulted primarily from the proceeds from the Company's two public stock offerings during 1996.

The Company believes that existing cash and short-term investments together with available borrowings under its line of credit and master lease agreements will be sufficient to finance the Company's current operations, planned capital expenditures and anticipated growth through 1998. However, if the Company were to make any significant acquisitions for cash, it may be necessary for the Company to obtain additional debt or equity financing. The Company is engaged in ongoing evaluations of, and discussions with, third parties regarding possible acquisitions; however, the Company currently has no definitive agreements with respect to any significant acquisitions.

YEAR 2000 ISSUES

The Company utilizes a significant number of computer software programs and operating systems over its entire organization. In addition, the Company's systems must interface with various information systems of its clients. The Company has made a preliminary determination that it will not incur any significant costs to prepare its systems for the Year 2000. The Company will begin working with its clients in 1998 to determine if there are Year 2000 issues that may impact the client systems in which the Company interfaces.

FORWARD-LOOKING STATEMENTS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this annual report that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements include (i) anticipated operating margins for the first half of 1998 and the Company's expectation that operating margins will improve in the second half of

1998; (ii) the expected opening of additional call centers in 1998 and the Company's expectation that there will be sufficient business to utilize existing and additional call center capacity; (iii) the amount and nature of planned capital expenditures; (iv) the Company's belief that existing cash, short-term investments and available borrowing will be sufficient to finance the Company's near-term operations; (v) the Company's assessment of the impact of the Year 2000 issues; and (vi) statements relating to the Company or its operations that are preceded by terms such as "anticipates," "expects," "believes" and similar expressions.

The Company's actual results, performance or achievements may differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including the following: TeleTech's agreements with clients do not ensure that TeleTech will generate a specific level of revenue and may be canceled by the clients on short notice. The amount of revenue TeleTech generates from a particular client is dependent upon customers' interest in and use of the client's products or services, some of which are recently introduced or untested. Any event that adversely affects the demand for and customers' use of a client's products or services, whether increased competition, labor shortage or strike, unavailability of raw materials or otherwise, may adversely affect the Company's revenues attributable to such client program. The loss of a significant client or the termination, reduction or completion of a significant client program may have a material adverse effect on TeleTech's capacity utilization and results of operations. See "Business-Risk Factors" in the Company's annual report on Form 10-K for other factors that may cause actual results to differ materially from the forward-looking statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this item are located beginning on page 32 of this report.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

There is hereby incorporated by reference the information to appear in TeleTech's definitive proxy statement for its 1998 Annual Meeting of Stockholders under the captions "Information Concerning the Nominees for Election as Directors," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION.

There is hereby incorporated by reference the information to appear under the caption "Executive Officers Executive Compensation" in TeleTech's definitive proxy statement for its 1998 Annual Meeting of Stockholders, provided, however, that neither the Report of the Compensation Committee on Executive Compensation nor the performance graph set forth therein shall be incorporated by reference herein or in any of the Company's previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

There is hereby incorporated by reference the information to appear under the caption "Security Ownership of Certain Beneficial Owners and Management" in TeleTech's definitive proxy statement for its 1998 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

There is hereby incorporated by reference the information to appear under the caption "Certain Relationships and Related Party Transactions" in TeleTech's definitive proxy statement for its 1998 Annual Meeting of Stockholders.

PART IV

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

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements
The Index to Financial Statements is set forth on page 30 of this report.

(2) Financial Statement Schedules
Schedule II - Valuation and Qualifying Accounts and Reserves of TeleTech Holdings, Inc. for periods ending December 31, 1997, 1996, and 1995

(3) Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Restated Certificate of Incorporation of TeleTech [1] {Exhibit 3.1}
3.2	Amended and Restated Bylaws of TeleTech [1] {Exhibit 3.2}
4.1	Amended and Restated Investment Agreement dated August 6, 1996, among TeleTech, TeleTech Investors General Partnership, Alan Silverman, Susan Silverman and Jack Silverman [1] {Exhibit 4.1}
4.2	Stock Transfer and Registration Rights Agreement dated as of January 1, 1996, among TeleTech, Access 24 Holdings Pty Limited, Bevero Pty Limited and Access 24 Service Corporation Pty Limited [1] {Exhibit 4.2}
10.1	Employment Agreement dated as of January 1, 1995, between Joseph D. Livingston and TeleTech [1] {Exhibit 10.2}
10.2	Amendment to the Employment Agreement between Joseph D. Livingston and TeleTech dated May 14, 1996 [1] {Exhibit 10.3}
10.3	Employment Agreement dated as of April 1, 1996, between Steven B. Coburn and TeleTech [1] {Exhibit 10.4}
10.4	TeleTech Holdings, Inc. Stock Plan, as amended and restated [1] {Exhibit 10.7}
10.5	TeleTech Holdings, Inc. Directors Stock Option Plan [1] {Exhibit 10.8}
10.6	Form of Client Services Agreement, 1996 version [1] {Exhibit 10.12}
10.7	Agreement for Call Center Management between United Parcel General Services Co. and TeleTech [1] {Exhibit 10.13}

EXHIBIT NO.	DESCRIPTION
10.8	Business Loan Agreement dated March 29, 1996, among TeleTech Telecommunications, Inc., TeleTech Teleservices, Inc. and TeleTech, as borrower, and First Interstate Bank of California, as lender; addendum dated March 29, 1996 [1] {Exhibit 10.15}
10.9	Master Lease Agreement dated as of July 11, 1995, among First Interstate Bank of California, TeleTech, TeleTech Telecommunications, Inc. and TeleTech Teleservices, Inc. [1] {Exhibit 10.17}
10.10	TeleTech Holdings, Inc. Employee Stock Purchase Plan [3] {Exhibit 10.22}
10.11*	Employment Agreement dated as of January 1, 1998, between Kenneth D. Tuchman and TeleTech
10.12*	Client Services Agreement dated May 1, 1997, between TeleTech Customer Care Management (Telecommunications), Inc. and GTE Card Services Incorporated d/b/a GTE Solutions
21.1*	List of subsidiaries
23.1*	Consent of Arthur Andersen LLP to incorporation by reference of the financial statements into TeleTech's previously filed Registration Statement on Form S-8 (Registration No. 333-17569)
27*	Financial Data Schedule

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* Filed herewith.

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

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

[2] TeleTech's Registration Statements on Form S-1, as amended (Registration Statement Nos. 333-13833 and 333-15297).

[3] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1996.

(b) Report on Form 8-K
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Denver, State of Colorado, on March 20, 1998.

TELETECH HOLDINGS, INC.

/s/ Kenneth D. Tuchman

Kenneth D. Tuchman
Chairman of the Board of Directors,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 20, 1998, by the following persons on behalf of the registrant and in the capacities indicated:

SIGNATURE	TITLE
/s/ KENNETH D. TUCHMAN Kenneth D. Tuchman	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ STEVEN B. COBURN Steven B. Coburn	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ ROD DAMMEYER Rod Dammeyer	Director
/s/ ALAN SILVERMAN Alan Silverman	Director
/s/ STUART SLOAN Stuart Sloan	Director
/s/ SAMUEL ZELL Samuel Zell	Director

INDEX TO FINANCIAL STATEMENTS
TELETECH HOLDINGS, INC.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To TeleTech Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of TELETECH HOLDINGS, INC. (a Delaware corporation) and subsidiaries as of December 31, 1996 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TeleTech Holdings, Inc. and subsidiaries as of December 31, 1996 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Denver, Colorado
February 6, 1998 (except for the matter discussed
in Note 17, as to which the date is February 17, 1998)

TELETECH HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

ASSETS	DECEMBER 31, 1996	DECEMBER 31, 1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,564	$ 6,673
Short-term investments	71,573	69,633
Accounts receivable, net of allowance for doubtful accounts of $1,462 and $2,312, respectively	31,731	37,818
Prepaids and other assets	4,141	1,141
Deferred tax asset	1,128	2,902
Total current assets	114,137	118,167
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $11,231 and $20,593, respectively	23,684	49,948
OTHER ASSETS:		
Deferred contract costs, net of amortization of $1,658 and $2,361, respectively	703	-
Long-term accounts receivable	-	4,274
Goodwill, net of amortization of $238 and $587, respectively	3,257	7,295
Investment in affiliated company accounted for under the equity method	679	981
Other assets	918	1,138
Total assets	$143,378	$181,803

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

TELETECH HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1996	DECEMBER 31, 1997
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 4,985	$ 5,561
Accounts payable	6,108	7,359
Accrued employee compensation	8,484	12,012
Accrued income taxes	2,952	1,803
Other accrued expenses	3,246	10,524
Customer advances, deposits and deferred income	787	1,472
Total current liabilities	26,562	38,731
DEFERRED TAX LIABILITIES	564	1,147
LONG-TERM DEBT, net of current portion:		
Capital lease obligations	9,675	8,547
Other debt	262	368
Total liabilities	37,063	48,793
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock; $.01 par value; 150,000,000 shares authorized; 55,811,840 and 56,409,953 shares, respectively, issued; and 55,713,030 and 56,311,143 shares, respectively, outstanding	558	564
Additional paid-in capital	92,030	99,339
Cumulative translation adjustment	98	(922)
Unearned compensation-restricted stock	(254)	(127)
Treasury stock, 98,810 shares, at cost	(988)	(988)
Retained earnings	14,871	35,144
Total stockholders' equity	106,315	133,010
Total liabilities and stockholders' equity	$143,378	$181,803

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

TELETECH HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	1995	1996	1997
REVENUES	$50,467	$165,504	$263,477
OPERATING EXPENSES:			
Costs of services	27,246	99,539	167,798
Selling, general and administrative expenses	18,625	42,753	64,636
Total operating expenses	45,871	142,292	232,434
INCOME FROM OPERATIONS	4,596	23,212	31,043
OTHER INCOME (EXPENSE):			
Interest expense	(459)	(1,080)	(1,038)
Interest income	577	1,339	3,345
Equity in income (losses) of affiliated company	-	(70)	302
Other (Note 14)	2,371	(56)	(83)
	2,489	133	2,526
INCOME BEFORE INCOME TAXES	7,085	23,345	33,569
Provision for Income Taxes	2,929	9,589	13,296
NET INCOME	$ 4,156	$ 13,756	$ 20,273
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	51,046	52,779	56,079
Diluted	54,304	56,409	59,247
NET INCOME PER SHARE			
Basic	$ .08	$ .26	$ .36
Diluted	$ .08	$ .24	$ .34

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997
(AMOUNTS IN THOUSANDS)

	MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK		TREASURY STOCK		COMMON STOCK		COMMON STOCK OF COMBINED ENTITIES	UNEARNED ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT		
BALANCES, January 1, 1995	-	$ -	-	$ -	-	$ -	$ 25	$ -
Issuance of Preferred Stock	1,860	12,000						
Reclassify retained earnings to additional paid in capital upon termination of S corporation election								2,172
Stock exchange					40,700	407	(25)	(325)
Distribution to stockholder								
Net income								
Dividends accrued on Preferred Stock		867						
BALANCES, December 31, 1995	1,860	12,867	-	-	40,700	407	-	1,847
Purchase of Access 24					970	10	4,841	4,851
Translation adjustments								
Dividends on Preferred Stock		422						
Issuance of restricted stock					76	1		379
Compensation expense on restricted stock								
Conversion of Preferred Stock	(1,860)	(13,289)			9,300	93		13,196
Public offerings of common stock					4,600	46		69,910
Acquisition of treasury stock			99	(988)				
Exercise of stock options					166	1		249
Tax benefit of stock option exercises								
Net income								1,608
BALANCES, December 31, 1996	-	-	99	(988)	55,812	558	-	92,030
Employee stock purchase plan					28			440
Acquisition of TMI					100	1	-	1,797
Translation adjustments								
Compensation expense on restricted stock								
Exercise of stock options					470	5		1,912
Tax benefit of stock option exercises								3,160
Net income								
BALANCES, December 31, 1997	-	$ -	99	$ (988)	56,410	$ 564	$ -	$99,339

	CUMULATIVE TRANSLATION ADJUSTMENT	UNEARNED COMPENSATION RESTRICTED STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDERS EQUITY
BALANCES, January 1, 1995	$ -	$ -	$ 2,172	$ 2,197
Issuance of Preferred Stock				-
Reclassify retained earnings to additional paid in capital upon termination of S corporation election			(2,172)	-
Stock exchange			(57)	-
Distribution to stockholder				(1,695)
Net income			4,156	4,156
Dividends accrued on Preferred Stock			(867)	(867)
BALANCES, December 31, 1995	-	-	1,537	3,791
Purchase of Access 24				4,851
Translation adjustments	98			98
Dividends on Preferred Stock			(422)	(422)
Issuance of restricted stock		(380)		-
Compensation expense on restricted stock		126		126
Conversion of Preferred Stock				13,289
Public offerings of common stock				69,956
Acquisition of treasury stock				(988)
Exercise of stock options				250
Tax benefit of stock option exercises				1,608
Net income			13,756	13,756
BALANCES, December 31, 1996	98	(254)	14,871	106,315
Employee stock purchase plan				440
Acquisition of TMI				1,798
Translation adjustments	(1,020)			(1,020)
Compensation expense on restricted stock		127		127
Exercise of stock options				1,917
Tax benefit of stock option exercises				3,160
Net income			20,273	20,273
BALANCES, December 31, 1997	$ (922)	$ (127)	$35,144	$ 133,010

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997
(AMOUNTS IN THOUSANDS)

	1995	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,156	$ 13,756	$ 20,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,124	7,068	10,595
Allowance for doubtful accounts	616	673	850
Deferred income taxes	21	(585)	(1,344)
Equity in (income) loss of affiliated company	-	70	(302)
Deferred compensation expense	-	126	127
Changes in assets and liabilities:			
Accounts receivable	(6,104)	(21,330)	(10,713)
Prepaids and other assets	(79)	(1,059)	115
Deferred contract costs	(346)	(2,015)	-
Accounts payable and accrued expenses	2,730	12,044	10,159
Customer advances, deposits and deferred income	149	7	455
Net cash provided by operating activities	3,267	8,755	30,215
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(1,735)	(7,361)	(32,491)
Purchase of TMI, net of cash acquired	-	-	(2,440)
Purchase of Access 24, net of cash acquired	-	(2,461)	-
Proceeds from sale of interest in Access 24 UK Limited	-	3,905	-
Temporary deposit on new call center	-	(3,000)	3,000
Changes in accounts payable and accrued liabilities related to investing activities	-	916	(190)
Decrease (increase) in short-term investments	(10,361)	(61,212)	1,940
Net cash used in investing activities	(12,096)	(69,213)	(30,181)

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997
(AMOUNTS IN THOUSANDS)

	1995	1996	1997
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in bank overdraft	$ 867	$(1,427)	$ -
Net increase (decrease) in short-term borrowings	361	(1,000)	-
Payments on long-term debt	(625)	(936)	(216)
Proceeds from long-term debt borrowings	-	-	510
Payments under capital lease obligations	(971)	(1,530)	(4,867)
Proceeds from common stock issuances	-	69,956	440
Proceeds from exercise of stock options	-	250	1,917
Tax benefit from stock option exercises	-	1,608	3,160
Acquisition of treasury stock	-	(988)	-
Payments under subordinated notes payable to stockholder	(1,104)	-	-
Distributions to stockholder	(1,695)	-	-
Issuance of Preferred Stock	12,000	-	-
Net cash provided by financing activities	8,833	65,933	944
Effect of exchange rate changes on cash	-	47	131
NET INCREASE IN CASH AND CASH EQUIVALENTS	4	5,522	1,109
CASH AND CASH EQUIVALENTS, beginning of period	38	42	5,564
CASH AND CASH EQUIVALENTS, end of period	$ 42	$ 5,564	$ 6,673
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 465	$ 1,019	$ 1,168
Cash paid for income taxes	$ 2,424	$ 6,599	$12,021
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired through capital leases	$ 4,106	$10,247	$ 4,264
Stock issued in purchase of Access 24	$ -	$ 4,851	$ -
Stock issued in purchase of TMI	$ -	$ -	$ 1,798
Restricted stock issued under employment agreements	$ -	$ 380	$ -

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997

TeleTech Holdings, Inc. ("THI" or the "Company") is a provider of outsourced strategic customer care solutions for Fortune 1000 corporations in targeted industries in the United States, United Kingdom, Australia, New Zealand and Mexico. Customer care encompasses a wide range of customer acquisition, retention and satisfaction programs designed to maximize the lifetime value of the relationship between the Company's clients and their customers.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements are composed of the accounts of THI and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is accumulated as a separate component of stockholders' equity. The net effect of translation gains on the Company's Mexican subsidiary is included in determining net income, as Mexico is considered a highly inflationary economy. Foreign currency transaction gains and losses are included in determining net income. Such gains and losses were not material for any period presented.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Additions, improvements and major renewals are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Amounts paid for software licenses and third-party packaged software are capitalized. Costs relating to the internal development of software are expensed as incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, as follows:

Computer equipment and software	4-5 years
Telephone equipment	5-7 years
Furniture and fixtures	5-7 years
Leasehold improvements	5-7 years
Vehicles	5 years

Assets acquired under capital lease obligations are amortized over the life of the applicable lease of four to seven years (or the estimated useful lives of the assets, of four to seven years, where title to the leased assets passes to the Company on termination of the lease).

