

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 2002

OR

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

Commission File Number: 0-21055

TeleTech Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

9197 South Peoria Street
Englewood, Colorado 80112
(Address of principal executive offices)
Registrant's telephone number, including area code: **(303) 397-8100**

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

(Title of Class)

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

Indicate by check mark 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.

Indicate by checkmark if an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of June 28, 2002, the last business day of the registrant's most recently completed second quarter, there were 77,705,585 shares of the registrant's common stock outstanding. The aggregate market value of the registrant's voting and non-voting common stock that was held by non-affiliates on such date was \$388,674,578 based on the closing sale price of the registrant's common stock on such date as reported on the Nasdaq Stock Market.

As of March 24, 2003, there were 74,153,122 shares of the registrant's common stock outstanding. The aggregate market value of the registrant's voting and non-voting common stock that was held by non-affiliates on such date was \$214,953,038 based on the closing sale price of the registrant's common stock on such date as reported on the Nasdaq Stock Market.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of TeleTech Holdings, Inc.'s definitive proxy statement for its annual meeting of stockholders to be held on May 15, 2003, are incorporated by reference into Part III of this Form 10-K, as indicated.

Item 1. Business.

Overview

TeleTech Holdings, Inc., a Delaware corporation (together with its wholly and majority owned subsidiaries, "TeleTech" or the "Company," which may also be referred to as "we" "us" or "our"), is a leading global provider of customer management solutions for large domestic, foreign and multinational companies. TeleTech, or for periods prior to 1994, its predecessors, was formed in 1982. TeleTech helps its clients manage the customer experience by providing customer-centric solutions from strategy to execution across the entire customer lifecycle. By leveraging world-class operations across its global platform of people, process, infrastructure, and technology, TeleTech provides front- and back-office customer management services that help clients build greater brand loyalty. In addition, TeleTech offers value-added services designed to optimize the experience of each customer and maximize the value of every interaction.

Our offerings are scalable, with a variety of solution alternatives to meet our clients' specific requirements. We provide our solutions from 55 customer management centers around the world and offer consulting services for clients seeking to optimize internal customer management functions.

Since 1996, we have expanded our international presence and currently have operations in 13 different countries. Our international reach provides increased business opportunities with non-U.S. clients, as well as opportunities to expand our relationships with existing multinational clients based in the U.S. In 2002, our non-U.S. operations represented 34.7% of total revenues.

Our Internet address is www.TeleTech.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports, are available for free on our Internet website under the heading "Investors-Annual Reports" and "SEC Filings."

Customer Management Solutions

Our fully integrated, customer management solutions encompass the following capabilities:

- infrastructure deployment, including the securing, designing and building of world-class customer management centers;
- recruitment, education and management of client-dedicated customer service representatives;
- engineering operational process controls and quality systems;
- technology consulting and implementation, including the integration of hardware, software, network and computer-telephony technology;
- strategic consulting and process redesign; and
- database management, which involves the accumulation, management and analysis of customer information to deliver actionable marketing solutions.

We design, develop and implement large-scale solutions built around each client's unique set of requirements and specific business needs. The solutions may incorporate voice, email or Internet-based technologies, and are designed to allow for expansion. We provide services from customer management centers leased, equipped and staffed by TeleTech (fully outsourced programs) and customer management centers leased and equipped by our clients and staffed by TeleTech (facilities management programs).

Outsourced. With a fully outsourced solution, we provide comprehensive customer management solutions from customer management centers leased, equipped and staffed by TeleTech. Our fully outsourced customer management centers are utilized to serve either multiple clients (multi-client centers) or one dedicated client (dedicated centers). We also provide facilities management solutions whereby the client owns or leases the customer management center and equipment and we provide the staff and knowledge to operate the center. Our North American and international outsourced business segments accounted for approximately 90.8%, 92.4% and 90.2% of total 2002, 2001 and 2000 revenues, respectively, of which our North American outsourced business segment accounted for 69.5%, 66.6% and 66.8%, respectively.

Database Marketing and Consulting. Through our database marketing and consulting segment, we provide outsourced database management, direct marketing and related customer retention services for automotive dealerships and manufacturers. Additionally, we provide consulting services related to the development and implementation of new techniques and programs that enable automobile dealerships to grow their businesses, streamline inefficient processes and more effectively market their services. Our database marketing and consulting segment accounted for approximately 9.4%, 7.8% and 8.8% of total 2002, 2001 and 2000 revenues, respectively.

Our Outsourced and Database Marketing and Consulting services consist of:

- *Customer Targeting Solutions:* We use data analytics and mining capabilities to help clients identify top-tier customers and key prospects for future sales opportunities. This information helps drive more targeted demand generation programs and marketing initiatives.
- *Customer Acquisition Solutions:* From customer education, to inquiry follow-ups, to processing new accounts, we help clients get customers up and running quickly and efficiently-while speeding their overall time to market. A sampling of these services includes processing and fulfilling pre-sale information requests; verifying sales, activating services and directing customers to product or service sources; and providing initial post-sale support, including operating instructions for new product or service use.
- *Customer Provisioning Solutions:* Getting off to the right start is critical to creating a lifelong customer. Whether turning on service, trouble shooting installation or sending out a physical product, we help clients streamline provisioning processes by managing every aspect of the front- and back-office, from order to installation.
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Customer Support Solutions: We help ensure the ongoing satisfaction of all customers through the accurate, timely and efficient handling of every interaction, from complex transactions such as insurance claims processing, to more basic services such as billing support, account maintenance and complaint resolution.

- *Customer Development Solutions:* Through a combination of technology and highly trained customer service representatives, we help clients identify high-value customers and increase customer value through up-selling, cross-selling, and, perhaps most importantly, first call resolution.
- *Customer Retention Programs:* We work with clients to develop targeted customer satisfaction and loyalty programs as well as other proactive strategies that deliver greater value to customers on a day-to-day basis. For example, TeleTech offers strategies and services to help manage customer attrition or turnover.
- *Other Customer-Related Programs:* Our customer management solutions may include aiding in collections, collecting market research from customers, and performing outbound-call campaigns.

Markets and Clients

Strategic Business Units ("SBUs"), responsible for developing and implementing customized industry-specific customer management solutions in specific vertical markets, have primary responsibility for sales and marketing efforts in North America. Within this framework, we focus on large multinational corporations in the communications, automotive, financial services, transportation, and government industries. These industries accounted for approximately 50.6%, 18.1%, 9.7%, 7.9% and 7.6%, respectively, of our 2002 revenue. Sales in other industries, including technology, healthcare and various others, accounted for 6.1% of 2002 revenues. During 2002, we had two clients who represented more than 10% of total revenues: Verizon Communications and Nextel Communications, Inc. which accounted for 15.7% and 15.3% of total revenues, respectively.

Communications. The communications industry encompasses a wide range of businesses, including broadband, cable, digital broadcast satellite, long-distance, local and wireless service providers. In addition to traditional product and service support solutions, we deliver advanced order management, and have developed specific end-to-end solutions for Internet service providers and wireless service providers.

Automotive. In 2000, we significantly expanded our solution set for the automotive sector with Percepta, LLC, our joint venture with Ford Motor Company, as well as through Newgen, a company we acquired in 2000. We help the world's largest automotive companies through industry-specific, proprietary solutions, from service reminder programs to warranty management to strategic up-selling.

Financial Services. Regulatory changes have allowed financial service providers to expand their product offerings, placing an increased importance on customer management. As industry leaders integrate new and existing services, we help align delivery channels and ensure service quality through our financial services technology solutions, which integrate contact channels such as voice and email while providing full-feature support for clients and their customers. In addition, our financial services technology solutions integrate with most legacy and third-party industry oriented systems. We have also developed specific end-to-end solutions for Internet, retail banking services and card services.

Transportation. We provide a variety of customer management solutions to clients in the transportation industry, including package delivery and travel companies. In partnership with our clients, our goal is to make customer care a competitive advantage and increase customer loyalty while managing complex enterprise-wide systems. Specific solutions include package tracking and tracing, customer complaint resolution, account inquiries, reservations and VIP services.