REVENUE RECOGNITION

The Company recognizes revenues at the time services are performed. The Company has certain contracts that are billed in advance. Accordingly, amounts billed but not earned under these contracts are excluded from revenues and included in deferred income.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations when incurred and are included in operating expenses. Research and development costs were not material to any periods presented.

DEFERRED CONTRACT COSTS

The Company previously deferred certain incremental direct costs incurred in connection with preparing to provide services under certain long-term facilities management agreements. Costs that were deferred included the costs of hiring dedicated personnel to manage client-owned facilities, their related payroll and other directly associated costs from the time long-term facilities management agreements were entered into until the beginning of providing services. Such costs were amortized over 12 months. Deferred contract costs at December 31, 1995 and 1996, include costs incurred in preparing to provide services under a five-year agreement entered into in October 1995, under which the Company began providing services during April 1996. For the years ended December 31, 1996 and 1997, the Company recorded amortization expense of $1,658,000 and $703,000, respectively.

INTANGIBLE ASSETS

The excess of cost over the fair market value of tangible net assets and trademarks of acquired businesses is amortized on a straight-line basis over the periods of expected benefit of 15 to 25 years. Amortization of goodwill for the years ended December 31, 1996 and 1997, was $238,000 and $349,000, respectively. There was no amortization expense in 1995.

Subsequent to an acquisition, the Company continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of an intangible asset may warrant revision or that the remaining balance of an intangible asset may not be recoverable. When factors indicate that an intangible asset should be evaluated for possible impairment, the Company uses an estimate of the related business' undiscounted future cash flows over the remaining life of the asset in measuring whether the intangible asset is recoverable. Management does not consider that any provision for impairment of intangible assets is required.

INCOME TAXES

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

EARNINGS PER SHARE

Earnings per share are computed based upon the weighted average number of common shares and common share equivalents outstanding. Pursuant to the Securities and Exchange Commission rules, common stock and common stock equivalent shares issued by the Company at prices below the initial public offering price during the 12-month period prior to the July 1996 offering have been included in the calculation as if they were outstanding for all the periods presented regardless of whether they are antidilutive. On May 14, 1996, the Company approved a five-for-one share common stock split, which was effective on July 31, 1996. Common stock amounts, equivalent share amounts and per share amounts have been adjusted retroactively to give effect to the stock split.

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS 128, "Earnings Per Share." Under SFAS 128, primary earnings per share previously required under Accounting Principles Board No. 15 is replaced with basic earnings per share. Basic earnings per share is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. No dilution for any potentially dilutive securities is included. Fully diluted earnings per share as defined under Accounting Principles Board No. 15 is called diluted earnings per share under SFAS 128. Diluted earnings per share reflects the potential dilution assuming the issuance of common shares for all dilutive potential common shares outstanding during the period. For purposes of the calculation of basic earnings per share for 1995 and 1996, net income was reduced by $867,000 and $422,000, respectively, representing dividends on Preferred Stock, to arrive at net income available for common shareholders. The difference between diluted and basic shares outstanding relates to outstanding stock options.

INCREASE IN AUTHORIZED SHARES

On May 14, 1996, the board of directors authorized an amendment to the Company's Certificate of Incorporation that was effective immediately prior to the closing of the initial public offering of the Company's common stock. The amendment increased the authorized shares of common stock to 150.0 million shares and also authorized the Company to issue up to 10.0 million shares of Preferred Stock.

RESTRICTED STOCK AWARDS

In January 1996, the Company awarded 76,000 restricted shares of the Company's common stock to certain employees as compensation to be earned over the term of the employees' related employment agreements (three years). The market value of the stock at the date of award was $380,000. This amount has been recorded as unearned compensation-restricted stock and is shown as a separate component of stockholders' equity. For the years ended December 31, 1996 and 1997, the Company recognized compensation expense of $126,000 and $127,000, respectively, related to these awards.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Company considers all cash and investments with an original maturity of 90 days or less to be cash equivalents.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income," which establishes standards for reporting and displaying comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general purpose financial statements. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 130 does not require a specific format for that financial statement but requires that the enterprise display an amount representing total comprehensive income for the period in that financial statement. SFAS 130 is effective for financial statements for periods beginning after December 15, 1997, and will require additional disclosure in the Company's financial statements.

In June 1997, the FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS 131 requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997. Although the adoption of SFAS 131 will require additional disclosure in the Company's financial statements, the Company has not yet determined those additional disclosures.

(2) CONCENTRATIONS

The Company's revenues from major customers (revenues in excess of 10% of total sales) are from entities involved in the telecommunications, technology and transportation industries. The revenues from such customers as a percentage of total sales for each of the three years ended December 31, 1997, are as follows:

	1995	1996	1997
Customer A	31%	27%	19%
Customer B	18%	1%	-
Customer C	3%	14%	2%
Customer D	-	28%	24%
Customer E	-	-	16%
	52%	70%	61%

At December 31, 1997, accounts receivable from Customers A, C, D and E were $6.2 million, $4.3 million, $4.3 million and $8.4 million, respectively.

At December 31, 1996, accounts receivable from Customers A, C and D were $8.9 million, $3.1 million and $6.3 million, respectively. There were no other customers with receivable balances in excess of 10% of consolidated accounts receivable.

The loss of one or more of its significant customers could have a material adverse effect on the Company's business, operating results or financial condition. To limit the Company's credit risk, management performs ongoing credit evaluations of its customers and maintains allowances for potentially uncollectible accounts. Although the Company is directly impacted by economic conditions in the telecommunications, technology, transportation, healthcare and financial services industries, management does not believe significant credit risk exists at December 31, 1997.

GEOGRAPHIC AREA INFORMATION

Prior to 1996, the Company operated exclusively within the United States. Geographic area information for the years ended December 31, 1996 and 1997, is as follows (in thousands):

	UNITED STATES	ASIA PACIFIC	OTHER	TOTAL
DECEMBER 31, 1997:				
Revenues	$227,660	29,790	6,027	$263,477
Income (loss) before income taxes	30,880	3,647	(958)	33,569
Assets	149,197	18,564	14,042	181,803
DECEMBER 31, 1996:				
Revenues	$151,596	$13,264	$ 644	$165,504
Income (loss) before income taxes	22,163	1,750	(568)	23,345
Assets	131,027	10,326	2,025	143,378

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 1996 and 1997 (in thousands):

	1996	1997
Computer equipment and software	$ 20,228	$ 31,586
Telephone equipment	2,051	5,938
Furniture and fixtures	7,433	16,400
Leasehold improvements	5,042	16,553
Other	161	64
	34,915	70,541
Less accumulated depreciation	(11,231)	(20,593)
	$ 23,684	$ 49,948

Included in the cost of property and equipment is the following equipment obtained through capitalized leases as of December 31, 1996 and 1997 (in thousands):

	1996	1997
Computer equipment and software	$ 12,079	$ 14,796
Telephone equipment	845	845
Furniture and fixtures	5,505	7,052
	18,429	22,693
Less accumulated depreciation	(4,371)	(8,710)
	$ 14,058	$ 13,983

Depreciation expense was $2.1 million, $5.2 million and $9.6 million for the years ended December 31, 1995, 1996, and 1997, respectively. Depreciation expense related to leased equipment under capital leases was $985,000, $3.1 million and $4.4 million for the years ended December 31, 1995, 1996, and 1997, respectively.

(4) CAPITAL LEASE OBLIGATIONS

On July 11, 1995, the Company negotiated a master lease agreement with a bank. In May 1996, the master lease was amended to increase the lease line to $15.0 million. The terms of the leases are 48 months and interest is payable at the then most recent weekly average of three-year Treasury notes plus 125 basis points.

The Company has financed property and equipment under non-cancelable capital lease obligations. Accordingly, the fair value of the equipment has been capitalized and the related obligation recorded. The average implicit interest rate on these leases was 8.3% at December 31, 1997. Interest is charged to expense at a level rate applied to declining principal over the period of the obligation.

The future minimum lease payments under capitalized lease obligations as of December 31, 1997, are as follows (in thousands):

Year ending December 31,	
1998	$ 6,764
1999	5,675
2000	2,478
	14,917
Less amount representing interest	(1,132)
	13,785
Less current portion	(5,238)
	$ 8,547

Interest expense on the outstanding obligations under such leases was $313,000, $866,000 and $1,030,000 for the years ended December 31, 1995, 1996, and 1997, respectively.

(5) LONG-TERM DEBT

As of December 31, 1996 and 1997, long-term debt consisted of the following notes (in thousands):

	1996	1997
Note payable, interest at 8% per annum, principal and interest payable monthly, maturing May 2000	$ 129	$ 95
Note payable, interest at 5% per annum, principal and interest payable quarterly, maturing December 1999	-	422
Note payable, interest at 5% per annum, principal and interest payable monthly, maturing January 2000	242	174
Other notes payable	25	-
	396	691
Less current portio	(134)	(323)
	$ 262	$ 368

Annual maturities of the long-term debt described above are as follows (in thousands):

Year ended December 31,	
1998	$323
1999	344
2000	24
	$691

(6) REVOLVING LINE OF CREDIT

The Company has an unsecured revolving line of credit agreement with a commercial bank under which it may borrow up to $15.0 million, which expires in May 1998. Interest is payable at various interest rates. The borrowings can be made at (i) the bank's prime rate; (ii) a certificate of deposit rate plus 125 basis points for periods of 7 to 90 days with minimum advances of $500,000 with $100,000 increments; (iii) LIBOR plus 125 basis points for borrowing periods of 1, 2, 3 or 6 months; or (iv) agreed-upon rates. At December 31, 1996 and 1997, there were no amounts outstanding under this facility. The Company is required to comply with certain minimum financial ratios under covenants in connection with the borrowings described above.

(7) INCOME TAXES

The components of income before income taxes are as follows (in thousands):

	1995	1996	1997
Domestic	$7,085	$22,163	$30,880
Foreign	-	1,182	2,689
Total	$7,085	$23,345	$33,569

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

	1995	1996	1997
Current provision:			
Federal	$2,473	$ 7,653	$10,971
State	434	1,784	2,468
Foreign	-	737	1,201
	2,907	10,174	14,640

Deferred provision:			
Federal	(154)	(474)	(1,036)
State	(37)	(111)	(190)
Foreign	-	-	(118)
	(191)	(585)	(1,344)
Change in tax status from S corporation to C corporation	213	-	-
	$2,929	$ 9,589	$13,296

The following reconciles the Company's effective tax rate to the federal statutory rate for the years ended December 31, 1995, 1996, and 1997 (in thousands):

	1995	1996	1997
Income tax expense per federal statutory rate	$2,408	$8,171	$11,749
State income taxes, net of federal deduction	262	1,144	1,477
Effect of change in tax status from S corporation to C corporation	213	-	-
Permanent differences	46	150	(100)
Foreign income taxed at higher rate	-	124	170
	$2,929	$9,589	$13,296

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

	1996	1997
Deferred tax assets:		
Allowance for doubtful accounts	$ 540	$ 876
Vacation accrual	588	1,062
Insurance reserves	-	475
Other	-	489
	1,128	2,902
Deferred tax liabilities		
Excess depreciation for tax	(564)	$(1,147)
Net deferred income tax asset	$ 564	$ 1,755

A valuation allowance has not been recorded as the Company expects that all deferred tax assets will be realized in the future.

(8) COMMITMENTS AND CONTINGENCIES

The Company has various operating leases for equipment, call center facilities and office space. Lease expense under operating leases was approximately $2,023,000, $4,206,000 and $7,965,000 for the years ended December 31, 1995, 1996, and 1997, respectively.

The future minimum rental payments required under non-cancelable operating leases as of December 31, 1997, are as follows (in thousands):

Year ended December 31,	
1998	$ 9,243
1999	9,075
2000	6,756
2001	5,683
2002	4,148
Thereafter	14,929
	$49,834

The Company has an outstanding irrevocable standby letter of credit of $375,000 at December 31, 1997, which secures commitments under a facilities lease and expires in February 1999.

LEGAL PROCEEDINGS. In November 1996, the Company received notice that CompuServe Incorporated (CompuServe) was withdrawing its WOW! Internet service from the marketplace and that effective January 31, 1997, it would terminate all the programs provided to CompuServe by the Company. Pursuant to the terms of its agreement with the Company, CompuServe was entitled to terminate the agreement for reasonable business purposes upon 120 days advance notice and by payment of a termination fee calculated in accordance with the agreement. In December 1996, the Company filed suit against CompuServe to enforce these termination provisions and collect the termination fee. CompuServe filed a counterclaim in December 1996 alleging that the Company breached other provisions of this agreement and seeking unspecified monetary damages. In March 1997, CompuServe asserted a right to offset, against the amount that may be awarded to CompuServe on its counterclaim, if any, certain accounts receivable it owes to the Company for services rendered. These accounts receivable total $4.3 million.

In mid-1997, CompuServe announced it had agreed to sell its worldwide on-line services business to America Online, Inc. and its network services business to a wholly owned subsidiary of WorldCom, Inc. The Company and CompuServe agreed to stay their litigation pending the sale, which was completed in January 1998. The litigation has now recommenced. Although the Company believes that this litigation will not have a material adverse effect on the Company's financial condition or results of operations, the ultimate outcome is still uncertain. Because it is uncertain whether this litigation will be concluded in 1998, the Company has reclassified the $4.3 million receivable as a long-term asset in the December 31, 1997, balance sheet.

(9) COMMON STOCK OFFERINGS

In August 1996, the Company completed an initial public offering of 4.0 million shares of common stock at a price of $14.50 per share. Selling shareholders sold an additional 3.2 million shares of common stock in the Company's initial public offering. Immediately prior to the offering, the Company acquired 98,810 shares of treasury stock at a price of $10 per share.

In November 1996, the Company completed a secondary offering of 600,000 shares of common stock at a price of $31 per share. Selling shareholders sold an additional 4.0 million shares of common stock in connection with the secondary offering of which 155,600 were shares sold upon the exercise of stock options.

(10) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit-sharing plan that covers all employees who have completed one year of service, as defined, and are 21 or older. Participants may defer up to 15% of their gross pay up to a maximum limit determined by law. Participants are always 100% vested in their contributions. Participants are also eligible for a matching contribution by the company of 50% of the first 5% of compensation a participant contributes to the plan. Participants vest in all matching contributions over a four-year period.

(11) MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK

In January 1995, the Company issued 1.86 million shares of convertible Preferred Stock at $6.45 per share for gross proceeds of $12.0 million. The 1.86 million shares of Preferred Stock initially were convertible, at the option of the preferred stockholders, into 9.3 million shares of common stock. In the event that the holders of Preferred Stock had not exercised their conversion rights prior to May 18, 2002, they would have been entitled to either convert their Preferred Stock to shares of common stock or redeem their shares for cash. Such conversion was to have provided an internal rate of return to the preferred stockholders of 7% per annum. Accordingly, dividends were accrued cumulatively at the rate of 0.5833% per month. In connection with and immediately prior to the Company's initial public offering in July 1996, all 1.86 million outstanding shares of Preferred Stock together with all accrued dividends thereon were converted into 9.3 million shares of common stock.

(12) STOCK COMPENSATION PLANS

The Company adopted a stock option plan during 1995 and amended and restated the plan in January 1996 for directors, officers, employees, consultants and independent contractors. The plan reserves 7.0 million shares of common stock and permits the award of incentive stock options, non-qualified options, stock appreciation rights and restricted stock. Outstanding options vest over a three- or five-year period and are exercisable for 10 years from the date of grant.

In January 1996, the Company adopted a stock option plan for non-employee directors (the "Director Plan"), covering 750,000 shares of common stock. All options are to be granted at fair market value at the date of grant. Options vest as of the date of the option and are not exercisable until six months after the option date. Options granted are exercisable for 10 years from the date of grant unless a participant is terminated for cause or one year after a participant's death. The Director Plan had options to purchase 262,500 and 337,500 shares outstanding at December 31, 1996 and 1997, respectively.

In July 1996, the Company adopted an employee stock purchase plan (the ESPP). Pursuant to the ESPP, an aggregate of 200,000 shares of common stock of the Company will be sold in periodic offerings to eligible employees of the Company. The price per share purchased in any offering period is equal to the lesser of 90% of the fair market value of the common stock on the first day of the offering period or on the purchase date. The offering periods have a term of six months. Contributions to the plan for the years ended December 31, 1996 and 1997, were $166,000 and $419,000, respectively.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 123 (SFAS 123)

The Financial Accounting Standards Board's SFAS 123, "Accounting for Stock Based Compensation," defines a fair value based method of accounting for an employee stock option, employee stock purchase plan or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the method of accounting prescribed by the Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting in APB 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS 123 has been applied.

The Company has elected to account for its stock-based compensation plans under APB 25; however, the Company has computed for pro forma disclosure purposes the value of all options granted using the Black-Scholes option pricing model as prescribed by SFAS 123 and the following weighted average assumptions used for grants:

	1995	1996	1997
Risk-free interest rate	6.3%	6.3%	5.4%
Expected dividend yield	0%	0%	0%
Expected lives	4.1 years	4.1 years	3.2 years
Expected volatility	59%	59%	70%

The pro forma compensation expense was computed to be the following approximate amounts:

Year ended December 31, 1995	$ 341,000
Year ended December 31, 1996	$3,922,000
Year ended December 31, 1997	$4,121,000

If the Company had accounted for these plans in accordance with SFAS 123, the Company's net income and pro forma net income per share would have been reported as follows:

NET INCOME (IN THOUSANDS)

	1995	1996	1997
As reported	$4,156	$13,756	$20,273
Pro forma	$3,815	$11,383	$17,759

PRO FORMA NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

	1995	1996	1997
As reported:			
Basic	$.08	$.26	$.36
Diluted	$.08	$.24	$.34
Pro forma:			
Basic	$.07	$.22	$.32
Diluted	$.07	$.20	$.30

A summary of the status of the Company's two stock option plans for the three years ended December 31, 1997, together with changes during each of the years then ended, is presented in the following table:

	SHARES	WEIGHTED AVERAGE PRICE PER SHARE
Outstanding, December 31, 1994	-	
Grants	2,355,000	$ 1.90
Exercises	-	-
Forfeitures	-	-

Outstanding, December 31, 1995	2,355,000	1.90
Grants	2,929,405	8.78
Exercises	(165,600)	1.51
Forfeitures	(79,115)	9.36
Outstanding, December 31, 1996	5,039,690	5.79
Grants	880,500	17.79
Exercises	(470,272)	4.08
Forfeitures	(519,600)	9.95
Outstanding, December 31, 1997	4,930,318	7.61
Options exercisable at year-end:		
1995	285,854	$ 1.32
1996	990,234	$ 3.32
1997	1,498,425	$ 4.90
Weighted average fair value of options granted during the year:		
1995	$0.82	
1996	$4.25	
1997	$7.68	

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives at December 31, 1997:

Exercise Price Range	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Life
$1.29	1,041,100	$ 1.29	8
$1.30 - $5.00	1,540,346	$ 3.66	8
$8.00	1,067,614	$ 8.00	8
$9.00 - $19.25	852,758	$14.34	9
$19.50 - $26.88	403,500	$22.50	9
$27.13	25,000	$27.13	9

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of cash equivalents and other current amounts receivable and payable approximate the carrying amounts due to their short-term nature. Short-term investments include primarily U.S. government Treasury bills, investments in commercial paper, corporate bonds and other corporate obligations. These investments are classified as held to maturity securities and are measured at amortized cost. The carrying values of these investments approximate their fair values.

Debt and long-term receivables carried on the Company's consolidated balance sheet at December 31, 1996 and 1997, respectively, has a carrying value that is not significantly different than its estimated fair value. The fair value is based on discounting future cash flows using current interest rates adjusted for risk. The fair value of the short-term debt approximates its recorded value due to its short-term nature.

(14) OTHER INCOME

Other income for the year ended December 31, 1995, includes $2.4 million received in settlement of a premature termination of a contract.

(15) RELATED PARTY TRANSACTIONS

The Company provided reservation call handling services to Midway Airlines Corporation ("Midway"), a majority-owned subsidiary of Zell/Chilmark Fund, L.P. Samuel Zell, a director of the Company, is an affiliate of Zell/Chilmark Fund, L.P., and Rod Dammeyer, a director of the Company and a member of the Audit

Committee of the board of directors, is the managing director of Zell/Chilmark Fund, L.P. During the years ended December 31, 1995, 1996, and 1997, the Company charged Midway an aggregate of $1,292,000, $2,324,000 and $841,000, respectively, for services rendered by the Company. Service to Midway was discontinued in 1997 and as of December 31, 1996 and 1997, no amounts were due from Midway for services rendered by the Company.

The Company utilizes the services of EGI Risk Services, Inc. for reviewing, obtaining and/or renewing various insurance policies. EGI Risk Services, Inc. is a wholly owned subsidiary of Equity Group Investments, Inc., of which Samuel Zell, a director of the Company, is chairman of the board. During the years ended December 31, 1995, 1996, and 1997, the Company incurred $24,000, $448,000 and $1,166,000, respectively, for such services.

During 1996 and 1997, the Company paid $115,000 and $4,000, respectively, to various subsidiaries of Jacor Communications, Inc. for broadcasting radio advertisements regarding employment opportunities at the Company. Rod Dammeyer, a director of the Company, is a director of Jacor Communications, Inc.

On August 15, 1996, the Company entered into a one-year consulting agreement with Richard Weingarten & Company, Inc. (RWCO). Under the consulting agreement, RWCO received a monthly consulting fee of $10,000. Mr. Weingarten, who is the founder and president of RWCO, tendered his resignation as a member of the board of directors of the Company effective as of the date of the consulting agreement. Mr. Weingarten also received an option to acquire 55,000 shares of common stock at an exercise price of $18 per share.

In May 1996, the board of directors approved the payment of fees to The Equity Group Investments, Inc., an affiliate of Samuel Zell, a director of the Company, for advice and assistance in consummating the following transactions:

Access 24 purchase................................	$ 300,000
The Company's initial public offering of stock.....	500,000
Sale of Access 24 Limited stock to PPP (Note 16)...	200,000
	$1,000,000

Fees associated with the Access 24 purchase were allocated to the purchase price. Fees associated with the initial public offering of common stock were netted against the offering proceeds received by the Company. Fees associated with the sale of stock to PPP were netted against the proceeds from this sale.

(16) ACQUISITIONS

In May 1997, the Company acquired 100% of the common stock of Telemercadeo Integral, S.A. (TMI) for consideration of $4.2 million, consisting of 100,000 shares of the Company's common stock and cash of $2.4 million. TMI is an inbound customer care provider in Mexico. The acquisition was accounted for using the purchase method. The excess of cost of the acquisition over the underlying net assets of $4.4 million is being amortized using the straight-line method over 25 years. The operations of TMI for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

On January 1, 1996, the Company acquired 100% of the common stock of Access 24 Services Corporation Pty Limited (with its subsidiaries, Access 24) for consideration of $7.6 million, consisting of cash of $2.27 million; 970,240 shares of common stock in the Company and expenses related to the acquisition. Access 24 provides inbound, toll-free customer service primarily to the healthcare and financial services sector in Australia, the United Kingdom and New Zealand.

On April 30, 1996, the Company completed the sale of 50% of the common stock of Access 24 Limited (Access 24 UK) to PPP Health Care Group plc (PPP) for $3.8 million cash. Access 24 UK was the United Kingdom subsidiary of Access 24, acquired by the Company as part of the Access 24 acquisition, which operates a call center in London, England. In addition PPP also purchased 1.0 million preferred shares of Access 24 UK for consideration of $1.5 million. The preferred shares have a par value of 1 British pound per share and dividends are cumulative at the rate of 7% per annum. A portion of the proceeds from the sale of the Preferred Stock was used to repay outstanding advances from Access 24.

The acquisition of Access 24 has been accounted for using the purchase method. The proceeds from the sale of 50% of the stock of Access 24 UK in excess of the proportionate share of the carrying amounts of the Access 24 UK assets and liabilities have been reflected as a reduction of the goodwill arising from the Access 24 acquisition. The Company's remaining 50% interest in Access 24 UK is being accounted for using the equity method of accounting. The excess of the cost of the investment over the underlying net assets of Access 24 UK is being amortized using the straight-line method over 15 years.

(17) SUBSEQUENT EVENTS

On February 17, 1998, the Company acquired the assets of Intellisystems, Inc. ("Intellisystems") for $2.0 million in cash and 344,487 shares of common stock. Intellisystems is a leading developer of patented automated product support systems. Intellisystems' products can electronically resolve a significant percentage of calls coming into customer support centers through telephone, Internet or fax-on-demand.

(18) QUARTERLY FINANCIAL DATA (UNAUDITED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
YEAR ENDED DECEMBER 31, 1997:				
Revenues	$59,198	$65,134	$65,505	$73,640
Income from operations	8,347	9,733	6,130	6,833
Net income	5,293	6,196	4,182	4,602
Net income per common share				
Basic	.10	.11	.07	.08
Diluted	.09	.10	.07	.08

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
YEAR ENDED DECEMBER 31, 1996:				
Revenues	$22,019	$34,600	$50,057	$58,828
Income from operations	2,723	3,556	6,901	10,032
Net income	1,258	2,060	4,059	6,379
Net income per common share:				
Basic	.02	.04	.08	.12
Diluted	.02	.04	.07	.11

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To TeleTech Holdings, Inc.:

We have audited in accordance with generally accepted auditing standards the financial statements of TeleTech Holdings, Inc. for each of the three years in the period ended December 31, 1997, included in this Form 10-K and have issued our report thereon dated February 6, 1998 (except for the matter discussed in Note 17, as to which the date is February 17, 1998). Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II following this report is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Denver, Colorado,

February 6, 1998

SCHEDULE II

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997
(AMOUNTS IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS FROM RESERVES (a)	BALANCE AT END OF PERIOD
Allowance for doubtful accounts:					
Year ended December 31, 1995	$ 173	$ 631	$ -	$ (15)	$ 789
Year ended December 31, 1996	$ 789	$ 771	$ -	$ (98)	$1,462
Year ended December 31, 1997	$1,462	$1,003	$ -	$(153)	$2,312

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(a) Uncollectible accounts written off.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "AGREEMENT") is entered into as of January 1, 1998 by and between Kenneth D. Tuchman ("EXECUTIVE") and TeleTech Holdings, Inc., a Delaware corporation (the "COMPANY").

WHEREAS, Executive and the Company are parties to that certain Employment Agreement dated January 1, 1995 pursuant to which Executive currently serves as the Chairman of the Board, President and Chief Executive Officer of the Company and also serves as a director and/or officer of various wholly owned subsidiaries of the Company (collectively, "SUBSIDIARIES"); and

WHEREAS, the Company desires to retain the benefit of Executive's services as its Chairman of the Board, President and Chief Executive Officer following expiration of the Executive's existing employment agreement, and Executive desires to be so employed, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and mutual agreement set forth herein, the parties hereto agree as follows:

1. EMPLOYMENT. The Company agrees to employ Executive on a full-time basis as Chairman of the Board, President and Chief Executive Officer, and Executive hereby accepts such employment, on the terms and subject to the conditions set forth herein. The term of employment shall be from the date hereof until and including December 31, 2000 ("TERM"), subject to earlier termination as provided in Section 4.

2. DUTIES.

2.1 GENERAL DUTIES. Executive shall serve as the Chairman of the Board, President and Chief Executive Officer of the Company. Subject to the authority of the Company's Board of Directors, Executive shall have supervision and control over, and responsibility for, the general management and operation of the Company. Executive shall also have such other powers and duties as the Board of Directors may prescribe, provided that such duties are reasonable and customary for a Chairman of the Board, President and Chief Executive Officer. No executive or other employee of the Company, the Subsidiaries, or any Affiliates, as defined herein, of the Company, shall hold a position, stature, title or powers higher or greater than or equal to those of Executive, without Executive's prior written consent. "AFFILIATE" shall be defined as any person or entity that the Company controls directly or indirectly, through one or more intermediaries, or that is under common control with the Company. Executive shall devote his entire working time, attention and energies to the business of the Company. Notwithstanding anything to the contrary in this Agreement, the Board of Directors of the Company may, in their sole discretion, authorize Executive to accept employment with other companies in addition to or in substitution of the employment set forth in this Agreement, provided that such authorization shall be approved by a majority of the directors of the Company.

2.2 OTHER ACTIVITIES. Provided that such activities shall not materially interfere with the proper performance of his duties and responsibilities as the Chairman of the Board, President and Chief Executive Officer of the Company, nothing in this Agreement shall preclude Executive from:

2.2.1 serving on the boards of directors of a reasonable number of other corporations with the consent of the Company's Board of Directors, which consent will not be unreasonably withheld, or the boards or committees of a reasonable number of trade associations and/or charitable organizations;

2.2.2 delivering lectures, fulfilling speaking engagements or teaching at education institutions;

2.2.3 engaging in charitable activities and community affairs; or

2.2.4 managing his personal investments and affairs.

3. COMPENSATION.

3.1 BASE SALARY. During each year of the Term, the Company shall pay to Executive $786,292 ("BASE SALARY AMOUNT"), payable in equal semi-monthly installments on the fifteenth and final days of each month during the period of employment. The Base Salary Amount shall be increased on each anniversary of the date hereof ("ADJUSTMENT DATES") by the amount resulting from the following computation: the Consumer Price Index (all items) for Urban Wage Earners and Clerical Workers for the Denver metropolitan area (1982-1984=100), published by the United States Department of Labor, Bureau of Labor Statistics (the "INDEX") which is published for the date immediately preceding an Adjustment Date (the "ADJUSTMENT INDEX") shall be compared with the Index immediately preceding the previous Adjustment Date (the "BEGINNING INDEX"), or for the first Adjustment Date shall be the Index published immediately preceding the date of this Agreement. If the Adjustment Index has increased over the Beginning Index, the Base Salary Amount payable after the Adjustment Date shall be determined by multiplying the Base Salary Amount previously in effect by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Beginning Index. If the Index does not exist at any Adjustment Date, the parties shall substitute an official index published by the Bureau of Labor Statistics or successor or similar governmental agency, as may then be most nearly equivalent thereto. The adjustment described in this paragraph shall be referred to in this Agreement as the "CPI ADJUSTMENT." In the event Executive, in his sole discretion, elects to forgo a CPI Adjustment for any year of the Term, Executive shall be entitled to have his Base Salary Amount increased by an amount equal to any or all of the CPI Adjustments so foregone, which increase shall be applied prospectively beginning on any subsequent Adjustment Date selected by Executive in his sole discretion.

3.2 ANNUAL PERFORMANCE BONUSES.

3.2.1 At the end of every fiscal year of the Company during the Term, the Company shall pay Executive, in addition to his Base Salary Amount, an annual performance bonus ("PERFORMANCE BONUS") not to exceed $250,000, as adjusted by the CPI Adjustment for each year. Such Performance Bonus shall be based on achieving certain corporate performance objectives ("PERFORMANCE OBJECTIVES"), which Performance Objectives shall be set by the Compensation Committee of the Board of Directors or, in the absence thereof, the Board of Directors, and shall be reasonable and fair. Said Compensation Committee or the Board of Directors, as applicable, shall comply with the following procedure in determining said Performance Objectives for each fiscal year of the Term:

(a) To determine the Performance Objectives for fiscal year 1998, said Compensation Committee shall meet no later than January 31, 1998 to analyze the Company's performance for fiscal year 1997; and to discuss Executive's intentions, goals and objectives for 1998 and any Performance Objectives proposed by Executive for 1998. Within seven days after said meeting, the Compensation Committee shall deliver in writing to Executive its proposed Performance Objectives for fiscal year 1998 along with its reasons for modifying any of Executive's proposed Performance Objectives. Unless Executive accepts said Performance Objectives in writing within seven days after his receipt thereof, Executive and the Compensation Committee shall meet as soon as reasonably possible at the Company's Denver facility to discuss said proposed Performance Objectives. Within seven days after said meeting, the Compensation Committee shall deliver in writing to Executive the final Performance Objectives for that fiscal year.

(b) For each fiscal year after 1998, said Compensation Committee shall meet no later than 90 days prior to the end of that fiscal year to review the Company's performance for and to meet with Executive to analyze the Company's performance over the first three fiscal quarters and its projected performance in the fourth fiscal quarter; to examine Executive's progress in achieving the prior year's Performance Objectives; and to discuss Executive's intentions, goals and objectives for the next fiscal year and any Performance Objectives proposed by Executive for that year. Within seven days after said meeting, the Compensation Committee shall deliver in writing to Executive its proposed Performance Objectives for that fiscal year along with its reasons for modifying any of Executive's proposed Performance Objectives. Unless Executive accepts said Performance Objectives in writing within seven days after his receipt thereof, Executive and the Compensation Committee shall meet as soon as reasonably possible at the Company's Denver facility to discuss said proposed Performance Objectives. Within seven days after said meeting, the Compensation Committee shall deliver in writing to Executive the final Performance Objectives for that fiscal year.