Government. Leveraging nearly 20 years of experience, we streamline the customer management function for government organizations. By utilizing well-managed customer management centers for traditional customer management solutions, we allow various government agencies to focus on conducting their primary business.

Sales and Marketing

We employ a consultative sales approach and hire business development professionals with experience in industries relating to our key SBUs. Once a potential client is identified, a team of TeleTech employees, typically consisting of applications and systems specialists, operations experts, human resources professionals and other appropriate management personnel, thoroughly examines the potential client's operations and assesses its current and prospective customer management goals, needs and strategies. We invest significant resources during the development of a client relationship, and our technological capabilities enable us to develop working prototypes of proposed solutions with minimal capital investment by the client.

We work with our clients to generate a set of detailed requirements, a development plan and a deployment strategy tailored to the client's specific needs. After the initial solution is deployed, we conduct regular reviews of the relationship to ensure client satisfaction, while continually looking for areas to expand the relationship.

We typically provide customer management solutions pursuant to written contracts with terms ranging from one to eight years. Often, the contracts contain renewal or extension options. Under virtually all of our significant contracts, we generate revenue based on the amount of time customer service representatives devote to a client's program. In addition, clients are typically required to pay fees relating to the education and training of representatives to implement the client's program, setup and management of the program, and development and integration of computer software and technology. Certain contracts have price adjustment terms allowing for cost of living adjustments and/or market changes in agent labor costs. Our client contracts generally contain provisions that (i) allow us or the client to terminate the contract upon the occurrence of certain events, (ii) designate the manner by which we receive payment for our services and (iii) protect the confidentiality and ownership of information and materials used in connection with the performance of the contract. Some of our contracts also require our clients to pay a fee in the event of early termination.

Operations

We provide customer management solutions through the operation of 55 customer management centers located in the United States, Argentina, Australia, Brazil, Canada, China, Northern Ireland, Mexico, New Zealand, the Philippines, Singapore, Scotland and Spain. As of December 31, 2002, we leased 41 customer management centers and managed 14 customer management centers.

We apply predetermined site selection criteria to identify locations conducive to operating large-scale, sophisticated customer management facilities in a cost-effective manner. We maintain databases covering demographic statistics and the commercial real estate markets, which are used to produce a project specific short list on demand. We also aggressively pursue incentives such as tax abatements, cash grants, low-interest loans, training grants and low cost utilities. Following comprehensive site evaluations and cost analyses, as well as client considerations, a specific site is located and a lease is negotiated and finalized.

Once we take occupancy of a site, we use a standardized development process to minimize the time it takes to open a new customer management center, control costs and eliminate elements that might compromise success. The site is retrofitted to exacting requirements that incorporate value engineering, cost control and scheduling concepts while placing emphasis on the quality of the work environment. Upon completion, we integrate the new customer management center into the corporate facility and asset management programs. Throughout the development process, we conduct critical reviews to evaluate the overall effectiveness and efficiency of the development. Generally, we can establish a new, fully operational inbound customer management center containing 450 or more workstations within 120 days after a lease is finalized and signed.

From time to time, we assess the expected long-term capacity utilization of our centers. Accordingly, we may, if deemed necessary, consolidate or shutdown underperforming centers in order to maintain or improve targeted utilization and margins. During 2002, we determined to close certain centers in Spain and Canada. During 2002, the Company's corporate and North American outsourcing segments recorded restructuring charges associated with the termination of approximately 400 administrative employees and the impairment of a property lease totaling approximately \$7.3 million and \$0.9 million, respectively. Additionally, the Company's international outsourcing segment recorded a loss on the closure of customer management centers in Spain and Canada of approximately \$1.2 million. These charges are reflected on separate line items in the accompanying consolidated statements of operations.

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Quality Assurance

We monitor and measure the quality and accuracy of our customer interactions through regional quality assurance departments. These departments evaluate, on a real-time basis, a statistically significant percentage of the customer interactions in a day, across all of the customer interaction mediums utilized within the center. Each center has the ability to enable its clients to monitor customer interactions as they occur. Using criteria mutually determined with the client, quality assurance professionals monitor, evaluate, and provide feedback to the representatives on a weekly basis. As appropriate, representatives are recognized for superior performance or scheduled for additional training and coaching.

Technology

Our customer management solution set is built upon complex, sophisticated technology, which helps maximize the utilization of customer management centers and increase the efficiency of representatives. Interaction routing technology is designed for rapid response rates while tracking and workforce management systems facilitate efficient staffing levels, reflecting historical demands. In addition, our infrastructure and object-oriented software allows for tracking of each customer interaction, filing the information within a relational database and generating reports on demand.

We have invested significant resources in designing and developing industry-specific open-systems software applications and tools and, as a result, maintain a library of reusable software code for use in future developments. We run our applications software on open-system, client-server architecture and use a variety of products developed by third party vendors. We continue to invest significant resources into the development and implementation of emerging customer management and technical support technologies.

Human Resources

Our ability to provide high quality comprehensive customer management solutions hinges largely upon our success in recruiting, hiring and training large numbers of skilled employees. We primarily offer full-time positions with competitive salaries and wages and a full range of employee benefits. To aid in employee retention, we also provide viable career paths.

To sustain a high level of service and support to our clients, our representatives undergo significant training before managing customer interactions and receive ongoing training on a regular basis. In addition to learning about the clients' corporate culture and specific product or service offerings, representatives receive training in the numerous media we use to effectively execute our clients' customer management program.

We are committed to the continued education and development of our employees and believe that providing employees with access to new learning opportunities contributes to job satisfaction, ensures a higher quality labor force and fosters loyalty between our employees and the clients we serve.

As of December 31, 2002, we had over 28,000 employees in 13 countries, with approximately 88% holding full-time positions. Although our industry is very labor-intensive and traditionally experiences significant personnel turnover, we seek to manage employee turnover through proactive initiatives. A small percentage of our non-U.S. employees are subject to collective bargaining agreements mandated under national labor laws. We believe our relations with our employees are good.

International Operations

During 2002, revenue from non-U.S. operations represented 34.7% of total revenues. As of December 31, 2002, we operated seven customer management centers in Canada; six customer management centers in Australia; five customer management centers in Spain; three customer

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management centers in New Zealand; two customer management centers in each of Argentina, Mexico and Scotland; and one customer management center in each of Brazil, China, Northern Ireland, the Philippines and Singapore.

Future international expansion plans may include joint venture or strategic partnering alliances, as well as the acquisition of businesses with products or technologies that extend or complement our existing businesses. From time to time, we engage in discussions regarding restructurings, dispositions, acquisitions and other similar transactions. Any such transaction could include, among other things, the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption or refinancing of indebtedness, and could be material to our financial condition and results of operations. We cannot assure that any such discussions will result in the consummation of any such transaction.

Competition

We believe that we compete primarily with the in-house customer management operations of our current and potential clients. We also compete with certain companies that provide customer management services on an outsourced basis, including APAC Customer Services, Accenture, Convergys Corporation, SITEL Corporation, ICT Group, Sykes Enterprises Incorporated, West Corporation, EDS and RMH Teleservices. We compete primarily on the basis of quality and scope of services provided, speed and flexibility of implementation, technological expertise and price. Although the customer management industry is very competitive and highly fragmented with numerous small participants, we believe that TeleTech generally does not directly compete with traditional telemarketing companies, which primarily provide outbound "cold calling" services.

Recent Developments

In February 2003, we purchased our corporate headquarters building for \$38.2 million, which was previously under a synthetic lease using proceeds from our revolving line of credit.

In January 2003, we announced that the United States Postal Service ("USPS") did not renew their relationship with us. We provided services to the USPS from two U.S.-based customer management centers, representing 5.5% of our 2002 revenues, or \$55.7 million.

In December 2002, the Company's Board of Directors authorized the continuation of its share repurchase program to acquire up to an additional \$25 million of the Company's common stock. The Company completed in the fourth quarter of 2002 its repurchase of up to \$25 million of common stock previously authorized by the Board of Directors in 2001.