3.2.2 In the event that the Company changes its fiscal year, the computation and payment of the Performance Bonus shall be prorated and adjusted on an allocable and equitable basis to reflect such change including payment of a Performance Bonus for any shortened fiscal year. The Performance Bonus for such year shall be paid no later than ten days after the Company shall have completed consolidating and consolidated statements of income and cash flows of Company and Subsidiaries for such year, and consolidating and consolidated balance sheets of Company and Subsidiaries for such year, and the Company's Board of Directors shall have approved the opinion of the Company's independent certified public accounting firm with respect to the consolidated portions of such statements. The Company shall also pay to Executive such discretionary bonuses as may be granted by the Compensation Committee of the Board of Directors or, in the event that the Compensation Committee does not exist, the Board of Directors.

3.3 EXPENSES. Executive shall be entitled to receive prompt reimbursement for all documented business expenses incurred by him in the performance of his duties hereunder; provided that Executive properly accounts therefor in accordance with the Company's reimbursement policy, which policy shall be comparable to the Company's reimbursement policy and practices in effect as of the date hereof.

3.4 OTHER BENEFITS. In addition to the Base Salary Amount, the Performance Bonus and the discretionary bonuses granted to Executive, if any, Executive shall be entitled to participate in and receive benefits under all of the sick pay, retirement, welfare, medical, dental, disability, life insurance, incentive compensation, or other benefit programs or arrangements generally available to senior management of the Company ("BENEFIT PLANS"). Notwithstanding the foregoing, the Company shall at a minimum provide Executive with the following:

3.4.1 MEDICAL BENEFITS. The Company will continue to provide Executive and his wife and children with the same insurance for medical, dental, hospitalization, convalescent, nursing and similar health expenses as the Company provided to Executive immediately prior to the execution of this Agreement, subject to applicable law.

3.4.2 LIFE INSURANCE. During the Term, the Company agrees to maintain term or whole life insurance on Executive's life with coverage of $24,000,000 (a) payable to his estate or his named beneficiary or beneficiaries and (b) payable to the Company to the extent necessary to repay the Company's payment of the premiums for said insurance. The ownership of such insurance policies may, at the sole discretion of the Executive, be transferred to a trust for the benefit of his spouse or family.

3.4.3 DISABILITY AND AD&D INSURANCE. The Company agrees to maintain in effect during the Term disability insurance on Executive's behalf in an amount equal to the lesser of: (a) an amount sufficient to pay Executive an amount for each year of disability prior to age 65 equal to the Base Salary Amount and the prior year's Performance Bonus; or (b) the maximum amount payable to an insured generally available to insure an individual against disabliity with insurance companies qualifying for an "A" rating or higher by the Best's Rating Service. During the Term, the Company also agrees to maintain for Executive accident, death and dismemberment insurance on the same terms and conditions as Executive presently enjoys. The parties acknowledge that during the Term the Company will maintain key man life insurance, disability, and accident, death and dismemberment insurance for the Company's benefit, separate from the insurance described in this Section 3.4.3 or Section 3.4.2. The disability insurance, and accident, death and dismemberment insurance provided in this Section 3.4.3, and the life insurance provided in Section 3.4.2, including the proceeds therefrom, shall be separate and distinct from other insurance on Executive for the benefit of persons other than Executive, his estate, or his named beneficiary or beneficiaries and shall be reserved for payment to Executive or his designated beneficiaries under said insurance policy.

3.4.4 VACATIONS. During the Term, Executive shall be entitled to sick leave, paid holidays and paid vacation consistent with the Company's sick leave, holiday and vacation policy for senior management on the date hereof, or as modified hereafter to the extent that such modification is not to Executive's detriment. Any vacation time that Executive does not take in a given year shall be carried forward to the following year or years; provided, that Executive shall not take more than six weeks of vacation in any fiscal year; provided, further, that Executive may elect in his sole discretion, to cancel any vacation time that is not taken in a given year in return for the Company paying Executive an amount equal to Executive's Base Salary Amount for said unused vacation time, which amount shall be in addition to Executive's standard salary for paid vacation.

3.4.5 ERRORS & OMISSIONS INSURANCE. During the Term, the Company shall maintain errors and omissions insurance with a reputable insurance company with a policy limit of no less than $1,000,000 protecting Executive from any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities and expenses ("CLAIMS') that arise directly or indirectly from his duties with the Company, the Subsidiaries, or Affiliate of the Company and that are customarily covered by errors and omissions insurance issued by insurance companies of good reputation.

3.4.6 PERQUISITES. Executive shall be entitled to receive the following perquisites:

(a) consistent with past practice, the Company shall furnish Executive with the use of a recent model automobile comparable to the current automobile that the Company furnishes to Executive, and shall pay or reimburse Executive for all expenses pertaining to the ownership and operation of such automobile, including gas and maintenance; and

(b) the Company shall pay or reimburse Executive for all membership fees, dues and other expenses in connection with the membership currently enjoyed by Executive and his spouse with Executive's existing country club, or an equivalent membership at a comparable country club.

4. EARLY TERMINATION.

4.1 TERMINATION FOR DEATH OR DISABILITY. In the event that Executive is unable or fails to perform any of his duties hereunder as a result of his death or as a result of illness or mental or physical disability for six consecutive months, the Company will be entitled to terminate this Agreement upon 30 days written notice to Executive that it intends to replace him if Executive does not resume his duties within said 30 day notice period.

4.2 TERMINATION FOR CAUSE. Except as permitted under Section 4.1, Executive's employment under this Agreement may be terminated by the Company only for the following occurrences ("GOOD CAUSE"):

4.2.1 Executive's breach of any of the covenants contained in Section 5 of this Agreement;

4.2.2 Executive's conviction by, or entry of a plea of guilty or nolo contendere in, a court of competent and final jurisdiction for any crime involving moral turpitude or any felony punishable by imprisonment in the jurisdiction involved; or

4.2.3 Executive's commission of an act of fraud or dishonesty upon the Company;

provided, however, that termination for any other reason or in any other manner shall be deemed to be without Good Cause.

4.3 SEVERANCE PAYMENTS. If, before the end of the Term, the Company terminates Executive's employment:

4.3.1 for Good Cause, the Company shall pay to Executive an amount equal to the sum of the Base Salary Amount accrued as of the date of termination; or

4.3.2 without Good Cause, the Company shall pay to Executive the lesser of

(a) a lump sum amount equal to the sum of the Base Salary Amount accrued as of the date of termination, the Performance Bonus prorated for any portion of the year remaining and calculated as if the Company had achieved its Performance Objectives, and the present value of all payments (whether constituting Base Salary Amount or Performance Bonus) to be made to Executive for the remainder of the Term using a per annum discount factor equal to the prime rate as announced by Wells Fargo Bank, N.A. at its Denver, Colorado branch office on the date of such termination and calculated as if the Company had achieved its target goals; or

(b) three times the Base Salary Amount and Performance Bonus for the year immediately preceding the year of termination.

5. TRADE SECRETS AND CONFIDENTIAL INFORMATION. Executive recognizes that he will occupy a position of trust with respect to business and technical information of a secret or confidential nature which is the property of the Company and which will be imparted to him from time to time in the course of the performance of his duties hereunder. Executive agrees that for the Term and for three years thereafter:

5.1 Executive shall not use or disclose to any person directly or indirectly any Confidential Information or Trade Secrets (defined herein) of the Company, except that Executive may use and disclose to authorized personnel of the Company or Subsidiaries such Confidential Information and Trade Secrets in the course of the performance of his duties hereunder; and

5.2 Upon termination of this Agreement or otherwise upon the request of the Company, Executive shall return promptly any and all copies of any documentation or materials containing any Confidential Information or Trade Secrets of the Company.

5.3 "CONFIDENTIAL INFORMATION OR TRADE SECRETS" of the Company shall include all information of any nature and in any form which was owned by the Company prior to the Term or which is owned by the Company during the Term, including, but not limited to, patents and patent applications; inventions and improvements, whether patentable or not; development projects; computer software and related documentation and materials; designs, practices, recipes, processes, methods, know-how and other facts relating to the business of the Company; practices, processes, methods, know-how and other facts related to sales, advertising, promotions, financial matters, customers, customer lists, supplier lists, vendor lists, or customers' purchases of goods or services from the Company; and all other trade secrets and information of a confidential and proprietary nature. Confidential Information or Trade Secrets shall not include, however: (i) any information that is or shall become generally known in the trade through no fault of Executive, and (ii) any information received in good faith from a third party who has the right to disclose such information and who has not received such information, either directly or indirectly, from the Company.

6. INDEMNIFICATION. The Company shall indemnify, defend and hold harmless Executive if he is made, or threatened to be made, a party to an action or proceeding (including without limitation any and all suits, claims, actions, investigations or proceedings whether civil, criminal or administrative), to the full extent permitted by applicable law, including an action by or in the right of the Company to procure a judgment in its favor, by reason of the fact that Executive is or was an officer, director or employee of the Company, against all costs and expenses (including but not limited to attorney fees, amounts paid in settlement or satisfaction of any order or judgment in, any action or proceeding, and fines, penalties and assessments asserted or adjudged in any action or proceeding) resulting from or related to such action or proceeding, or an appeal thereof, if Executive acted in good faith for a purpose which he

reasonably believed to be in the best interests of the Company. The termination of any such action or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create the presumption that Executive did not act in good faith for purposes which he reasonably believed to be in the best interests of the Company.

7. NON-COMPETITION. Executive's non-competition covenants in this Section 7 shall apply only: for a three year period after the Company terminates Executive's employment for Good Cause or for a three year period after Executive voluntarily terminates his employment with the Company, and during the Executive's employment with the Company (collectively "NON-COMPETE TERM").

7.1 Executive agrees that Executive shall not during any Non-Compete Term, directly or indirectly, in any capacity, engage or participate in, or become employed by or render advisory or consulting or other services in connection with any Prohibited Business as defined herein.

7.2 Executive agrees that the Executive shall not during any Non-Compete Term, make any financial investment, whether in the form of equity or debt, or own any interest, directly or indirectly, in any Prohibited Business. Executive, however, shall be entitled to make any investment in any company whose stock is listed on a national securities exchange or actively traded in the over-the-counter market; provided that (a) such investment does not give the Executive 15% or more of the equity ownership or voting power with respect to such company, and (b) such investment does not create a conflict of interest between the Executive's duties hereunder and the Executive's interest in such investment.

7.3 For the purpose of this Section 7, "PROHIBITED BUSINESS" shall be defined as any business that has as its primary business inbound or outbound teleservices.

8. INJUNCTIVE RELIEF. Executive acknowledges that damages would be an inadequate remedy for Executive's breach of any of the provisions of Sections 5 or 7 of this Agreement, and that breach of any of such provisions will result in immeasurable and irreparable harm to the Company. Therefore, in addition to any other remedy to which the Company may be entitled by reason of Executive's breach of any such provision, the Company shall be entitled to seek and obtain temporary, preliminary and permanent injunctive relief from any court of competent jurisdiction restraining Executive from committing or continuing any breach of Sections 5 or 7.

9. MISCELLANEOUS.

9.1 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or three days after being mailed by certified or registered mail, postage prepaid, return receipt requested, to the parties, their successors in interest or their assignees. All notices and other communications hereunder to (a) the Company shall be sent to its principal executive offices, to the attention of its Chief Executive Officer, and (b) Executive shall be sent to his home address as then recorded on the books of the Company.

9.2 GOVERNING LAW. This Agreement shall be governed as to its validity and effect by the laws of the State of Colorado, without regard to its choice of law rules.

9.3 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive's death and (b) any successor of the Company and any such successor or permitted assign shall be deemed substituted for the Company, as the case may be, under the terms hereof for all purposes. As used in this Agreement, "SUCCESSOR" shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger, consolidation or otherwise, directly or indirectly acquires a majority of the assets, business or stock of the Company.

9.4 ASSIGNMENT. This Agreement is personal to the Company and Executive and may not be assigned by either party without the written consent of the other, except as permitted by Section 9.3 (b).

9.5 ENTIRE AGREEMENT/MODIFICATION. This Agreement supersedes any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof. Executive and the Company agree that no other agreement, statement or promise with respect to the subject matter hereof not contained in this Agreement and the agreements and instruments contemplated hereby shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing, signed by the party to be charged.

9.6 COUNTERPARTS. This Agreement is being executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.7 SEVERABILITY. Any provision of this Agreement which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this paragraph be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

9.8 AGREEMENT FEES AND EXPENSES. The Company shall reimburse Executive for all legal fees and expenses in negotiating this Agreement, advising Executive with respect to this Agreement before the execution hereof, and drafting this Agreement.

9.9 ATTORNEY FEES. In the event that any action or proceeding is commenced by any party hereto for the purpose of enforcing any provision of this Agreement, the parties to such action, proceeding or arbitration may receive as part of any award, settlement, judgment, decision or other resolution of such action or proceeding, whether or not reduced to a court judgement, their costs and reasonable attorneys fees as determined by the person or body making such award, settlement, judgment, decision or resolution.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TELETECH HOLDINGS, INC.

By: /s/ Kenneth D. Tuchman

Kenneth D. Tuchman, President
and Chief Executive Officer

/s/ Kenneth D. Tuchman

Kenneth D. Tuchman

Exhibit 10.12

CLIENT SERVICES AGREEMENT

TELETECH: TELETECH CUSTOMER CARE MANAGEMENT
(TELECOMMUNICATIONS), INC. ("TELETECH")

CLIENT: GTE CARD SERVICES INCORPORATED D/B/A GTE SOLUTIONS ("GTE")

DATE: MAY 1, 1997

SECTION I
SERVICES

1. GENERALLY. By this Client Services Agreement ("Agreement") and each applicable Task Order which is entered into pursuant to this Agreement (the applicable "Task Order"), GTE retains TeleTech to provide the services ("Services") set forth in the applicable Task Order. References to "this Agreement," "herein," "hereunder" or comparable language shall be deemed to constitute references to this Client Services Agreement including any applicable Task Order.

2. ADDITIONAL SERVICES. During the performance of the Services, GTE may request TeleTech to perform services which are not described in the applicable Task Order ("Additional Services"). In such event, TeleTech and GTE will set forth in writing the scope of the Additional Services that will be provided to GTE and, to the extent that the fees for the Additional Services are not already provided for in the applicable Task Order, the parties will negotiate in good faith the fees for any such Additional Services. Any Additional Services shall be governed by the terms and conditions of the applicable Task Order and this Agreement. Where it is reasonable to do so, the term "Services" shall include the term "Additional Services."

SECTION II
PAYMENT TERMS

3. AMOUNT OF COMPENSATION. Except as otherwise provided herein, the amounts payable by GTE to TeleTech for the Services provided under this Agreement are set forth in the applicable Task Order.

4. INVOICES. The procedures for invoicing and payment of invoices are set forth below:

   a. FREQUENCY OF INVOICING. TeleTech will invoice GTE monthly in advance for a reasonable estimate of the Services and other charges to be incurred by GTE in the month at issue.

b. FORM OF INVOICES. The invoices will identify by description and dollar amount the Services and other charges for which GTE is being invoiced.

c. WHEN INVOICES ARE PAYABLE. GTE will pay the undisputed amounts set forth on the invoices within 30 calendar days after receipt of each invoice. Any amount not paid when due (including but not limited to any disputed amount which GTE shall ultimately be required to pay) will bear interest until paid at the rate equal to the lesser of (I) 1.0% per month, or (ii) the maximum rate allowable by law. GTE shall not unreasonably dispute any amount set forth on an invoice.

d. METHOD OF PAYING INVOICES. **********************************
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e. RECONCILIATION OF ADVANCE BILLINGS WITH ACTUAL CHARGES. Within 30 days after the end of each month at issue, TeleTech will reconcile the actual billings for such month with the amount billed in advance for such month to determine if there has been an over-billing or an under-billing related to that month. If there has been an under-billing, TeleTech shall include such under-billing as a charge on the next practicable invoice. If there has been an over-billing, TeleTech shall give a credit on the next practicable invoice.

f. FAILURE TO INVOICE AMOUNTS. In the event that TeleTech fails to invoice for any charge allowed hereunder, it may invoice such amount on a later invoice. In no event, however, shall TeleTech have the right to invoice such amount later than 120 days after the invoice on which it should have been invoiced, except for telecom charges, if any, which may be invoiced up to one year after the invoice on which they should have been invoiced (if the telecom provider has the right to invoice for such amount at the applicable time).

g. NOTICE OF DISPUTED CHARGES. Unless GTE provides TeleTech with notice in writing of a dispute regarding invoicing within 120 days after the date of the invoice on which the invoicing appears, the invoicing shall be deemed approved by GTE and the right to dispute any amounts invoiced shall be deemed waived.

h. AUDIT RIGHTS. Upon written notice to TeleTech, GTE or its authorized representative shall have the right to commence an audit at GTE's expense. The scope of the audit shall be reasonable and limited to compliance with the following: billing (Client Services Agreement, Section II), restriction on transferring employees to other TeleTech call center (Client Services Agreement, para. 46), performance (Task

Order, para. 14), security (Task Order para. 3(m)), disaster recovery (Task Order, para. 3(n)), quality (Task Order, para. 3(o)), processes and procedures (Task Order, para. 3(p)), billings to GTE for Agents, including but limited to payroll records (Task Order, para. 8), billings for Other Services (Task Order, para. 9), billings for Additional Personnel, including but not limited to time records (Task Order, para. 10), incentives for agents (Task Order, para. 8(h)), training (Task Order, para. 3(g)) and any other provisions of any applicable Task Order which provide additional audit rights. GTE shall not be allowed to generally audit TeleTech's internal accounting, financial or other internal proprietary matters. Any notice of an audit shall specify the specific issues to be audited. Within 30 days of such notice, the parties will determine the location and date of the audit and specific information and issues to be audited. No more than one audit may be conducted in any 12 month period. Audits will be conducted during normal business hours, and GTE shall be entitled to review reasonable records relevant to the issues of the audit. The audit shall be completed within 60 days of its commencement.