Risk Factors

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

Forward-Looking Information May Prove Inaccurate. Some of the information presented in this Annual Report on Form 10-K constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as "may," "will," "intend," "anticipate," "estimate," "expect," "continue," "believe," "plan," or the like, as well as all statements that are not historical

facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations. Factors that could cause actual results to differ from expectations include:

Dependence on the Success of Our Clients' Products. In substantially all of our client programs, we generate revenues based, in large part, on the amount of time that our personnel devote to a client's customers. Consequently, and due to the inbound nature of our 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. There can be no assurance as to the number of consumers who will be attracted to the products and services of our clients, and who will therefore need our services, or that our clients will develop new products or services that will require our services.

Risks Associated with an Economic Downturn. Our ability to enter into new multi-year contracts, particularly large, complex client agreements, may be dependent upon the general macroeconomic environment in which our clients and their customers are operating. Continued weakening of the U.S. and/or global economy could cause longer sales cycles, delays in closing new business opportunities and slower growth in existing contracts. Additionally, the economic downturn could negatively impact the financial condition of existing customers, thus increasing our risk of not receiving payment for our services.

Reliance on a Few Major Clients. We strategically focus our marketing efforts on developing long-term relationships with large, multinational companies in targeted industries. As a result, we derive a substantial portion of our revenues from relatively few clients. There can be no assurance that we will not become more dependent on a few significant clients, that we will be able to retain any of our largest clients, that the volumes or profit margins of our most significant programs will not be reduced, or that we would be able to replace such clients or programs with clients or programs that generate comparable profits. Consequently, the loss of one or more of our significant clients could have a material adverse effect on our business, results of operations or financial condition. See "Client Concentrations" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Risks Associated with Our Contracts. Most of our contracts do not ensure that we 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 we seek to sign multi-year contracts with our clients, our contracts generally enable the clients to terminate the contract, or terminate or reduce customer interaction volumes, on relatively short notice. Although our larger contracts generally require the client to pay a contractually agreed amount in the event of early termination, there can be no assurance that we will be able to collect such amount or that such amount, if received, will sufficiently compensate us for our investment in the canceled program or for the revenues we may lose as a result of the early termination. We are usually not designated as our client's exclusive service provider, however, we believe that meeting our clients' expectations can have a more significant impact on revenues generated by us than the specific terms of our client contracts. In addition, some

of our contracts limit the aggregate amount we can charge for our services, and some prohibit us from providing services to the client's direct competitors that are similar to the services we provide to such client.

Risks Associated with Financing Activities. From time to time, we may need to obtain debt or equity financing for capital expenditures, for payment of existing obligations and to replenish cash reserves. There can be no assurance that we will be able to obtain such debt or equity financing, or that any such financing would be on terms acceptable to us. Additionally, our existing debt agreements

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require us to maintain certain financial covenants. There is no assurance that we will be able to meet these covenants or, in the event of noncompliance, will be able to obtain waivers from the lenders.

Risks Associated with International Operations and Expansion. We currently conduct business in Argentina, Australia, Brazil, Canada, China, Northern Ireland, Mexico, New Zealand, the Philippines, Singapore, Scotland and Spain. One component of our growth strategy is continued international expansion. There can be no assurance that we will be able to (i) increase our market share in the international markets in which we currently conduct business or (ii) successfully market, sell and deliver our services in additional international markets. 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, including foreign labor laws, unexpected changes in regulatory requirements, difficulties in managing capacity utilization and in staffing and managing foreign operations, political instability and potentially adverse tax consequences. Any one or more of these factors could have a material adverse effect on our international operations and, consequently, on our business, results of operations or financial condition.

Risks Associated with Cost and Price Increases. A few of our larger contracts allow us to increase our service fees if and to the extent certain cost or price indices increase. However, most of our contracts do not contain such provisions and some contracts require us to decrease our service fees if, among other things, we do not achieve certain performance objectives. The majority of our expenses are payroll or payroll related. Included in payroll related costs are healthcare costs. Over the past several years, healthcare costs have increased at a rate much greater than that of general cost or price indices. Increases in our service fees that are based upon increases in cost or price indices may not fully compensate us for increases in labor and other costs incurred in providing services.

Difficulties of Managing Capacity Utilization. Our profitability is influenced significantly by our customer management center capacity utilization. We attempt to maximize utilization; however, because the majority of our business is inbound, we have significantly higher utilization during peak (weekday) periods than during off-peak (night and weekend) periods. We have experienced periods of idle capacity, particularly in our multi-client customer management centers. In addition, we have experienced, and in the future may experience, at least in the short-term, idle peak period capacity when we open a new customer management center or terminate or complete a large client program. From time to time we assess the expected long-term capacity utilization of our centers. Accordingly, we may, if deemed necessary, consolidate or close under-performing centers in order to maintain or improve targeted utilization and margins. There can be no assurance that we will be able to achieve or maintain optimal customer management center capacity utilization. During 2002, we determined to close certain customer management centers in Spain and Canada due to poor operating performance and low capacity utilization.

Highly Competitive Market. We believe the market in which we operate is fragmented and highly competitive and competition is likely to intensify in the future. We compete with small firms offering specific applications, divisions of large entities, large independent firms and, most significantly, the in-house operations of clients or potential clients. A number of competitors may develop greater capabilities and resources than ours. Similarly, there can be no assurance that additional competitors with greater resources than us will not enter our market. Because our primary competitors are the in-house operations of existing or potential clients, our performance and growth could be adversely affected if our existing or potential clients decide to provide in-house customer management services they currently outsource, or retain or increase their in-house customer service and product support capabilities. In addition, competitive pressures from current or future competitors also could cause our services to lose market acceptance or result in significant price erosion, which could have a material adverse effect upon our business, results of operations or financial condition.

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Difficulties of Future Growth. Continued future growth will depend on a number of factors, including the general macroeconomic conditions of the global economy and our ability to (i) initiate, develop and maintain new client relationships and expand our existing client programs; (ii) recruit, motivate and retain qualified management and front-line personnel; (iii) rapidly identify, acquire or lease suitable customer management center facilities on acceptable terms, and complete the buildout of such facilities in a timely and economic fashion; and (iv) maintain the high quality of the solutions we provide to our clients. There can be no assurance we will be able to effectively manage our expanding operations or maintain our profitability. If we are unable to effectively manage our growth, our business, results of operations or financial condition could be materially adversely affected.

Risks Associated with Rapidly Changing Technology. Our business is highly dependent on our computer and telecommunications equipment and software capabilities. Our failure to maintain the superiority of our technological capabilities or to respond effectively to technological changes could have a material adverse effect on our business, results of operations or financial condition. Our continued growth and future profitability will be highly dependent on a number of factors, including our ability to (i) expand our existing solutions offerings; (ii) achieve cost efficiencies in our existing customer management center operations; and (iii) introduce new solutions that leverage and respond to changing technological developments. There can be no assurance that technologies or services developed by our competitors will not render our products or services non-competitive or obsolete, that we can successfully develop and market any new services or products, that any such new services or products will be commercially successful or that the integration of automated customer support capabilities will achieve intended cost reductions.

Dependence on Key Personnel. Continued growth and profitability will depend upon our ability to maintain our leadership infrastructure by recruiting and retaining qualified, experienced executive personnel. Competition in our industry for executive-level personnel is strong and there can be no assurance that we will be able to hire, motivate and retain highly effective executive employees, or that we can do so on economically feasible terms.

Dependence on Labor Force. Our success is largely dependent on our ability to recruit, hire, train and retain qualified employees. Our industry is very labor-intensive and has experienced high personnel turnover. A significant increase in the employee turnover rate could increase recruiting and training costs and decrease operating effectiveness and productivity. Also, if we obtain several significant new clients or implement several new, large-scale programs, we may need to recruit, hire and train qualified personnel at an accelerated rate. We may not be able to continue to hire, train and retain sufficient qualified personnel to

adequately staff new customer management programs. Because a significant portion of our operating costs relate to labor costs, an increase in wages, costs of employee benefits or employment taxes could have a material adverse effect on our business, results of operations or financial condition. In addition, certain of our customer management centers are located in geographic areas with relatively low unemployment rates, which could make it more difficult and costly to hire qualified personnel.

Difficulties of Completing and Integrating Acquisitions and Joint Ventures. In the past, we have pursued, and in the future we may continue to pursue, strategic acquisitions of companies with services, technologies, industry specializations or geographic coverage that extend or complement our existing business. There can be no assurance that we will be successful in integrating such companies into our existing businesses, or that any completed acquisition will enhance our business, results of operations or financial condition. We have faced, and in the future may continue to face, increased competition for acquisition opportunities, which may inhibit our ability to consummate suitable acquisitions on favorable terms. We may require additional debt or equity financing for future acquisitions, and such financing may not be available on terms favorable to us, if at all. As part of our growth strategy, we also may pursue strategic alliances in the form of joint ventures and partnerships. Joint ventures and

partnerships involve many of the same risks as acquisitions, as well as additional risks associated with possible lack of control.

Risk of Business Interruption. Our operations are dependent upon our ability to protect our customer management 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 we experience a temporary or permanent interruption at one or more of our customer management centers, through casualty, operating malfunction or otherwise, our business could be materially adversely affected and we may be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with us. We maintain property and business interruption insurance; however, such insurance may not adequately compensate us for any losses we may incur.

Variability of Quarterly Operating Results. We have experienced and could continue to experience quarterly variations in operating results because of a variety of factors, many of which are outside our control. Such factors include the timing of new contracts; labor strikes and slowdowns in the business of our clients; reductions or other modifications in our 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 our various service offerings; and the seasonal pattern of certain businesses served by us. In addition, we make decisions regarding staffing levels, investments and other operating expenditures based on our revenue forecasts. If our revenues are below expectations in any given quarter, our operating results for that quarter would likely be materially adversely affected.

Foreign Currency Exchange Risk. With an expanding global reach, we are increasingly exposed to the market risk associated with foreign currency exchange fluctuations. Although we have entered into forward financial instruments to manage and reduce the impact of changes in certain foreign currency rates, there can be no assurance that such instruments will protect us from foreign currency fluctuations or that we have or will have instruments in place with respect to the most volatile currencies.

Dependence on Key Industries. We generate a majority of our revenues from clients in the communications, automotive, transportation, financial services and government services industries. Our growth and financial results are largely dependent on continued demand for our services from clients in these industries and current trends in such industries to outsource certain customer management 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 management services could have a material adverse effect on our business, results of operations or financial condition.

See Note 2 to the consolidated financial statements for information on Business Segment Reporting and Geographic Region Disclosure.

Item 2. Properties.

Our corporate headquarters are located in Englewood, Colorado, in approximately 272,000 square feet of leased office space. In February 2003, we purchased our corporate headquarters building for \$38.2 million. As of December 31, 2002, we leased or managed customer management centers totaling approximately 23,000 production work stations in Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Michigan, New York, Pennsylvania, South Carolina, Virginia, Washington, West Virginia, Argentina, Australia, Brazil, Canada, China, Northern Ireland, Mexico, New Zealand, the Philippines, Scotland, Singapore and Spain.

The leases for our U.S. customer management centers have terms ranging from three to 20 years and generally contain renewal options. We believe that our existing customer management centers are

suitable and adequate for our current operations. We target capacity utilization in our fully outsourced centers at 85% of our available workstations during peak (weekday) periods. Our plans for 2003 include plans for several new, or expansions of, non-U.S. centers.

Due to the inbound nature of our business, we experience significantly higher capacity utilization during peak periods than during off-peak (night and weekend) periods. We may be required to open or expand customer management centers to create the additional peak period capacity necessary to accommodate new or expanded customer management programs. The opening or expansion of a customer management center may result, at least in the short term, in idle capacity during peak periods until any new or expanded program is implemented fully.

Item 3. Legal Proceedings.

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, 2002.

Executive Officers of TeleTech Holdings, Inc.

In accordance with General Instruction G(3) of this Form 10-K, the following information is included as an additional item in Part I:

Name	Position	Age	Date Position Assumed
Kenneth D. Tuchman(1)	Chairman and Chief Executive Officer	43	2001
James E. Barlett(2)	Vice Chairman	59	2001
R. Sean Erickson(3)	Executive Vice President, Customer Solutions	41	2002
Michael E. Foss(4)	Executive Vice President, Business Development	45	1999
James B. Kaufman(5)	Executive Vice President, Sales, Solutions and Marketing	41	2002
Margot M. O'Dell(6)	Chief Financial Officer and Executive Vice President of International Operations	38	2000
Sharon O'Leary(7)	Senior Vice President, General Counsel and Secretary	44	2002
John Simon(8)	Senior Vice President, Human Resources	38	2001
Jeffrey S. Sperber(9)	Vice President—Controller	38	2001

(1) Mr. Tuchman founded TeleTech's predecessor company in 1982 and has served as the Chairman of the Board of Directors since TeleTech's formation in 1994. Mr. Tuchman served as the Company's President and Chief Executive Officer from the Company's inception until October 1999. In March 2001, Mr. Tuchman resumed the position of Chief Executive Officer. Mr. Tuchman has also held various board and officer positions with a number of TeleTech's affiliates, and Mr. Tuchman serves on the board of Ocean Journey and the Boy Scouts of America. Mr. Tuchman is also a member of the State of Colorado Governor's Commission on Science and Technology and the Center for Learning and Leadership.

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

(3) Mr. Erickson was named Executive Vice President, Customer Solutions in September 2002. Since 1997, he had served as TeleTech's President and General Manager, North American Operations and Technology. Before joining TeleTech in 1997, Mr. Erickson served in a variety of customer service and operations strategy positions at TeleCommunications, Inc. ("TCI") including Chief Operating Officer of a call center joint venture between TCI and Primestar Satellite, Inc. Before joining TCI in 1995, Mr. Erickson held numerous sales, marketing, and customer service positions at MCI Telecommunications, including Director of Customer Retention Marketing, Director of Operator Services, and Executive Director of Mass Markets Customer service with responsibility for 12 call centers and 5,000 employees, nationwide.

(4) Before joining TeleTech in 1999, Mr. Foss served as Chief Executive Officer of Picture Vision, Inc., a subsidiary of Eastman Kodak that focused on Internet imaging. Mr. Foss was also General Manager of online digital services and Vice President of consumer imaging for Kodak. Prior to this position, Mr. Foss was General Manager of Components, Services and Media for Kodak's Business Imaging Systems Division. Before joining Kodak, Mr. Foss served as Senior Vice President and Chief Financial Officer for Rally's and held numerous positions with IBM, including Director of Financial Planning, Worldwide Sales and Services, and Director of Corporate Treasury Operations.

(5) Mr. Kaufman was named Executive Vice President, Sales, Solutions and Marketing in September 2002. Since 1999, he had served as the Company's Executive Vice President, General Counsel and Secretary. Before joining TeleTech in 1999, Mr. Kaufman served as Vice President—Law at Orion Network Systems (renamed Loral Cyberstar following its acquisition by Loral Space & Communications in March 1998), a publicly traded international satellite-based communications company. Before joining Orion in 1994, Mr. Kaufman was engaged in private law practice, most recently with Proskauer Rose, a national law firm.

(6) Before joining TeleTech in 2000, Ms. O'Dell served as Senior Vice President of Finance for Global Network Operations at Qwest, formerly U S WEST. Prior to that position, Ms. O'Dell served as Vice President of Human Resources, Employee and Retiree Services and as Executive Director of Corporate Benefits for U S WEST. Prior to U S WEST, Ms. O'Dell was Vice President Finance and Operations for FHP Healthcare's Eastern Division.

(7) Ms. O'Leary joined TeleTech in 2002 from LoneTree Capital, a venture capital firm, where she was Senior Vice President and General Counsel. Prior to LoneTree Capital, Ms. O'Leary was Vice President-Law with MediaOne Group where she managed the general corporate, litigation, risk management,

human resources and public relations advice areas of the law department. Ms. O'Leary also managed the board of directors as assistant secretary. Prior to joining MediaOne Group, Ms. O'Leary worked for U S WEST in a variety of legal areas including mergers and acquisitions, commercial transactions, international joint ventures, new product development, and regulatory issues. In addition to her work at U S WEST, Ms. O'Leary was a partner with the law firm of Browning, Kaleczyc, Berry & Hoven, P.C. Ms. O'Leary earned her undergraduate degree with honors from Dominican College in 1981, and her juris doctorate with honors from New York Law School in 1985.