5. TAXES. If any governmental entity assesses, imposes, levies or charges any taxes or fees with respect to any Services (including but not limited to gross receipts taxes, sales or use taxes or value-added taxes) or any other matter related to this Agreement (collectively, "Taxes"), the Taxes will be the sole responsibility of GTE. If any such Taxes are paid by TeleTech, GTE will be invoiced for the same as provided in this Agreement; provided, however, that GTE will not be responsible for: a) any net income taxes imposed on TeleTech, b) any gross receipts taxes on revenue of TeleTech, c) real or personal property taxes on assets owned or leased by TeleTech, d) any franchise tax imposed on TeleTech for doing business in any state or locality; or any employment related taxes due with respect to TeleTech's employees.

Each party shall be responsible for the withholding and/or payment, as applicable and required by law, of all federal, state, and local tax related to its employees. Further, each party shall comply with all federal and state benefits laws applicable to its employees, if any, including making deductions and contributions for social security and unemployment tax. Each party agrees to indemnify and hold harmless the other against any and all sums that are due and owing for withholding FICA, unemployment or other federal, state or local taxes related to its employees.

SECTION III
TERM

6. TERM OF THIS AGREEMENT. Unless earlier terminated pursuant to the provisions of this Agreement, the Term of this Agreement shall extend to the termination date of the last applicable Task Order.

SECTION IV

OPTIONS TO EXTEND

7. OPTIONS TO EXTEND. GTE is hereby granted 2 consecutive options of 1 year each to extend the Initial Term of each applicable Task Order (collectively, the "Options to Extend").

8. FIRST YEAR OPTION. The first Option to Extend the Initial Term of an applicable Task Order by 1 year (the "First Year Option") may be exercised by GTE by giving written notice to TeleTech prior to 120 days before its expiration.

9. SECOND YEAR OPTION. The second Option to Extend the Initial Term of an applicable Task Order for a second year (the "Second Year Option") may be exercised by GTE by giving written notice to TeleTech prior to 120 days before the expiration of the First Year Option.

SECTION V
TELETECH'S REPRESENTATIONS AND/OR OBLIGATIONS

10. COMPLIANCE WITH LAW. TeleTech will perform its obligations under this Agreement in compliance with all applicable federal, state, and local laws, ordinances, and regulations.

11. INFRINGEMENT. TeleTech warrants and represents that the software and hardware (including any documentation and training) that it will provide related to the Services will not violate, infringe upon or misappropriate any patent, copyright, trade secret or other intellectual property rights (collectively "Intellectual Property Rights") of any other person or entity. TeleTech hereby agrees to defend and indemnify and hold GTE harmless from and against any loss, cost, liability and expense (including reasonable attorneys' fees) arising out of any breach of this warranty and representation.

Notwithstanding anything to the contrary contained in this Agreement (including, but not limited to, Section XI, Indemnification and Insurance), the provisions of this Section shall govern the rights of GTE and its affiliates, shareholders, directors, officers, employees, contractors, agents and other representatives to indemnification for claims of infringement, misappropriation or violation of Intellectual Property Rights. However, the procedures set forth in Section XI, Indemnification and Insurance shall apply in the case of any claims of infringement, misappropriation or violation of Intellectual Property Rights for which indemnification will be sought.

12. ACCURACY OF INFORMATION. TeleTech agrees that, when it provides or is required to provide information related to this Agreement, such information will be timely and materially complete and accurate. GTE will not be liable for any delays, cost increases or other consequences resulting from TeleTech's failure to

provide timely, complete and accurate information. Notwithstanding any other remedy available hereunder:

a. Any deadline adversely affected by TeleTech's failure to provide timely, complete and accurate information shall be automatically extended by an amount of time reasonably required to compensate for such delay; and

b. Although a deadline is extended per paragraph 12(a), TeleTech shall reimburse GTE for any reasonable costs or expenses incurred by GTE as a result of TeleTech's failure to provide timely, complete and accurate information. If GTE claims that it has incurred any such additional costs or expenses, it shall give TeleTech written notice thereof. TeleTech will thereafter have 5 days to accept or reject those costs or expenses in writing. In the event that TeleTech does not reject those costs or expenses within that 5 day period, the costs or expenses will be deemed approved as claimed by GTE.

13. COMPLIANCE WITH OBLIGATIONS. TeleTech agrees that it will comply with its obligations under this Agreement on a timely basis. GTE will not be liable for any delays, cost increases or other consequences resulting from TeleTech's wrongful or breaching acts or omissions or caused by the negligence or wilful misconduct of TeleTech. Any deadline adversely affected by TeleTech's wrongful or breaching acts or omissions or caused by the negligence or wilful misconduct of TeleTech shall be automatically extended by an amount of time reasonably required to compensate for such delay. In addition, TeleTech shall reimburse GTE for any reasonable costs or expenses incurred by GTE as a result of TeleTech's wrongful or breaching acts or omissions or caused by the negligence or wilful misconduct of TeleTech.

14. OPERATION OF CUSTOMER SOLUTION CENTER. TeleTech will operate the Customer Solution Center in accordance with this Agreement and the applicable Task Order.

15. CONVEYANCE OF PROPERTY. Except as otherwise provided in this Agreement or the applicable Task Order or as otherwise agreed by the parties, property conveyed by TeleTech to GTE shall be clear and free from all encumbrances, including but not limited to claims, charges, security interests and other liens.

16. PERMITS. Unless otherwise specifically provided for in this Agreement, TeleTech shall obtain and maintain in full force and effect, at its expense, any permits, licenses, consents, approvals and authorizations ("Permits") necessary for the performance of its obligations hereunder. Upon reasonable notice by GTE, TeleTech shall submit to GTE evidence of any Permits required by this paragraph.

17. MAINTENANCE OF CUSTOMER SOLUTION CENTER. To the extent that TeleTech is required to maintain any Customer Solution Center, TeleTech shall maintain such Customer Solution Center in good repair.

SECTION VI
GTE'S REPRESENTATIONS AND/OR OBLIGATIONS

18. COMPLIANCE WITH LAW. GTE will perform its obligations under this Agreement in compliance with all applicable federal, state and local laws, ordinances, and regulations.

19. INFRINGEMENT. GTE warrants and represents that the software and hardware (including any documentation and training) that it will provide related to the Services will not violate infringe upon or misappropriate any Intellectual Property Rights of any other person or entity. GTE hereby agrees to defend and indemnify and hold TeleTech harmless from and against any loss, cost, liability and expense (including reasonable attorneys' fees) arising out of any breach of this warranty and representation.

Notwithstanding anything to the contrary contained in this Agreement (including, but not limited to, Section XI, Indemnification and Insurance), the provisions of this Section (a) shall govern the rights of TeleTech and its affiliates, shareholders, directors, officers, employees, contractors, agents and other representatives to indemnification for claims of infringement, misappropriation or violation of Intellectual Property Rights. However, the procedures set forth in Section XI, Indemnification and Insurance shall apply in the case of any claims of infringement, misappropriation or violation of Intellectual Property Rights for which indemnification will be sought.

20. ACCURACY OF INFORMATION. GTE agrees that, when it provides or is required to provide information related to this Agreement, such information will be timely and materially complete and accurate. TeleTech will not be liable for any delays, cost increases or other consequences resulting from GTE's failure to provide timely, complete and accurate information. Notwithstanding any other remedy available hereunder:

a. Any deadline adversely affected by GTE's failure to provide timely, complete and accurate information shall be automatically extended by an amount of time reasonably required to compensate for such delay; and

b. Although a deadline is extended per paragraph 20(a), GTE will reimburse TeleTech for any reasonable costs or expenses incurred by TeleTech as a result of GTE's failure to provide timely, complete and accurate information. If TeleTech claims that it has incurred any such additional costs or expenses, it shall give GTE written notice thereof. GTE will thereafter have 5 days to accept or reject those costs or expenses in writing. In the event that GTE does not reject those costs or expenses within that 5 day period, the costs or expenses will be deemed approved as claimed by TeleTech.

21. COMPLIANCE WITH OBLIGATIONS. GTE agrees that it will comply with its obligations under this Agreement on a timely basis. TeleTech will not be liable for any delays, cost increases or other consequences resulting from GTE's wrongful or breaching acts or omissions or caused by the negligence or wilful misconduct of GTE. Any deadline adversely affected by GTE's wrongful or breaching acts or omissions or caused by the negligence or wilful misconduct of GTE shall be automatically extended by an amount of time reasonably required to compensate for such delay. In addition, GTE shall reimburse TeleTech for any reasonable costs or expenses incurred by TeleTech as a result of GTE's wrongful or breaching acts or omissions or caused by the negligence or wilful misconduct of GTE.

22. INFORMATION, LITERATURE AND OTHER MATERIALS RELATED TO GTE'S PRODUCTS. GTE will provide to TeleTech all information, sales and product literature (including updates and/or modifications) and other materials related to GTE's products which are necessary for TeleTech to provide the Services required by this Agreement. TeleTech shall have the right to copy all such information, sales and product literature and other materials for purposes of providing such Services under the applicable Task Order.

23. PRODUCT SAMPLES. If applicable, GTE will provide to TeleTech sufficient product samples necessary for TeleTech and its employees to become familiar with any applicable product and its use.

24. CONVEYANCE OF PROPERTY. Except as otherwise provided in this Agreement or the applicable Task Order or as otherwise agreed by the parties, property conveyed by GTE to TeleTech shall be clear and free from all encumbrances, including but not limited to claims, charges, security interests and other liens.

25. PERMITS. Unless otherwise specifically provided for in this Agreement, GTE shall obtain and maintain in full force and effect, at its expense, any permits, licenses, consents, approvals and authorizations ("Permits") necessary for the performance of its obligations hereunder. Upon reasonable notice by TeleTech, GTE shall submit to TeleTech evidence of any Permits required by this paragraph.

26. MAINTENANCE OF CUSTOMER SOLUTION CENTER. To the extent that GTE is required to maintain any component of any Customer Solution Center, GTE shall maintain such Customer Solution Center in good repair.

SECTION VII
INDEPENDENT CONTRACTOR RELATIONSHIP

27. INDEPENDENT CONTRACTOR RELATIONSHIP. Unless otherwise agreed to in this Agreement, in providing any Services, TeleTech is acting solely as an independent contractor. Persons employed by a party shall be under the sole and exclusive direction and control of such party and shall not be considered employees of the other party for any purpose. Each party shall be responsible for compliance with all laws, rules and regulations involving its respective employees or agents, including, but not limited to, employment of labor, hours of labor, health and safety, working conditions and payment of wages. Nothing contained in this Agreement is intended to give rise to a partnership, joint venture or fiduciary relationship between the parties or to impose upon the parties any of the duties or responsibilities of partners, joint venturers or fiduciaries.

SECTION VIII
CENTER BUY-OUT OPTION
(TELETECH OWNED CUSTOMER SOLUTION CENTER)

28. CENTER BUY-OUT OPTION. If and only if the applicable Task Order specifically provides GTE with the right to do so, GTE shall have the option to terminate this Agreement before its expiration without constituting a breach, by exercising the Center Buy-out Option described in EXHIBIT A attached hereto.

SECTION IX
FACILITIES MANAGEMENT CONTRACT TERMINATION OPTION
(GTE OWNED CUSTOMER SOLUTION CENTER)

29. FACILITIES MANAGEMENT CONTRACT TERMINATION OPTION. If and only if the applicable Task Order specifically provides GTE with the right to do so, GTE shall have the option to terminate this Agreement before its expiration without constituting a breach, by exercising the Facilities Management Termination Option which will ultimately be attached hereto as EXHIBIT B ("FMC Termination Option"). Exhibit B will be negotiated, agreed to and attached to this Agreement at such time as the parties negotiate the first Customer Solution Center as a Facilities Management Contract.

SECTION X
DEFAULT

30. EVENTS OF DEFAULT. Subject to any applicable notice and cure provisions, the following are "Events of Default" under the applicable Task Order:

a. FAILURE TO PAY AMOUNTS WHEN DUE. Subject to the notice and cure provisions provided in this paragraph, GTE's failure to pay amounts when due under the terms and conditions of this Agreement shall constitute an Event of Default. Notwithstanding anything provided in this Agreement, however, the fact that GTE withholds payment of an amount because of a billing dispute regarding an invoiced amount (as opposed to withholding amounts for offset of alleged damages, other alleged liabilities or for any other reason) ("Billing Dispute") in good faith shall not constitute an Event of Default. To constitute a good faith withholding for a Billing Dispute, the amount withheld must be withheld in good faith as to both subject matter and amount. To the contrary, if GTE withholds an amount for a Billing Dispute in bad faith (as to subject matter or amount), TeleTech shall have the right to seek any remedy available under this Agreement or the law or equity.

In the event that GTE fails to make any payment which constitutes an Event of Default, TeleTech shall give GTE written notice thereof. GTE shall, then, have 30 days to cure such breach.

b. FAILURE OF TELETECH TO MEET PERFORMANCE STANDARDS. The default provisions with respect to the performance standards governing any applicable Task Order shall be contained in the performance standard provisions of that Task Order.

c. FAILURE OF A PARTY TO PERFORM ITS OTHER OBLIGATIONS. Subject to the notice and cure provisions provided herein, a party's failure to substantially perform any other material obligation under the applicable Task Order shall constitute an Event of Default. In the event that a party has materially and substantially failed to perform any of its other obligations under the applicable Task Order, the non-defaulting party shall give the defaulting party written notice thereof. The defaulting party shall then have 30 days to cure such default; provided that, if such default cannot practicably be cured within such 30 day period and is susceptible to a cure, then the defaulting party will not be considered in default if it commences to cure within the initial 30 day period and in good faith diligently and continuously proceeds to cure the default. In no event, however, shall the cure period extend beyond a total of 45 days, unless otherwise agreed in writing by the parties.

d. BANKRUPTCY AND SIMILAR PROCEEDINGS. The following shall constitute Events of Default:

i. The commencement of any involuntary proceeding in bankruptcy or insolvency under federal or state law or the appointment of a receiver or an assignee for the benefit of creditors for a substantial portion of a party's assets which is not dismissed or terminated within 90 days after its initiation; or

ii. The commencement of any voluntary proceeding in bankruptcy or insolvency under federal or state law.

31. TERMINATION OF PERFORMANCE. Except as otherwise provided herein, in the event of any uncured Event of Default, the non-defaulting party may, without waiving any other rights or remedies, terminate this Agreement. Notwithstanding the foregoing, an uncured Event of Default shall not give the non-defaulting party the right to terminate a Task Order unless such Event of Default has a material effect on either: a) the defaulting party's performance under the particular Task Order at issue; or b) the benefits to the non-defaulting party under the particular Task Order at issue.