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- (8) Mr. Simon has served as TeleTech's Senior Vice President, Human Resources since July 2001. Prior to his current role, Mr. Simon was the Company's associate general counsel, handling labor and employment, as well as insurance and regulatory issues. Mr. Simon joined TeleTech in 1999 as senior counsel. Before joining TeleTech, Mr. Simon was a partner at the New York law firm Hallenbeck, Lascell, Norris and Heller. Mr. Simon's private law practice focused on litigating employment and commercial matters, as well as business counseling for corporate clients. Mr. Simon holds an undergraduate degree from Colorado College and a law degree from Georgetown University.
- (9) Before joining TeleTech in March of 2001, Mr. Sperber served as Chief Financial Officer of USOL Holdings, Inc., a publicly held company providing bundled video, voice and data services to residents of multi-family housing units. Prior to joining USOL in 1997, Mr. Sperber served as the Controller for TCI Wireline, Inc., a subsidiary of TCI that focused on launching local telephone service and managing TCI's telephone investments in Sprint PCS and Teleport Communications Group.

There are no family relationships between any director, executive officer, or person nominated or chosen by the registrant to become a director or executive officer.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock is traded on the Nasdaq National Stock Market under the symbol "TTEC." The following table sets forth the range of the high and low sales prices per share of the common stock for the fiscal quarters indicated as reported on the Nasdaq Stock Market:

	High	Low
First Quarter 2002	\$ 15.69	\$ 10.92
Second Quarter 2002	\$ 14.18	\$ 9.25
Third Quarter 2002	\$ 9.22	\$ 5.35
Fourth Quarter 2002	\$ 9.01	\$ 5.96
First Quarter 2001	\$ 21.31	\$ 7.25
Second Quarter 2001	\$ 9.85	\$ 6.25
Third Quarter 2001	\$ 9.00	\$ 5.39
Fourth Quarter 2001	\$ 14.75	\$ 6.92

As of March 24, 2003, there were 74,153,122 shares of common stock outstanding, held by approximately 141 stockholders of record.

TeleTech did not declare or pay any dividends on its common stock in 2002 or 2001 and it does not expect to do so in the foreseeable future. Management anticipates that all cash flow generated from operations in the foreseeable future will be retained and used to develop and expand TeleTech's business. However, in 2001, the Board of Directors authorized the repurchase of up to \$25 million of the Company's common stock which the Company completed during 2002. In December 2002, the Board of Directors authorized the continuation of TeleTech's repurchase program authorizing the repurchase of up to an additional \$25 million of the Company's common stock. 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.

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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. The financial information for years prior to 2000 have been restated to reflect the August 2000 business combination with Contact Center Holdings, S.L. and the December 2000 business combination with Newgen Results Corporation. The financial information for 1998 has been restated to reflect the June 1998 business combinations with Electronic Direct Marketing Ltd. and Digital Creators, Inc. All of the mentioned business combinations were accounted for using the pooling-of-interests method of accounting.

Year Ended December 31,

2002	2001	2000	1999	1998
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(in thousands, except per share and operating data)

Statement of Operations Data:

Revenues	\$ 1,017,436	\$ 916,144	\$ 885,349	\$ 604,264	\$ 424,877
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Costs of services	712,585	587,423	557,681	403,648	282,689
SG&A and other operating expenses	241,231(7)	237,253(5)	206,750(4)	117,758	90,952
Depreciation and amortization	57,725	60,308	48,001	32,661	20,856
Income from operations	5,895	31,160	72,917	50,197	30,380
Other income (expense)	(10,263)(8)	(31,401)(6)	49,386(3)	7,561(2)	68(1)
Provision for income taxes	1,606	174	46,938	20,978	13,344
Minority interest	760	(1,510)	(1,559)	—	—
Income (loss) before cumulative effect of change in accounting principle	(5,214)	(1,925)	73,806	36,780	17,104
Cumulative effect of change in accounting principle	(11,541)(9)	—	—	—	—
Net income (loss)	\$ (16,755)	\$ (1,925)	\$ 73,806	\$ 36,780	\$ 17,104
Net income (loss) per share—					
Basic	\$ (0.22)	\$ (0.03)	\$ 1.00	\$ 0.51	\$ 0.24
Diluted	\$ (0.22)	\$ (0.03)	\$ 0.93	\$ 0.49	\$ 0.24
Average shares outstanding—					
Basic	76,383	75,804	74,171	70,557	66,228
Diluted	76,383	75,804	79,108	74,462	71,781
Operating Data:					
Number of production workstations	23,263	19,893	20,600	13,800	10,100
Number of customer management centers	55	48	50	33	26
Balance Sheet Data:					
Working capital	\$ 190,897	\$ 185,205	\$ 173,123	\$ 111,850	\$ 68,137
Total assets	540,588	573,939	580,899	362,579	251,729
Long-term debt, net of current portion	76,584	83,997	74,906	27,404	7,660
Redeemable convertible preferred stock	—	—	—	—	16,050
Total stockholders' equity	306,159	347,950	363,365	253,145	157,931

(1) Includes \$1.3 million of business combination expenses relating to two pooling-of-interest transactions.

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(2) Includes a \$6.7 million gain from a contract settlement payment made by a former client.

(3) Includes the following items: a \$57.0 million gain on the sale of securities, \$10.5 million of business combination expenses relating to two pooling-of-interest transactions, and a \$4.0 million gain on the sale of a subsidiary.

(4) Includes the following items: an \$8.1 million loss on the closure of a subsidiary and three customer management centers and a \$9.0 million loss on the termination of a lease on the Company's Planned Headquarters Building.

(5) Includes the following items: \$18.5 million of restructuring charges related to the termination of approximately 500 employees, a \$7.7 million loss on the closure of a customer management center and a \$7.0 million loss on the sale of the Company's Planned Headquarters Building.

(6) Includes a loss of \$16.5 million for an other than temporary decline in the value of the investment in enhansiv and a \$0.7 million charge for a workforce reduction at enhansiv.

(7) Includes the following items: \$32.8 million non-cash impairment loss related to fixed assets in the U.S., Spain and Argentina, \$6.3 million of restructuring charges related to the termination of approximately 400 employees, a \$1.2 loss on the closure of several customer management centers and a \$1.9 loss on the impairment of a property lease.

(8) Includes a \$2.3 million loss related to acquiring the remaining common stock of enhansiv holdings, inc.

(9) Reflects the impairment of goodwill upon adoption of SFAS No. 142.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Special Note: Certain statements set forth below under this caption constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "Forward Looking Information May Prove Inaccurate" on page 6 for additional factors relating to such statements.

Overview

The Company classifies its business activities into four fundamental segments: North American outsourcing, international outsourcing, database marketing and consulting, and corporate activities. These segments are consistent with the Company's management of the business and generally reflect its internal financial reporting structure and operating focus. North American outsourcing consists of customer management services provided in the U.S. and Canada while international outsourcing consists of all other countries. Database marketing and consulting provides outsourced database management, direct marketing and

related customer retention services for automobile dealerships and manufacturers. Included in corporate activities are the elimination of intercompany transactions, general corporate expenses and operational management expenses not attributable to any other segment. Segment accounting policies are the same as those used in the consolidated financial statements. There are no significant transactions between the reported segments for the periods presented.

TeleTech generates its revenues primarily by providing customer management solutions. The Company's fully outsourced customer management centers serve either multiple clients (multi-client centers) or one dedicated client (dedicated centers). The Company bills for its services based primarily on the amount of time TeleTech representatives devote to a client's program, and revenues are recognized as services are provided. The Company also derives revenues from consulting services, including the sale of customer management center and customer management technology, automated customer support, database management, systems integration and Web-based applications. These consulting and technology revenues historically have not been a significant component of the

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Company's revenues. The Company seeks to enter into multi-year contracts with its clients that cannot be terminated for convenience except upon the payment of a termination fee. The majority of the Company's revenues are, and the Company anticipates that the majority of its future revenues will continue to be, from multi-year contracts. However, the Company does provide some programs on a short-term basis and the Company's operations outside of North America are characterized by shorter-term contracts. The Company's ability to enter into new multi-year contracts, particularly large complex opportunities, may be dependent upon the macroeconomic environment in general and the specific industry environments in which its customers are operating. A weakening of the U.S. and/or global economy could cause longer sales cycles or delays in closing new business opportunities. As a result of a weakening global economy, the Company has continued to encounter delays in both the ramp up of certain existing client programs as well as the closing of sales opportunities for large customer care programs during both 2002 and 2001.

TeleTech's profitability is significantly influenced by its customer management center capacity utilization. The Company seeks to optimize new and existing capacity utilization during both peak (weekday) and off-peak (night and weekend) periods to achieve maximum fixed cost absorption. Historically, the majority of the Company's revenues have been generated during peak periods. TeleTech may be adversely impacted by idle capacity in its fully outsourced centers if prior to the opening or expansion of a customer management center, the Company has not contracted for the provision of services or if a client program does not reach its intended level of operations on a timely basis. In addition, the Company can also be adversely impacted by idle capacity in its facilities management contracts. In a facilities management contract, the Company does not incur the costs of the facilities and equipment; however, the costs of the management team supporting the customer management center are semi-fixed in nature, and absorption of these costs will be negatively impacted if the customer management center has idle capacity. The Company attempts to plan the development and opening of new customer management centers to minimize the financial impact resulting from idle capacity. In planning the opening of new centers or the expansion of existing 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. The Company continues to concentrate its marketing efforts toward obtaining larger, more complex, strategic customer management programs. As a result, the time required to negotiate and execute an agreement with the client can be significant. To enable the Company to respond rapidly to changing market demands, implement new programs and expand existing programs, TeleTech may be required to commit to additional capacity prior to the contracting of additional business, which may result in idle capacity. TeleTech targets capacity utilization in its fully outsourced centers at 85% of its available workstations during the weekday period. During 2002 and 2001, the Company carried approximately four customer management centers of global excess capacity above and beyond normal expected levels. From time to time the Company assesses the expected long-term capacity utilization of its centers. Accordingly, the Company may, if deemed necessary, consolidate, or close under-performing centers in order to maintain or improve targeted utilization and margins. During 2002, the Company's corporate and North American outsourcing segments recorded restructuring charges associated with the termination of approximately 400 administrative employees and the impairment of a property lease totaling approximately \$7.3 million and \$0.9 million, respectively. Additionally, the Company's international outsourcing segment recorded a loss on the closure of customer management centers in Spain and Canada of approximately \$1.2 million. These charges are reflected on separate line items in the accompanying consolidated statements of operations.

The Company records costs specifically associated with client programs as costs of services. These costs, which include direct labor wages and benefits, telecommunication charges 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 customer management center operational expenses that are not allocable to specific programs, are recorded as

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selling, general and administrative ("SG&A") expenses. SG&A expenses tend to be either semi-variable or fixed in nature. The majority of the Company's operating expenses have consisted of labor costs. 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. Some of the Company's contracts with its clients contain clauses allowing adjustment of billing rates in accordance with wage inflation.

The cost characteristics of TeleTech's fully outsourced programs differ significantly from the cost characteristics of its facilities management programs. Under facilities management programs, customer management 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. Additionally, the cost characteristics of the Company's dedicated centers differ from the cost characteristics of its multi-client centers. Dedicated centers have lower SG&A expenses than multi-client centers as they do not require as many resources for management and other administrative functions. Accordingly, multi-client centers have higher SG&A as a percentage of revenues than dedicated centers. As a result, the Company expects its overall gross margin will continue to fluctuate on a quarter-to-quarter basis with the mix of multi-client, dedicated and facility management program revenues. Management believes 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 is less subject to fluctuation from revenue mix.

Results of Operations

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

2002 2001 2000

Revenues	100.0%	100.0%	100.0%
Costs of services	70.0	64.1	63.0
SG&A expenses	19.6	22.3	21.4
Depreciation and amortization	5.7	6.6	5.4
Income from operations	0.6	3.4	8.2
Other income (expense)	(1.0)	(3.4)	5.6
Provision for income taxes	0.2	0.0	5.3
Net income (loss)	(1.6)	(0.2)	8.3

2002 Compared to 2001

Revenues. Revenues increased \$101.3 million, or 11.1%, to \$1,017.4 million in 2002 from \$916.1 million in 2001. The revenue increase primarily resulted from a new client program in the North American outsourcing segment. On a segment basis, North American outsourcing revenues increased \$97.1 million, or 15.9% between years driven primarily from a new client program which was partially offset by losses or reductions in existing client programs. International outsourcing revenues decreased \$19.6 million, or 8.3% between years primarily due to reductions in Europe and Latin America, partially offset by an increase in Asia Pacific. European revenues were impacted by the Company terminating several unprofitable contracts in Spain while Latin America was impacted primarily by the currency devaluation in Argentina. Revenues from database marketing and consulting increased \$24.8 million, or 34.9%, to \$96.0 million in 2002 from \$71.2 in 2001. The increase between years resulted from an increase in the service reminder business.

Costs of Services. Costs of services increased \$125.2 million, or 21.3%, to \$712.6 million in 2002 from \$587.4 million in 2001. Costs of services increased to 70.0% of revenue in 2002 from 64.1% in 2001. Costs of services as a percentage of revenue have been adversely impacted by several factors. The

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first is the launch of the previously mentioned new North American outsourcing program. The terms of the contract contemplated work being transitioned from existing high cost locations to lower labor cost markets over time. Accordingly, the hourly rates paid by the client to the Company decline during the first two years of the contract period (eventually leveling off for the remainder of the contract) based on a transition plan. Due to higher call volumes than originally anticipated, the Company has not transitioned work to lower cost markets as quickly as the original plan contemplated. As a result, costs of services as a percentage of revenue have been negatively impacted. The Company expects the transition plan will be completed during 2003. The second factor adversely impacting costs of services has been European margins, primarily due to pricing pressure in Spain. As previously discussed, the Company did exit certain unprofitable contracts in Spain during the year, and Spain margins did improve subsequent to these actions. Finally, costs of services were adversely impacted by deterioration of margins at Percepta, primarily due to price concessions sought by Ford. Ford has advised the Company that such concessions were in line with the price concessions Ford received from its other vendors.

Selling, General and Administrative. Selling, general and administrative expenses decreased \$5.0 million, or 2.5%, to \$199.0 million in 2002 from \$204.0 million in 2001. As a percentage of revenues, selling, general and administrative expenses decreased to 19.6% in 2002 from 22.3% in 2001. The decrease between years is the result of the restructuring actions taken by the Company during 2002 and 2001 along with the other cost containment measures.

Depreciation and Amortization. Depreciation and amortization decreased \$2.6 million, or 4.3%, to \$57.7 million in 2002 from \$60.3 million in 2001. Depreciation and amortization decreased to 5.7% of revenue in 2002 from 6.6% in 2001. The decrease in depreciation and amortization resulted from the adoption of SFAS No. 142 which resulted in no goodwill amortization during 2002, and the adoption of EITF No. 01-09 which resulted in the amortization of contract acquisition costs being deducted from revenue (they were previously recorded as amortization expense). During 2001, these two items accounted for \$5.7 million of amortization expense.

Other Operating Charges. During 2002, the Company recorded several other operating charges. First, the Company recorded a \$32.8 million impairment loss during the fourth quarter to adjust the fixed asset balances of certain customer management centers in the North American and international outsourcing segments to their fair market values in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144. Additionally, the Company recorded restructuring charges associated with the termination of approximately 400 administrative employees and the impairment of a property lease totaling approximately \$8.2 million during the second and fourth quarters. Finally, the Company recorded a loss of \$1.2 million during the second quarter related to the closure of customer management centers in the North American and international outsourcing segments.