32. TRANSITION SERVICES IN THE EVENT OF TERMINATION BECAUSE OF DEFAULT. In the event that a party gives notice of termination under the applicable Task Order because of the default of the other party and provided that GTE complies with the advance payment provisions set forth in this Paragraph, TeleTech shall be required (in the event of a written request by GTE) to perform reasonable transition services for GTE for a period not to exceed 120 days after notice of termination. As a condition precedent to TeleTech's obligation to perform any such transition services, GTE must pay, in advance to TeleTech by wire transfer, an amount equal to the average monthly billings by TeleTech to GTE for the six month period immediately before the termination no later than the first day of each month during the transition period. If GTE fails to make any advance payment required by this Paragraph, TeleTech shall have no obligation to perform any such transition services and may stop the same immediately. Within 30 days after the end of each month during the transition period, TeleTech will reconcile the actual billings for the month at issue with the amounts advanced for the month at issue to determine if there has been an over-payment or an under-payment by GTE related to that month. If there has been an under-payment, GTE shall immediately pay to TeleTech the amount of the under-payment. If there has been an over-payment, TeleTech, at its option, shall immediately do one of the following: a) credit GTE the amount of the over-payment against the estimated amount due from GTE for the next month of the transition period; or b) refund such over-payment to GTE. GTE shall be entitled to a reasonable final audit of the billings for the transition services and of the reconciliation of such billings against any advance payments.

33. CUMULATIVE REMEDIES. Except as otherwise provided in this Agreement, upon the occurrence of an Event of Default, the non-defaulting party may seek all remedies at law, equity or statute, and such remedies will be cumulative.

SECTION XI
INDEMNIFICATION AND INSURANCE

34. INDEMNIFICATION BY TELETECH.

a. TeleTech shall defend, indemnify and hold harmless GTE and its affiliates, officers, agents and employees from all claims, suits, actions, demands, damages, liabilities, expenses (including but not limited to reasonable attorneys fees and costs), judgments, settlements and penalties of every kind related to TeleTech's (either directly or through its officers, agents, subcontractors or representatives) acts or omissions, breach of this Agreement or the matters referred to in Subparagraph (b) below. The obligations in this Paragraph 34 are in addition to TeleTech's duty to provide insurance and shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable by TeleTech under the Worker's Compensation Acts, Longshoremen and Harborworker's Act, Disability Benefits Acts, or any other employee benefit act.

b. Without limitation of (a) above, TeleTech shall, to the fullest extent permitted by law, defend, indemnify and hold harmless GTE, its affiliates, officers, agents and employees, from all claims, suits, actions, demands, damages, liabilities, expenses (including but not limited to reasonable attorneys fees and costs), judgments, settlements and penalties of every kind arising from or related to the following matters:

i) TeleTech's failure to comply with all federal, state or local laws, rules or regulations applicable to employees;

ii) TeleTech's failure to comply with the terms of Section XIII, Confidential Information;

iii) TeleTech's failure to pay all fees and royalties for the use of patented articles, software or methods in connection with its obligations under this Agreement;

iv) TeleTech's failure to obtain or maintain the Permits referred to in Section V, Permits; and

iv) Contributions to any multiemployer pension plans affecting TeleTech's employees.

c. GTE shall promptly notify TeleTech in writing of any suits, claims or demands covered by any indemnity required by this paragraph 34. Failure to provide such notice shall not relieve TeleTech of its obligations under this paragraph 34 except to the extent that TeleTech is prejudiced by the failure to give prompt notice. Promptly after receipt of such notice, TeleTech shall assume the defense of and reasonably defend any such claim with counsel of TeleTech's choice which is reasonably satisfactory to GTE. Notwithstanding the above, if GTE in its sole discretion so elects, GTE may also participate in the defense of such claims by employing counsel at its expense, without waiving TeleTech's obligations to indemnify or defend. TeleTech shall not settle or compromise or consent to the entry of judgment of any such suit, claim or demand (with one or more prosecuting parties) without the prior written consent of GTE which shall not be unreasonably withheld.

35. INDEMNIFICATION BY GTE.

a. GTE shall defend, indemnify and hold harmless TeleTech and its affiliates, officers, agents and employees from all claims, suits, actions, demands, damages, liabilities, expenses (including not limited to reasonable attorneys fees and costs), judgments, settlements and penalties of every kind related to GTE's (either directly or through its officers, agents, subcontractors or representatives) acts or omissions, breach of this Agreement or the matters referred to in Subparagraph (b) below. The obligations in this Paragraph 35 are in addition to GTE's duty to provide insurance and shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable by GTE under the Worker's Compensation Acts, Longshoremen and Harborworker's Act, Disability Benefits Acts, or any other employee benefit act.

b. Without limitation of (a) above, GTE shall, to the fullest extent permitted by law, defend, indemnify and hold harmless TeleTech, its affiliates, officers, agents and employees, from all claims, suits, actions, demands, damages, liabilities, expenses (including but not limited to reasonable attorneys fees and costs), judgments, settlements and penalties of every kind arising from or related to the following matters:

i) GTE's failure to comply with all federal, state or local laws, rules or regulations applicable to employees;

ii) GTE's failure to comply with the terms of Section XIII, Confidential Information;

iii) GTE's failure to pay all fees and royalties for the use of patented articles, software or methods in connection with its obligations under this Agreement;

iv) GTE's failure to obtain or maintain the Permits referred to in Section VI, Permits; and

iv) Contributions to any multiemployer pension plans affecting GTE's employees.

c. TeleTech shall promptly notify GTE in writing of any suits, claims or demands covered by any indemnity required by this paragraph 35. Failure to provide such notice shall not relieve GTE of its obligations under this paragraph 35 except to the extent that TeleTech is prejudiced by the failure to give prompt notice. Promptly after receipt of such notice, GTE shall assume the defense of and reasonably defend any such claim with counsel of GTE's choice which is reasonably satisfactory to TeleTech. Notwithstanding the above, if TeleTech in its sole discretion so elects, TeleTech may also participate in the defense of such claims by employing counsel at its expense, without waiving GTE's obligations to indemnify or defend. GTE shall not settle or compromise or consent to the entry of judgment of any such suit, claim or demand (with one or more prosecuting parties) without the prior written consent of TeleTech which shall not be unreasonably withheld.

36. INSURANCE PROVIDED BY TELETECH. Prior to the commencement of the Services to be performed under any applicable Task Order and throughout the term of this Agreement, TeleTech shall procure and maintain the following insurance naming GTE as an additional insured. All such policies shall be issued by reputable and financially sound insurance companies reasonably acceptable to GTE and shall provide that no amendment or cancellation shall be effective unless GTE receives 30 days prior written notice.

a. COMPREHENSIVE LIABILITY INSURANCE. TeleTech shall maintain a policy of "general," "public" or "commercial" comprehensive liability insurance with policy limits of not less than $1,000,000 per occurrence for bodily injury and death and $1,000,000 for each occurrence for damage to property;

b. AUTOMOBILE LIABILITY. TeleTech shall obtain a policy of "general", "public" or "commercial" automobile liability insurance with policy limits of not less than $1,000,000 per occurrence for bodily injury and death and $1,000,000 for each occurrence for damage to property;

c. WORKERS' COMPENSATION INSURANCE. To the full extent applicable. TeleTech shall at all times maintain adequate insurance to comply with all applicable workers' compensation, occupational disease and occupational health and safety laws, statutes and regulations in each state where the Services are to be performed.

d. FIRE AND CASUALTY INSURANCE. TeleTech shall at all times maintain commercially reasonable fire and casualty insurance related to each Customer Solution Center.

The use of umbrella or excess liability insurance to achieve the above required liability limits shall be permitted, provided that such coverage results in the same types and amounts of coverage that are required hereunder. All premiums for the coverage required by this paragraph shall be the responsibility of TeleTech. At the request of GTE, TeleTech shall furnish to GTE prior to performing Services, certificates evidencing that such policies are in full force and effect. Each certificate so furnished shall acknowledge that GTE is named as an additional insured under the applicable policies and shall set forth on its face the applicable limits of liability. The failure of TeleTech to furnish any such certificate shall not diminish or otherwise affect its obligation to procure and maintain any policies of insurance contemplated by this paragraph.

TeleTech hereby waives on behalf of itself and its insurance companies any rights of subrogation against GTE for personal injury, death and/or property damage; and to the extent possible, TeleTech shall obtain written waivers of subrogation from its insurance carriers with respect to such personal injury, death and/or property damage.

37. INSURANCE PROVIDED BY GTE. Prior to the commencement of the Services to be performed under any applicable Task Order and throughout the term of this Agreement, GTE shall procure and maintain the following insurance naming TeleTech as an additional insured. All such policies shall be issued by reputable and financially sound insurance companies reasonably acceptable to TeleTech and shall provide that no amendment or cancellation shall be effective unless TeleTech receives 30 days prior written notice.

a. COMPREHENSIVE LIABILITY INSURANCE. GTE shall maintain a policy of "general," "public" or "commercial" comprehensive liability insurance with policy limits of not less than $1,000,000 per occurrence for bodily injury and death and $1,000,000 for each occurrence for damage to property;

b. AUTOMOBILE LIABILITY. GTE shall obtain a policy of "general", "public" or "commercial" automobile liability insurance with policy limits of not less than $1,000,000 per occurrence for bodily injury and death and $1,000,000 for each occurrence for damage to property;

c. WORKERS' COMPENSATION INSURANCE. To the full extent applicable, GTE shall at all times maintain adequate insurance to comply with all applicable workers' compensation, occupational disease and occupational health and safety laws, statutes and regulations in each state where the Services are to be performed.

d. FIRE AND CASUALTY INSURANCE. GTE shall at all times maintain commercially reasonable fire and casualty insurance related to any Customer Solution Center.

The use of umbrella or excess liability insurance to achieve the above required liability limits shall be permitted, provided that such coverage results in the same types and amounts of coverage that are required hereunder. All premiums for the coverage required by this paragraph shall be the responsibility of GTE. At the request of TeleTech, GTE shall furnish to TeleTech prior to performing Services, certificates evidencing that such policies are in full force and effect. Each certificate so furnished shall acknowledge that TeleTech is named as an additional insured under the applicable policies and shall set forth on its face the applicable limits of liability. The failure of GTE to furnish any such certificate shall not diminish or otherwise affect its obligation to procure and maintain any policies of insurance contemplated by this Section.

GTE hereby waives on behalf of itself and its insurance companies any rights of subrogation against TeleTech for personal injury, death and/or property damage; and to the extent possible, GTE shall obtain written waivers of subrogation from its insurance carriers with respect to such personal injury, death and/or property damage.

SECTION XII
OWNERSHIP AND USE OF RIGHTS - MISCELLANEOUS

38. LIMITED USE OF MARKS. Each party warrants and represents that it has the full right, title and interest in and to all trade names, trademarks, service marks, symbols and other proprietary marks ("Marks"), which it provides to the other, if any, for use related to the Services. During the term of this Agreement, the providing party grants to other party the non-exclusive right to reasonably utilize the Marks in connection with the obligations of the parties hereunder, including but not limited to, internally on banners (e.g., to identify GTE's portion of a call center, if applicable), posters (e.g., for internal promotions), in TeleTech newsletters, closed-circuit television and training. Each receiving party agrees to designate the products and services of the providing party properly and depict the providing party's Marks accurately. In order to ensure proper use, the providing party will provide to the receiving party, upon request, camera ready art, beta quality video and/or digital tiff, eps or bitmap file of the providing party's Marks, if applicable.

The providing party agrees to indemnify and hold harmless the receiving party party and its officers, directors, employees, agents and contractors, from and against any loss, damage, cost or expense (including, without limitation, reasonable attorneys' fees) arising from any infringement or other claims made by any third party regarding receiving party's authorized use of the Marks. In the event of any unauthorized use of the Marks by receiving party, the providing party shall have the right to seek injunctive relief against receiving party in addition to any other remedies allowed hereunder.

39. OWNERSHIP OF DATA RESULTING FROM SERVICES. As between GTE and TeleTech, GTE will own exclusively all customer data collected as a direct result of the performance of the Services. TeleTech shall keep such data Confidential pursuant to Paragraph 41 of this Agreement.

40. FURTHER DOCUMENTS AND COOPERATION. Each party will execute such other documents, and provide such cooperation as the other party reasonably requests in order to give full effect to the provisions related to Ownership of Rights. In no event, however, shall the cooperating party be required to expend

any funds to do so.

SECTION XIII
CONFIDENTIALITY

41. CONFIDENTIAL INFORMATION. In order for a party to perform its respective obligations under this Agreement, it may be necessary for that party to disclose to the other party technical, customer, personnel and/or business information in written, graphic, oral or other tangible or intangible forms including, but not limited to, specifications, records, data, computer programs, drawings, schematics, know-how, notes, models, reports and samples. Such information may contain proprietary or confidential material, or material subject to applicable laws regarding secrecy of communications or trade secrets ("Confidential Information").

a. For this purpose, each party acknowledges and agrees:

i. That, as between TeleTech and GTE, all Confidential Information acquired by a party from the other shall be and remain the exclusive property of the disclosing party;

ii. To identify in writing as confidential or proprietary, or mark as confidential or proprietary, any information that a party reasonably identifies as Confidential Information;

iii. That information that is disclosed orally shall not be considered Confidential Information unless it is reduced to writing or to a written summary that identifies the orally-disclosed topics to be considered as Confidential Information and such writing is provided to the receiving party at the time of disclosure or within 30 days thereafter;

iv. To receive in confidence any Confidential Information; to limit access to such Confidential Information to authorized employees who have a need to know the Confidential Information in order for the receiving party to perform its obligations under this Agreement and who have been informed of the confidential and proprietary nature; not to disclose, reveal or divulge any Confidential Information or authorize any other person to do so except as specifically approved in writing by the disclosing party or as required in connection with the due and proper performance by the receiving party of its obligations under this Agreement;

v. To use such Confidential Information only for the purposes of performing its obligations under this Agreement and for such other purposes as may be agreed upon between the parties in writing;

vi. If a receiving party receives a request to disclose any Confidential Information by any third party or entity (whether pursuant to a valid and effective subpoena, an order issued by a court or other governmental authority of competent jurisdiction or otherwise), on advice of legal counsel that disclosure is required under applicable law, the receiving party agrees that, prior to disclosing any Confidential Information, it shall notify the disclosing party of the existence and terms of such request or advice and, if disclosure is required, use its best efforts to negotiate a protective order or other reliable assurance that confidential treatment will be afforded to such portion of the Confidential Information as is required to be disclosed;

vii. That the obligations with respect to Confidential Information shall extend for a period of 2 years following the termination of this Agreement; and

x. That nothing contained in this Section shall be construed as a license or permission to make, use, or sell the Confidential Information or products derived therefrom.

b. The obligations contained in Section do not apply to Confidential Information that:

i. Was in the receiving party's possession prior to receipt thereof from the disclosing party;

ii. Was received by a party in good faith from a third party not subject to a confidentiality obligation related to the disclosing party;

iii. Now is or later becomes publicly known through no breach of the confidentiality obligations of the receiving party;

iv. Was developed by the receiving party without the developing persons having access to any of the Confidential Information received from the disclosing party; or

v. Is authorized in writing by the disclosing party to be released or is designated in writing by the disclosing party as no longer being confidential or proprietary.

c. It is agreed that a violation of any of the provisions of this Section will cause irreparable harm and injury to the disclosing party and that party shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to seek an injunction enjoining and restraining the receiving party from violating or threatening to violate the provisions of this Section.

SECTION XIV
EXCLUSIVITY

42. The provisions related to exclusivity, if any, are set forth in the applicable Task Order.

SECTION XV
NON-SOLICITATION OF TELETECH EMPLOYEES

43. NON-SOLICITATION OF EMPLOYEES BY GTE. Except as otherwise provided herein, during the term of the applicable Task Order and for a period of 24 months after its termination for any reason, GTE will not solicit, for employment in any capacity, any person who is an employee of TeleTech during the term of the applicable Task Order.

TeleTech shall indemnify and hold harmless GTE from and against any employee claims (including but not limited to damages, attorneys' fees and litigation costs) which may result from a TeleTech employee claiming that the restrictions contained in this paragraph violate the law; provided that, GTE shall give to TeleTech timely notice of the facts and circumstances of the occurrence of any such claim and TeleTech shall have the right to defend any such claim at TeleTech's expense. Notwithstanding the above, if GTE in its sole discretion so elects, GTE may also participate in the defense of any such claim by employing counsel at its expense, without waiving TeleTech's obligations to indemnify or defend.

44. NON-SOLICITATION OF EMPLOYEES BY TELETECH. Except as otherwise provided herein, for a period of 24 months after the termination of the applicable Task Order as a result of any applicable Center Buy-out or Facilities Management Contract Termination Option, TeleTech will not solicit, for employment in any capacity, any person who is transitioned from being an employee of TeleTech to being an employee of GTE as a result of any such Center Buy-out or Facilities Management Contract Termination Option.

GTE shall indemnify and hold harmless TeleTech from and against any employee claims (including but not limited to damages, attorneys' fees and litigation costs) which may result from a GTE employee claiming that the restrictions contained in this paragraph violate the law; provided that, TeleTech shall give to GTE timely notice of the facts and circumstances of the occurrence of any such claim and GTE shall have the right to defend any such claim at GTE's expense. Notwithstanding the above, if TeleTech in its sole discretion so elects, TeleTech may also participate in the defense of any such claim by employing counsel at its expense, without waiving GTE's obligations to indemnify or defend.