Income from Operations. As a result of the foregoing factors, income from operations decreased \$25.3 million, or 81.1%, to \$5.9 million in 2002 from \$31.2 million in 2001. As a percentage of revenue, income from operations decreased to 0.6% in 2002 from 3.4% in 2001. The Company believes that excluding non-recurring or infrequently occurring charges is a better measure of underlying financial results as well as a better indicator of future financial performance. Excluding the other operating charges described above, which totaled \$42.3 million during 2002, and the restructuring charges (\$18.5 million), loss on closure of customer management centers (\$7.7 million), and loss on real estate held for sale (\$7.0 million) which totaled \$33.2 million during 2001, income from operations decreased \$16.2 million, or 25.2%, to \$48.2 million in 2002 from \$64.4 million in 2001. As a percentage of revenue, exclusive of the above mentioned items, income from operations decreased to 4.7% in 2002 from 7.0% in 2001.

Other Income (Expense). Other expense decreased \$21.1 million to \$10.3 million in 2002 from \$31.4 million in 2001. Included in 2002 other expense is approximately \$2.3 million related to

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purchasing the common stock of enhansiv holdings, inc. ("EHI") from the four remaining outside shareholders along with approximately \$3.6 million of equity losses related to EHI for the period prior to when the Company began consolidating the results of EHI (prior to June 2002). Included in 2001 Other Expense is a non-recurring \$16.5 million loss for the other than temporary decline in value of the Company's equity investment in EHI, as well as \$7.7 million for the Company's share of losses from EHI. Additionally, net interest expense increased approximately \$1.1 million in 2002 from 2001. The increase in net interest expense is primarily due to the Company's Senior Notes (which were outstanding for the entire year of 2002) bearing interest at a higher rate than the Company's previous line of credit agreement, which was the most significant debt balance in 2001.

Income Taxes. Taxes on income increased \$1.4 million to \$1.6 million in 2002 from \$0.2 million in 2001 primarily due to the Company establishing a valuation allowance against certain deferred tax asset balances in its international outsourcing segment during 2002. This resulted in the Company recording tax expense despite reporting a book loss. During 2001, the Company also recorded tax expense while reporting a book loss due to the non-deductibility of equity losses from the investment in EHI for part of the year combined with the relatively small pre-tax loss amount. Excluding the establishment of valuation allowances in 2002 and the non-deductible EHI losses in 2001 described above, the Company's effective tax rate for 2002 was 39.2% compared with 40.0% for 2001.

Cumulative Effect of Change in Accounting Principle. Upon adoption of SFAS No. 142 in the first quarter of 2002, the Company recorded an impairment loss on the goodwill of its Latin American reporting unit of approximately \$11.5 million. The impairment loss was due to the significant anticipated decline in the reporting unit's performance in 2002 and the impact of that decline on expected future cash flows.

Net Income (Loss). As a result of the foregoing factors, and including the minority interest in the Company's Percepta joint venture, the Company recorded a net loss of \$16.8 million in 2002 compared to a net loss of \$1.9 million in 2001. Diluted loss per share was \$0.22 in 2002 compared to a loss of \$0.03 per share in 2001. Excluding the effects of the other operating charges (\$42.3 million), the loss on the purchase of the common stock of EHI (\$2.3 million), the cumulative effect of change in accounting principle (\$11.5 million), and the establishment of the deferred tax valuation allowance (\$2.7 million) which totaled approximately \$58.8 million during 2002, and the restructuring charges (\$18.5 million), loss on closure of customer management centers (\$7.7 million), loss on real estate held for sale (\$7.0 million) and the other than temporary decline in value of the equity investment in EHI (\$16.5 million) which totaled \$49.7 million during 2002, all described above, diluted earnings per share was \$0.33 per share in 2002 compared to \$0.37 per share in 2001.

2001 Compared to 2000

Revenues. Revenues increased \$30.8 million, or 3.5%, to \$916.1 million in 2001 from \$885.3 million in 2000. The revenue increase resulted from net growth in existing client relationships driven by increases in North American and international outsourcing programs. On a segment basis, international outsourcing revenues increased \$29.7 million, or 14.3% between years driven primarily from growth in the Company's Mexican operations. North American outsourcing revenues increased \$18.1 million, or 3.1% between years primarily due to growth in the Company's Canadian operations partially offset by contract expirations and other client reductions. Revenues from database marketing and consulting decreased \$7.1 million, or 9.1%, to \$71.2 million in 2001 from \$78.3 million in 2000. The decrease between years resulted from a decrease in clients for the service reminder business and a decrease in consulting revenue. Revenues from corporate activities decreased by approximately \$9.9 million due to the closure of the Company's Pamet River subsidiary in September 2000, the sale of the Company's enhansiv subsidiary to a group of investors in the fourth quarter of 2000 and the closure of its Digital Creators subsidiary in the first quarter of 2001.

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Costs of Services. Costs of services increased \$29.7 million, or 5.3%, to \$587.4 million in 2001 from \$557.7 million in 2000. Costs of services increased to 64.1% of revenue in 2001 from 63.0% in 2000. The increase in costs of services as a percentage of revenue between years is primarily due to deterioration in European margins and the benefit of certain one-time contract restructurings that positively impacted 2000 margins.

Selling, General and Administrative. Selling, general and administrative expenses increased \$14.3 million, or 7.6%, to \$204.0 million in 2001 from \$189.7 million in 2000. As a percentage of revenues, selling, general and administrative expenses increased to 22.3% in 2001 from 21.4% in 2000. The increase between years as a percentage of revenue was primarily the result of an increase in excess capacity in the Company's multi-client centers between years. During 2001, the Company took certain cost cutting measures including two reductions in force and the closing of one customer management center. In connection with these actions, the Company took charges of \$18.5 million and \$7.7 million, respectively. As a result, the Company saw selling, general and administrative expenses decrease sequentially the last three quarters of 2001 as a percentage of revenue with the fourth quarter at 21.4% of revenue.

Depreciation and Amortization. Depreciation and amortization increased \$12.3 million, or 25.6%, to \$60.3 million in 2001 from \$48.0 million in 2000. Depreciation and amortization increased to 6.6% of revenue in 2001 from 5.4% in 2000. The increase in depreciation and amortization resulted from increases in property and equipment and intangible asset balances between years.

Income from Operations. As a result of the foregoing factors, income from operations decreased \$41.8 million, or 57.2%, to \$31.2 million in 2001 from \$72.9 million in 2000. As a percentage of revenue, operating income decreased to 3.4% in 2001 from 8.2% in 2000. Excluding the effect of restructuring charges (\$18.5 million in 2001), the loss on closure of subsidiary or customer management centers (\$7.7 million in 2001 and \$8.1 million in 2000), and the loss on real estate held for sale (\$7.0 million in 2001 and \$9.0 million in 2000) which totaled \$33.2 million and \$17.1 million during 2001 and 2000, respectively operating income decreased \$25.6 million, or 28.4%, to \$64.4 million in 2001 from \$90.0 million in 2000. As a percentage of revenue, exclusive of the above mentioned items, operating income decreased to 7.0% in 2001 from 10.2% in 2000.

Other Income (Expense). Other income decreased \$80.8 million to a loss of \$31.4 million in 2001 from income of \$49.4 million in 2000. Included in 2001 other expense is a non-recurring \$16.5 million loss for the other than temporary decline in value of its equity investment in enhansiv, as well as \$7.7 million for the Company's share of losses from enhansiv (\$0 in 2000). Included in 2000 other income is a non-recurring \$57.0 million gain on the sale of securities, a non-recurring \$4.0 million gain on the sale of a subsidiary and \$10.5 million in business combination expenses related to two business combinations accounted for under the pooling-of-interest method. Additionally, net interest expense increased approximately \$4.4 million in 2001 from 2000, primarily due to higher outstanding debt balances during 2001.

Income Taxes. Taxes on income decreased \$46.7 million to \$0.2 million in 2001 from \$46.9 million in 2000 primarily due to a decrease in taxable income of \$122.5 million between years as a result of the factors described above. The Company's effective tax rate was 72.2% in 2001 compared to 38.4% in 2000. The 2001 effective tax rate was impacted by the non-deductibility of equity losses from the investment in enhansiv for part of the year combined with the relatively small pre-tax loss amount. Excluding the non-recurring items described above, the Company's effective tax rate for 2001 was 40.0% compared with 39.3% for 2000. The increase in effective tax rate between years was primarily due to the non-deductible equity losses mentioned above.