45. RESTRICTION ON TRANSFERRING EMPLOYEES TO OTHER TELETECH CALL CENTERS.

During the term of the Task Order applicable to the GTE Customer Solution Center at issue, TeleTech will not have the right to transfer any Permanent Employee who has been dedicated on a full time basis to that GTE Customer Solution Center to any Non-GTE Call Center. For purposes of this Agreement, the term "Permanent Employee" will mean a TeleTech employee who has been permanently assigned by TeleTech at any GTE Customer Solution Center for less than 18 months. The restrictions contained in this paragraph will not apply to any of the following: a) transfers of any employees who are part of TeleTech corporate administration; b) subject to the reasonable approval of GTE, transfers made at the request of an employee; or c) employees that are assigned to a GTE Customer Solution Center on a temporary basis or related to a temporary project ("Permitted Transfers"). Permitted Transfers of Agents shall be considered part of Negative Attrition for the purposes of the Task Order applicable to the GTE Customer Solution Center at issue.

GTE shall indemnify and hold harmless TeleTech from and against any employee claims (including but not limited to damages, attorneys' fees and litigation costs) which may result from a TeleTech employee claiming that the restrictions contained in this paragraph violate the law; provided that, TeleTech shall give to GTE timely notice of the facts and circumstances of the occurrence of any claim hereunder and GTE shall have the right to defend any such claim or action at GTE's expense. Notwithstanding the above, if TeleTech in its sole discretion so elects, TeleTech may also participate in the defense of any such claim by employing counsel at its expense, without waiving GTE's obligations to indemnify or defend.

46. REMEDIES. In the event that a party solicits and hires an employee in violation of the non-solicitation restrictions contained in paragraph 43 or 44 or TeleTech violates the provisions of paragraph 45 (the "violating party"), the non-violating party will incur damages, including, but not limited to, lost investment in training, lost opportunities and administrative costs, all of which are difficult to determine at this time. Therefore, the violating party agrees to pay to the non-violating party as liquidated damages an amount equal to 4 times the hired employee's most recent annualized gross salary and benefits at the employment with the non-violating party. The violating party acknowledges that the foregoing amount is a reasonable estimate of the non-violating party's damages and costs resulting from the violating party soliciting and hiring such employee and is not a penalty. Further, in the event of any such violation, then the non-violating party is likely to suffer irreparable injuries for which monetary damages may be insufficient. Therefore, in addition to any other remedies provided at law, equity, statute or this Agreement, the non-violating party will be entitled to seek injunctive relief, without the requirement for the posting of a bond.

47. EXCEPTIONS TO THE NON-SOLICITATION RESTRICTIONS CONTAINED IN THIS SECTION. The restrictions contained in the paragraphs contained this Section shall not apply to the following:

a. To the extent that any such employee has ceased to be employed by a party for at least 6 months prior to being solicited.

b. To the extent that an employee approaches a party for employment without being solicited.

c. To the extent that any such employee is transferred from one TeleTech GTE Customer Solution Center to another TeleTech GTE Customer Solution Center.

d. To the extent that the solicitation of an employee is authorized by the exercise of a Buy-out/Termination Option.

SECTION XVI

FORCE MAJEURE

48. FORCE MAJEURE. For purposes of this Agreement, the following provisions shall apply to any Force Majeure as defined below:

a. A "Force Majeure" shall mean a cause beyond a party's reasonable control (and not involving any fault or negligence of the party affected), including, without limitation, acts of God, acts of war, revolution, riots, civil commotion, acts of a public enemy, embargo, acts of government in its sovereign capacity, strikes, lockouts, boycotts, fire, communication line or utility failures, power failures, earthquakes, floods or other natural disasters (a "Force Majeure").

b. Changes in business circumstances or business objectives shall not constitute a "Force Majeure."

c. Upon the occurrence of a Force Majeure, the affected party shall give prompt notice to the other party. Actual knowledge on the part of the party not subject to the Force Majeure shall obviate the need for giving any such written notice.

d. The party affected by the occurrence of a Force Majeure shall be excused, on a day-to-day basis, during the continuance of the Force Majeure, from its obligations under the applicable Task Order only to the extent that its ability to perform such obligations is adversely affected by the Force Majeure. The other party shall also be excused from its obligations under the applicable Task Order to the extent that its ability to perform such obligations is affected by the affected party's inability to perform.

e. In the event of the occurrence of any Force Majeure, the parties shall use their reasonable best efforts to avoid or remove the inability to perform obligations under the applicable Task Order.

f. In the event that the Force Majeure continues for a period of more than 60 days and such effects of the Force Majeure cannot be reasonably removed, either party may terminate the applicable Task Order by giving written notice thereof to the other party.

SECTION XVII
ARBITRATION

49. ALTERNATIVE DISPUTE RESOLUTION. Except for certain limited exceptions and even though this Agreement or any applicable Task Order has been terminated, the parties desire to resolve any disputes, controversies and claims related to this Agreement without litigation. Accordingly, except in the case of (I) injunctive relief or provisional remedies related to this Agreement, or (ii) a suit, action or proceeding to compel either party to comply with the dispute resolution procedures set forth herein, the parties agree to use the following alternative

procedures as their sole remedy ("Arbitrable Dispute").

a. In the event of an Arbitrable Dispute, the parties attempt to reach a negotiated resolution by engaging in an executive escalation process as follows:

i. Either party may commence this executive escalation process by giving the other party written notice of its desire to do so.

ii. Each party shall promptly designate uninvolved representatives who have binding authority to resolve the Arbitrable Dispute.

iii. Such representatives shall meet and attempt to agree upon a resolution of the Arbitrable Dispute.

iv. If the parties agree, the representatives may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the representatives for purposes of these negotiations shall be treated as confidential information developed for purposes of settlement, shall be exempt from discovery and production, and shall not be admissible in the arbitration or any lawsuit related to this Agreement without consent of the parties. Documents identified in or provided related to these discussions and correspondence which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, may be admitted into evidence.

v. Unless the representatives agree otherwise, if the parties have not agreed upon a resolution within 30 days after the date notice is given under subsection (a)(I) above, then the executive escalation process shall be deemed to be completed.

b. If the Arbitrable Dispute is not resolved through the executive escalation process described above or the parties do not elect to invoke the executive escalation process, either party may notify the other party of its intention to submit an Arbitrable Dispute to arbitration, which notice shall include the name of an experienced arbitrator selected by such party. Within 10 days after the notice is served upon other party, that party may give notice to the first party either to allow the designated arbitrator to be the sole arbitrator or name a second experienced arbitrator. If a second experienced arbitrator is named, the 2 arbitrators shall designate a third experienced arbitrator. The arbitration shall be heard by the single arbitrator or the panel of 3 arbitrators, as the case may be (the "Arbitration Panel"). In the event the Arbitration Panel consists of 3 arbitrators the resolution of the dispute shall be determined by a majority vote of the Arbitration Panel. The Arbitrable Dispute shall be conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect (the "Rules"). Each member of the Arbitration Panel must, for all Arbitrable Disputes regardless of the amount in controversy, meet the Panel Qualification Criteria for serving in AAA's Large, Complex Dispute Resolution Program.

Any judgment upon the award rendered by the Arbitration Panel may be entered by any court of competent jurisdiction necessary to enforce the award. The place of the arbitration shall be Wilmington, Delaware. The Arbitration Panel shall control the scheduling so as to process the matter expeditiously. If there is any conflict between either the Rules and the terms of this Section, then the terms of this Section shall control.

c. Subject to subsection (h) hereof relating to tolling of time limitations, any claim by either party shall be time-barred unless the asserting party commences an escalation or arbitration proceeding with respect to such claim within the time limit for commencement of litigation specified by applicable law. In no event, however, shall such time limit be in excess of two years after the later of: a) the date the claim arises or b) the date upon which the asserting party knew or should have known about the existence of the claim.

d. With respect to any arbitration proceeding, no discovery will be allowed, other than the production of documents, the responses to which must be received within 10 days after any written request and no later than 10 days prior to the arbitration hearing. All pretrial proceedings may be conducted by telephone conference.

e. All decisions and awards by the Arbitration Panel shall be in writing and shall include findings of fact, conclusions of law and the reasoning on which the decisions and award rests. The Arbitration Panel shall not have the authority to award economic consequential damages or incidental or punitive damages. Notwithstanding anything provided in this Agreement, neither party shall in any way be prevented from or limited in recovering benefit of the bargain damages to the full extent provided by law, equity and/or statute. The Arbitration Panel shall have no power or authority to issue any determination except in accordance with this Section. The Arbitration Panel shall rule on the Arbitrable Dispute by issuing a written opinion within 30 days after the final arbitration hearing. The times specified in this Section may be extended upon mutual agreement of the parties or by the Arbitration Panel upon a showing of good cause.

f. The determination by the Arbitration Panel shall be final, binding and conclusive unless it either clearly factually or legally erroneous.

g. To the extent permitted by law, any determination or award made by the Arbitration Panel shall not be RES JUDICATA or have any binding effect in any unrelated litigation or arbitration in which any party to this Agreement may also be a party.

h. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled while the escalation and/or arbitration procedures specified in this Section are pending.

i. Unless otherwise determined by the Arbitration Panel, the parties shall equally share the fees and costs of the Arbitration Panel.

SECTION XVIII
MISCELLANEOUS PROVISIONS

50. JOINT DRAFTING. The parties agree that this Agreement has been jointly negotiated and drafted by the parties and that it will not be construed either for or against either party based upon who drafted any part of it.

51. APPLICABLE LAW, VENUE AND JURISDICTION. This Agreement will be governed by the laws of the State of Delaware, other than that state's choice of law rules. To the extent allowed by this Agreement and subject to the Arbitration provisions of paragraph 48, the parties agree that venue for any legal or equitable action for claims, debts or obligations arising out of, or to enforce the terms of this Agreement shall be proper in either Federal or State Court in Delaware, and the parties agree and submit to jurisdiction of such courts.

52. WAIVERS. Failure to enforce compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition. In the event that any waiver shall be deemed to have occurred, such waiver shall not be construed as a waiver of any other matter.

53. ASSIGNMENT. Except for assignment to a "Related Entity," neither party may assign any of its rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other party. "Related Entity" as used in this paragraph means any corporation, partnership, limited liability company or other entity which TeleTech or GTE controls or by which TeleTech or GTE is controlled. For purposes of this paragraph, "control" shall mean an ownership interest in excess of 50%.

54. SURVIVAL. Any and all obligations under this Agreement which, by their very nature, should reasonably survive the termination or expiration of this Agreement, will so survive, including, without limitation, those arising from the confidentiality and non-solicitation provisions of this Agreement.

55. SEVERABILITY. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or if any provision is held to be invalid by any arbitrator or court having jurisdiction over disputes related to this Agreement, such provision will, if reasonable to do so, be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law or, if not reasonable to do so, be deemed to be excluded from the agreement. In any event, all other provisions of this Agreement will remain in full force and effect.

56. NOTICES. All notices required or permitted by this Agreement will be deemed delivered (i) 3 days after being sent by registered mail, postage pre-paid, return receipt requested, (ii) upon hand-delivery, or (iii) 1 day after being sent by overnight delivery with signed receipt, addressed as follows (or to such other address as a party may specify in writing):

TeleTech Customer Care Management (Telecommunications), Inc.
1700 Lincoln Street, Suite 1400
Denver, Colorado 80203
Attention: General Counsel

GTE Card Services Incorporated d/b/a GTE Solutions
5221 North O'Conner Boulevard, East Tower
6th Floor, HQL06C43
Irving, Texas 75039
Attention: Director of Contract Management

57. REQUIRED FILINGS AND PUBLICITY. Neither party will use publicly the other's name or refer to the other in any way in or with the media, including without limitation, in advertising, without the other party's prior written consent; provided, however, that either party may make such disclosures or filings required to comply with applicable laws, including filings with regulatory agencies, such as the United States Securities and Exchange Commission ("SEC"), or disclosures or filings required to comply with the rules of a national securities exchange or automated quotations systems such as the National Association of Securities Dealer's Automated Quotations (NASDAQ).

Only for purposes of the filing a copy of this Agreement or any applicable Task Order with the SEC or any agency or body, TeleTech will provide GTE with a reasonable opportunity to identify portions of this Agreement or any applicable Task Order with respect to which GTE reasonably requests confidential treatment. For any such provision identified by GTE, TeleTech will cooperate in seeking confidential treatment from the SEC, agency or body. However, nothing contained herein, shall be construed to prevent TeleTech from disclosing information or filing a copy of this Agreement or any applicable Task Order if required by law.

58. ATTORNEYS' FEES AND COSTS. The prevailing party in any dispute arising under this Agreement (including but not limited to arbitration) will be entitled to recover from the non-prevailing party all reasonable attorneys fees and costs.

59. AMENDMENTS. This Agreement, including any exhibits, may not be modified except in a writing signed by a duly authorized representative of the party to be charged.

60. INTEGRATION. The exhibits constitute a part of this Agreement. This Agreement,

including its exhibits, constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements, discussions, proposals, representations or warranties, whether written or oral on this subject matter.

61. AUTHORITY. Each party hereto represents and warrants on its own behalf that the individual signing this Agreement on its behalf is fully authorized to sign on behalf of and bind it, and that it has the power and authority to enter into this Agreement.

62. HEADINGS. The headings used in this Agreement have been inserted for convenience and reference only and do not define or limit the provisions of this Agreement.

63. COUNTERPARTS. This Agreement may be signed in multiple counterparts, each of which will be considered an original, and all of which will be considered one and the same document. This Agreement may be executed by facsimile signature.

64. CONFLICT WITH TASK ORDER. In the event of any conflict between the language of this Agreement and the applicable Task Order which is incorporated into it or incorporates it, the language of the applicable Task Order will prevail.

65. TOURS OF DEDICATED CALL CENTERS. Without the permission of GTE, TeleTech will not give, to any existing or potential client of TeleTech (including but not limited to the employees and agents of any such existing or potential client), any tours of any Customer Solution Center which is dedicated to GTE.

Date:________________________________

TELETECH CUSTOMER CARE MANAGEMENT
(TELECOMMUNICATIONS) INC.

By:__________________________________

Name:________________________________

Title:_______________________________

GTE CARD SERVICES INCORPORATED
d/b/a GTE SOLUTIONS

By:__________________________________

Name:________________________________

Title:_______________________________

EXHIBIT A
CENTER BUY-OUT OPTION
(TELETECH-OWNED FACILITY)

The Center Buy-out Option means that GTE has the option to buy from TeleTech the Customer Solution Center described in the applicable Task Order and terminate the performance of TeleTech's Services under the applicable Task Order (collectively the "Center Buy-out"). The terms and conditions of the Center Buy-out are as follows:

1. GTE COMPLIANCE WITH ITS OBLIGATIONS: GTE will not have the right to take any of the steps set forth in paragraphs 2 or 3 below at any time that an Event of Default by GTE has occurred and is continuing. The Closing of the Center Buy-out will also not occur in the event that an Event of Default by GTE has occurred and is continuing on the Center Buy-out Closing Date.

2. STEPS TO COMPLETE CENTER BUY-OUT. To the extent applicable, the following are the steps necessary to complete a Center Buy-out under this Exhibit A:

a. DUE DILIGENCE NOTICE DATE. The Due Diligence Notice Date is the date upon which GTE delivers to TeleTech written notice of its intention to exercise the Center Buy-out Option subject to certain conditions. In the Due Diligence Notice, GTE shall specify whether it intends to complete and close the Center Buy-out on either the 3rd or 4th anniversary of the Operational Date set forth in the Task Order ("Scheduled Closing Date"). In no event shall the Due Diligence Notice Date be less than 180 days before the Scheduled Closing date.

b. MEETING TO DETERMINE WHAT THIRD PARTY CONSENTS ARE REQUIRED. Within 10 days after the Due Diligence Notice Date, the parties shall meet to discuss and determine what third party consents are required to complete the Center Buy-out. At that meeting, TeleTech shall deliver to GTE copies of all material leases, and maintenance and service contracts which are to be included in the Purchased Assets as defined herein.

c. COMMENCEMENT AND COMPLETION OF DUE DILIGENCE. For 60 days after the Due Diligence Notice Date ("Due Diligence Period"), GTE will be permitted to conduct and complete whatever due diligence inquiries, inspections and other investigations regarding the Center Buy-out as are reasonably necessary. TeleTech will cooperate in providing GTE with access and information related to such reasonable due diligence inquiries, inspections and other investigations.

d. THIRD PARTY CONSENT DEADLINE DATE. The Closing of the Center Buy-out shall be contingent upon GTE obtaining any material third party consents

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necessary to complete the Center Buy-out, including, but not limited to, any material leases or material contracts which are not assignable ("Third Party Consents"). TeleTech agrees to reasonably cooperate with GTE to obtain such Third Party Consents. However, TeleTech shall not be required make any payments or give any consideration to any third party to obtain any Third Party Consents.

The Third Party Consents will include but not be limited to the termination or expiration of any applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1974, as amended ("HSR Act Waiting Period Expiration").

All such Third Party Consents shall be obtained no later than 120 days following the Due Diligence Notice Date. If all Third Party Consents have been obtained within such 120 day period except for the HSR Act Waiting Period Expiration, such 120 day period shall be extended for a reasonable period if requested by GTE. The termination of such 120 day period (as extended for the HSR Act Waiting Period Expiration) shall be referred to in this Exhibit A as the "Third Party Consent Deadline Date."

Except for consents required by law (including, but not limited to, the HSR Act Waiting Period Expirations) and subject to GTE's indemnification obligations set forth herein, GTE shall have the right to waive any applicable Third Party Consents.

e. NOTICE OF EXERCISE OF CENTER BUY-OUT OPTION. GTE shall not deliver Notice of the Exercise of the Center Buy-out Option until such time as all applicable Third Party Consents have been obtained or waived. For a period of 15 days after the Third Party Consent Deadline Date, GTE will have the right to give written Notice of Exercise of the Center Buy-out Option. If GTE fails to give Notice of Exercise of the Center Buy-out Option within such period, the Center Buy-out Option shall expire and be null, void and of no effect. Subject to the satisfaction of the Closing Conditions (as defined herein), after giving Notice of Exercise of the Center Buy-out Option, GTE and TeleTech shall be obligated to complete and close the Center Buy-out.

f. CENTER BUY-OUT CLOSING DATE. The Center Buy-out Closing Date shall be the later of the following two dates: I) the Scheduled Closing Date; or ii) 75 days after the Notice of Exercise of the Center Buy-out Option is delivered.

3. REDELIVERY OF DUE DILIGENCE NOTICE. GTE shall not deliver more than one Due Diligence Notice during the term of any applicable Task Order; provided, however, that, if a prior Due Diligence Notice was delivered but the Center Buy-out was not consummated as a result of the failure to obtain a Third Party Consent, notwithstanding the delivery of such prior Due Diligence Notice, GTE shall not be prohibited from delivering one additional Due Diligence Notice if GTE has reasonable cause to believe that any such Third Consent is likely to be obtained.

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4. CLOSING DELIVERIES; ASSETS TO BE SOLD: At the Center Buy-out Closing Date, TeleTech will execute and deliver to GTE such bills of sale, assignments and other documents of conveyance, in form reasonably satisfactory to GTE, as are necessary to transfer and assign to GTE, as of the Center Buy-out Closing Date, all of TeleTech's right, title and interest in and to the following assets (collectively, the "Purchased Assets"):

a. All tenant improvements, equipment and furnishings located at the Customer Solution Center owned by TeleTech and used by TeleTech in the operation of the Customer Solution Center;

b. All leases of real property relating to the site of the Customer Solution Center;

c. All leases of personal property located at the Customer Solution Center used by TeleTech in the operation of the Customer Solution Center;

d. All service and maintenance contracts for the Customer Solution Center;

e. All books and records (or copies thereof) reasonably necessary to the operation of the Customer Solution Center; and

f. All other material assets and properties of any nature located at the Customer Solution Center used by TeleTech in the operation of the Customer Solution Center (except for the Excluded Items, as defined below).

As used in this Exhibit B, "Excluded Items" mean (a) any software or other property of GTE used by TeleTech in the operation of the Customer Solution Center; (b) the Platform Technology (which will be licensed to GTE pursuant to the provisions of Section 12(c) of the Task Order); and -C- all TeleTech general administrative, accounting financial, billing, e-mail, payroll, inventory control, pension and benefits administration, corporate communications network, systems networked with outside corporate management and similar systems and software owned by TeleTech which are not part of the Platform Technology.

At the Center Buy-out Closing, TeleTech also shall execute and deliver to GTE a certificate containing the following representations:

a. The Purchased Assets are being conveyed to GTE free and clear of all liens and encumbrances;

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b. The physical property included in the Purchased Assets is in reasonable operating condition;

c. The Purchased Assets (together with the Excluded Items) constitute substantially all assets used by TeleTech in the operation of the Customer Solution Center;

d. Except as otherwise provided in this Exhibit A regarding waiver of Third Party Consents, TeleTech is not in default under any material lease or contract being assigned to GTE on the Center Buy-out Closing Date; and

e. Except as otherwise provided in this Exhibit A regarding waiver of Third Party Consents, the transfer and assignment of the Purchased Assets to GTE at the Center Buy-out Closing does not conflict with or violate the provisions of TeleTech's charter or bylaws or any material agreement to which TeleTech is a party or by which any of the Purchased Assets are bound.

5. COVENANTS. TeleTech covenants and agrees that:

a. From and following the Notice of Exercise of the Center Buy-out Option and until the Center Buy-out Closing Date, TeleTech will operate the Customer Solution Center in the ordinary course of business and in a manner consistent with its prior practice;

b. TeleTech shall not enter into or permit to exist any agreement prohibiting TeleTech conveying the Purchased Assets to GTE free and clear of all liens or creating any material lien or encumbrances on the Purchased Assets. This restriction shall not prohibit TeleTech from incurring purchase money liens which will be discharged by TeleTech at the Center Buy-out Closing or from entering into agreements which prevent the assignment of such agreements without the consent of the other contracting parties; and

c. TeleTech shall not enter into or materially modify any real property lease relating to the Customer Service Center except on terms reasonably satisfactory to GTE. This covenant shall not apply to the dedicated Customer Solutions Center for the Bundled Services project in Thornton, Colorado.

6. PURCHASE PRICE: The purchase price of the Center Buy-out (the "Purchase Price") will be the sum of the following:

a. The Net Book Value of all Purchased Assets MULTIPLIED by *****, PLUS;

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b. The Average Monthly Billings (as defined herein) multiplied by ***** and the Number of Months in the Remaining Initial Term of the applicable Task Order (as defined herein). In other words, the formula is: Average Monthly Billings x ***** x Number of Months in the Remaining Initial Term. For purposes of this calculation, "Average Monthly Billings" will mean the average of all monthly billings from TeleTech (as reflected on the invoices, as finally resolved in the case of any amounts which were disputed) for the 12 months prior to the date that GTE delivers to TeleTech Notice of Exercise of the Center Buy-out Option. For purposes of this calculation, "the Number of Months in the Remaining Initial Term" shall mean the number of months or portion of a month between the Center Buy-out Closing Date and the end of the Initial Term of the applicable Task Order, excluding any Option periods set forth in the applicable Task Order.

7. PAYMENT OF PURCHASE PRICE: GTE will pay the Purchase Price to TeleTech, by wire transfer, on the Center Buy-out Closing Date. At such time, GTE shall also pay to TeleTech by wire transfer all other unpaid amounts owed to TeleTech under the applicable Task Order for periods prior to the Closing Date.

8. CLOSING CONDITIONS. The conditions to the Center Buy-out Closing are as follows:

a. TeleTech's obligation to consummate the Center Buy-out Closing is conditioned upon GTE's compliance in all material respects with its obligations set forth in this Exhibit A;

b. GTE's obligation to consummate the Center Buy-out Closing is conditioned upon TeleTech's compliance in all material respects with its obligations set forth in this Exhibit A.

c. The obligations of both parties to consummate the Center Buy-out Closing are conditioned upon the absence of any injunction or order of any court or governmental entity that would prohibit the consummation of the transactions contemplated by this Exhibit A.

9. DELIVERY OF POSSESSION: On the Center Buy-out Closing Date, TeleTech will deliver to GTE possession of the Customer Solution Center.

10. OFFER OF EMPLOYMENT TO EMPLOYEES OF TELETECH: Following delivery by GTE to TeleTech of the Notice of Exercise of the Center Buy-out Option and prior to the Center Buy-out Closing Date, GTE will have the right to solicit for employment and offer to hire (as of the Center Buy-out Closing Date and on terms as GTE may elect) any and/or all employees of TeleTech whose employment is dedicated to the Customer Solution Center and whose situs of employment is the Customer Solution Center. GTE

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understands that TeleTech has no ability to compel any of such employees to become employees of GTE. However, TeleTech will assist and cooperate with GTE in its efforts to solicit for employment and hire such employees. TeleTech's obligations to assist and cooperate with GTE regarding the solicitation and hiring of Customer Solution Center employees will end on the Center Buy-out Closing Date.

GTE shall not notify such employees of its intention to exercise or complete the Center Buy-out Option prior to giving the Notice of Exercise of the Center Buy-out Option.

11. ASSUMPTION OF LIABILITIES: Except as provided in the immediately following sentence, GTE will not, as a result of this Exhibit A, assume any liabilities or obligations of TeleTech of any nature, whether such liabilities or obligations arise with respect to the Purchased Assets, the Customer Solution Center or otherwise (including without limitation any liabilities or obligations of TeleTech relating to employees of TeleTech or employee benefit plans for the benefit of such employees). Notwithstanding the foregoing, upon the consummation of the Center Buy-out Closing, GTE will assume the contractual obligations of TeleTech under any leases or contracts assigned to GTE (but only to the extent such obligations arise from and following the Center Buy-out Closing Date).

12. INSURANCE: Beginning with the Center Buy-out Closing Date, it will be GTE's sole responsibility to maintain all necessary insurance related to the Customer Solution Center, and TeleTech will have no longer have any responsibility whatsoever to do so.

13. TERMINATION OF TELETECH'S OBLIGATIONS TO PERFORM SERVICES UNDER THE TASK ORDER AS OF THE CLOSING DATE. Subject to the provisions of paragraph 18 of this Exhibit A related to transition services by TeleTech, TeleTech's rights and obligations to perform future Services under the applicable Task Order shall terminate on the Center Buy-out Closing Date. All other past and future rights and obligations of the parties under the Applicable Task Order and the Client Services Agreement which should reasonably survive the termination of such future Services shall continue to survive. Subject to the provisions of paragraph 18 of this Exhibit A related to transition services by TeleTech, after the Center Buy-out Closing Date, it will be GTE's sole obligation to staff, maintain, repair, manage and otherwise operate the Customer Solution Center.

14. PRORATIONS: Personal property and real property taxes, utility fees and payment and obligations related to leases and contracts which are assigned to GTE and any similar items will be prorated as of the Center Buy-out Closing Date.

15. SUBJECT TO GOVERNMENTAL RESTRICTIONS: The conveyance of all things purchased by or assigned to GTE related to the Center Buy-out will be subject to any restrictions provided by applicable federal, state, and local laws, ordinances, and

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regulations, including but not limited to zoning and land use laws.

16. DELIVERY OF PERMITS AND CERTIFICATES: TeleTech will provide to GTE at the Center Buy-out Closing Date the permits and certificates related to all mechanical systems, facilities and other things related to the Customer Solution Center; however, it will be GTE's sole responsibility to renew such permits and certificates to the extent necessary.

17. REPAIR AND MAINTENANCE OF FACILITIES AND EQUIPMENT AFTER CLOSING: It will be GTE's sole responsibility to repair and maintain the facilities and equipment after the Center Buy-out Closing Date.

18. TRANSITION SERVICES BY TELETECH: In the event that GTE wishes for TeleTech to continue to provide services related to the Customer Solution Center after the Center Buy-out Closing Date, GTE and TeleTech will negotiate in good faith an agreement to do so.

19. INDEMNIFICATION BY TELETECH: TeleTech shall defend, indemnify and hold harmless GTE and its affiliates, officers, agents and employees from all claims, suits, actions, demands, damages, liabilities, expenses (including but not limited to reasonable attorneys' fees and costs), judgments, settlements and penalties of every kind related to or arising out of (a) TeleTech's ownership of the Purchased Assets and TeleTech's operation of the Customer Solution Center prior to the Center Buy-out Closing Date (including but not limited to any actions or liabilities of TeleTech with respect to any of its employees or any employee benefit plans for the benefit of such employees other than WARN Act liabilities under paragraph 20(d)), (b) TeleTech's violation of any environmental law or regulation, or any liability under any environmental law or regulation arising with respect to the Purchased Assets or operation of the Purchased Assets prior to the Center Buy-out Closing Date, or -C- any breach by TeleTech of any of its representations set forth in this Exhibit A.

Nothing contained in this paragraph is intended to supersede or modify TeleTech's obligations under any indemnification provision contained in the applicable Task Order or the Client Services Agreement.

20. INDEMNIFICATION BY GTE: GTE shall defend, indemnify and hold harmless TeleTech and its affiliates, officers, agents and employees from all claims, suits, actions, demands, damages, liabilities, expenses (including but not limited to reasonable attorneys' fees and costs), judgments, settlements and penalties of every kind related to or arising out of (a) GTE's ownership of the Purchased Assets and operation of the Customer Solution Center following the Center Buy-out Closing Date; (b) the failure to obtain any Third Party Consent if GTE waived the requirement for such consent; -C- GTE's violation of any environmental law or regulation, or any liability under any environmental law or regulation arising with respect to the Purchased Assets or

*CONFIDENTIAL TREATMENT REQUESTED

operation of the Purchased Assets after the Center Buy-out Closing Date, and (d) any liability under the WARN Act, if any, caused by the transition and/or termination of employees resulting from the completion and closing of the Center Buy-out Option.

Nothing contained in this paragraph is intended to supersede or modify GTE's obligations under any indemnification provision contained in the applicable Task Order or the Client Services Agreement.

21. REASONABLE ACCESS TO THE CUSTOMER SOLUTION CENTER BEFORE CLOSING. Subject to the restrictions set forth in paragraph 10 of this Exhibit A regarding contacting employees of the Customer Solution Center before the giving of the Notice of Exercise of the Center Buy-out Option, TeleTech shall provide GTE with such access to the Customer Solution Center and personnel as is reasonably necessary to accomplish the completion and closing of the Center Buy-out Option and orderly transfer of the Customer Solution Center and its operation to GTE at the Center Buy-out Closing Date.

*CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF TELETECH HOLDINGS, INC.

	Name of Subsidiary*	Jurisdiction of Incorporation
1.	T-TEC Labs, Inc. [fka TeleTech (Technology Development and Integration), Inc.]	State of Delaware
2.	TeleTech Customer Care Management (California), Inc. [fka TeleTech Telecommunications, Inc.]	State of California
3.	TeleTech Customer Care Management (Colorado), Inc. [fka TeleTech Teleservices, Inc.]	State of Colorado
4.	TeleTech Services Corporation	State of Colorado
	(a) Access 24 Limited	United Kingdom
	(b) TeleTech Financial Services Management, Inc.	State of Delaware
	(c) TeleTech Facilities Management (Postal Customer Support), Inc.	State of Delaware
	(d) TeleTech Facilities Management (Parcel Customer Support), Inc.	State of Delaware
	(e) TeleTech Health Services Management, Inc.	State of Delaware
	(f) TeleTech Customer Care Management (West Virginia), Inc.	State of West Virginia
	(g) TeleTech Customer Care Management (New York), Inc.	State of New York
	(h) TeleTech Customer Care Management, Inc.	State of Delaware
	(i) TeleTech Customer Care Management (Pennsylvania), Inc.	State of Pennsylvania
	(j) TeleTech Customer Care Solutions (Japan), Inc.	State of Delaware
	(k) Maxwell Leasing Company, Inc.	State of Delaware
	(l) TeleTech Customer Care Management (Telecommunications), Inc.	State of Delaware
	(m) TeleTech Customer Care Management (Texas), Inc.	State of Texas
5.	TeleTech International Pty Limited	New South Wales, Australia
	(a) TeleTech Limited	New Zealand
	(b) High Performance Healthcare Limited	Queensland, Australia
6.	TeleTech (UK) Limited	United Kingdom

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* Each of the subsidiaries conducts business under its legal corporate name listed above.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 6, 1998 (except for the matter discussed in Note 17, as to which the date is February 17, 1998), included in this Form 10-K, into TeleTech Holdings, Inc.'s previously filed Registration Statement on Form S-8 (Registration No. 333-17569).

Denver, Colorado,
March 27, 1998.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TELETECH HOLDINGS, INC.'S 1997 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR
DEC-31-1997
JAN-01-1997
DEC-31-1997
6,673
69,633
40,130
2,312
0
118,167
70,541
20,593
181,803
38,731
8,915
0
0
564
132,446
181,803
263,477
263,477
167,798
232,434
(3,564)
0
1,038
33,569
13,296
20,273
0
0
0
20,273
.34
.36