Net Income (Loss). As a result of the foregoing factors, and the minority interest in the Company's Percepta joint venture, the Company recorded a net loss of \$1.9 million in 2001 compared

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to net income of \$73.8 million in 2000. Diluted loss per share was \$0.03 in 2001 compared to earnings of \$0.93 per share in 2000. Excluding the effects of the restructuring charges (\$18.5 million in 2001), the loss on closure of subsidiary or customer management centers (\$7.7 million in 2001 and \$8.1 million in 2000), the loss on real estate held for sale (\$7.0 million in 2001 and \$9.0 million in 2000), the other than temporary decline in value of the equity investment in EHI (\$16.5 million in 2001), the gain on sale of securities (\$57.0 million in 2000), the gain on sale of a subsidiary (\$4.0 million in 2000) and the business combination expenses (\$10.5 million in 2000) which totaled \$49.7 of net expense during 2001 and \$33.4 of net gain during 2000, all described above, diluted earnings per share was \$0.37 per share in 2001 compared to \$0.66 per share in 2000.

Liquidity and Capital Resources

Cash provided by operating activities was \$113.7 million in 2002 compared to \$103.6 million in 2001. Cash provided by operating activities in 2002 consists of a net loss of \$16.8 million before adjustments for the cumulative effect of change in accounting principle, impairment loss, depreciation and amortization, bad debt, working capital, and other charges primarily related to restructurings. The effect of the change in working capital accounts on the consolidated statements of cash flows between years of approximately \$17.2 million is primarily the result of improved accounts receivable collections. Accounts receivable decreased as a result of more aggressive collection procedures. The Company's days sales outstanding decreased from 65 days at December 31, 2001 to 49 days at December 31, 2002.

The Company used \$33.6 million in investing activities during 2002. In 2002, the Company's capital expenditures were \$37.9 million, a decrease of \$14.1 million from 2001. Other uses of cash for investing activities in 2002 were primarily related to capitalized software activities incurred in the database marketing and consulting segment. In 2002, investing activities that provided cash flow were the sale of available-for-sale securities and the liquidation of short-term investments.

Historically, capital expenditures have been, and future capital expenditures are anticipated to be, primarily for the development of customer management centers, technology deployment and systems integrations. The Company currently expects total capital expenditures in 2003 to be approximately \$40 million to \$50 million. The Company expects its capital expenditures will be used primarily to open or expand several non-U.S. customer management centers, maintenance capital for existing centers and internal technology projects. Such expenditures will be financed with internally generated funds and existing cash balances. The level of capital expenditures incurred in 2003 will primarily 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.

Cash used in financing activities in 2002 was \$28.8 million. This primarily resulted from the stock repurchase program authorized by the Board of Directors for the purchase of up to \$25 million of the Company's common stock, which the Company completed during 2002. In December 2002, the Company's Board of Directors authorized the continuation of the same repurchase program authorizing the purchase of up to an additional \$25 million of the Company's common stock. Additional uses of cash were for payments under long-term debt and capital lease agreements. Proceeds from financing activities were generated by the exercise of stock options and employee stock purchases. In 2001, cash provided by financing activities of \$7.6 million resulted primarily from net debt borrowings.

The Company has a revolving credit agreement (the "Revolver") with a syndicate of five banks. Under terms of the Revolver, the Company may borrow up to \$85 million with the ability to increase the borrowing limit by an additional \$50 million within three years from the closing date of the Revolver (October 2002). The Revolver matures on December 28, 2006 at which time a balloon payment for the principal amount is due, however there is no penalty for early prepayment. The Revolver bears interest at a variable rate based on LIBOR. The interest rate will also vary based on

Company leverage ratios. At December 31, 2002 the interest rate was 2.6% per annum. The Revolver is unsecured but is guaranteed by all of the Company's domestic subsidiaries. At December 31, 2002 there were no borrowings under the Revolver. Subsequent to December 31, 2002, the Company borrowed \$38.2 million under the Revolver to acquire the Company's corporate headquarters building. A significant restrictive covenant under the Revolver requires the Company to maintain a minimum fixed charge coverage ratio as defined in the agreement.

From time to time, the Company engages in discussions regarding restructurings, dispositions, mergers, acquisitions and other similar transactions. Any such transaction could include, among other things, the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption or refinancing of indebtedness, and could be material to the financial condition and results of operations of the Company. There is no assurance that any such discussions will result in the consummation of any such transaction.

In December 2000, the Company and State Street Bank and Trust Company ("State Street") consummated a lease transaction for the Company's new corporate headquarters, whereby State Street acquired the property at 9197 South Peoria Street, Englewood, Colorado (the "Property"). Simultaneously, State Street leased the Property to TeleTech Services Corporation ("TSC"), a wholly owned subsidiary of the Company. As part of the transaction, State Street formed a special purpose entity to purchase the Property and hold the associated equity and debt from a group of banks. The debt held by this entity was approximately \$37.0 million at December 31, 2002. The Company's lease on the Property had a four-year term and expired in December 2004. As mentioned above, subsequent to year end, the Property lease was terminated when the Company purchased the Property from State Street for \$38.2 million using proceeds from the Revolver.

Management believes the cash on hand, anticipated cash flows from operations and availability under the Revolver are sufficient to fund planned operations for the foreseeable future.

At December 31, 2002, the Company had the following contractual obligations (amounts in thousands):

Contractual Obligations	Less than 1 year	2-3 years	4-5 years	Over 5 years	Total
Long-term debt and Senior Notes(1)	\$ 1,376	\$ 26,987	\$ 28,372	\$ 20,701	\$ 77,436
Capital lease obligations(1)	3,161	963	—	—	4,124
Operating lease commitments(2)	39,291	52,750	31,295	92,968	216,304
Residual value guarantee on headquarters(2)(3)	—	31,500	—	—	31,500
Total	\$ 43,828	\$ 112,200	\$ 59,667	\$ 113,669	\$ 329,364

- (1) Reflected on accompanying consolidated balance sheets.
- (2) Not reflected on accompanying consolidated balance sheets.
- (3) Subsequent to year end, the Company repaid the synthetic lease and purchased its headquarters building.

In the first quarter of 2002, the Company violated a financial debt covenant in its synthetic lease agreement and Revolver that required it to maintain at least one dollar of net income each quarter. The violation resulted from the goodwill impairment upon adoption of SFAS No. 142. Waivers were obtained from both the synthetic lease and Revolver lenders, and the new Revolver agreement completed in October 2002 eliminated the one dollar quarterly net income covenant.

In the fourth quarter of 2002, the Company violated two financial debt covenants in its synthetic lease agreement that required it to maintain at least one dollar of net income each quarter and a

certain fixed charge coverage ratio. The violations resulted from the impairment loss the Company recorded during the quarter. In February 2003, the Company prepaid, without penalty, the \$38.2 million synthetic lease agreement and cured the default. Also in the fourth quarter, the Company failed to meet the fixed charge coverage ratio covenant in its Revolver agreement and the fixed charge coverage and leverage ratio covenants in its Senior Notes agreement and has obtained waivers from both lenders. There is no assurance that the Company will not violate financial covenants in the future and, in the event of a default, no assurance that the Company will be successful in obtaining waivers.

Client Concentrations

The Company's five largest clients accounted for 52.2%, 45.0% and 42.4% of its revenues for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, these five clients accounted for an even greater proportional share of the Company's consolidated earnings. The profitability of these clients varies greatly based upon the specific contract terms with any particular client, and the relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis. The risk of this concentration is mitigated, in part, by the long-term contracts the Company has with its largest clients. The contracts with these clients expire between 2003 and 2010. Additionally, a particular client can have multiple contracts with different expiration dates. Although the Company has historically renewed its contracts with its largest customers, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. As with any contract driven business, the Company does experience contracts not being renewed in the normal course of its operations. In these circumstances, the Company pursues several alternatives to mitigate the impact including replacing the business with new contracts, improving operating margins through greater efficiencies and achieving other cost reductions.

As previously discussed, the USPS did not renew their relationship with the Company. Services provided to the USPS will ramp down during the first half of 2003. Revenues from the USPS totaled \$55.7 million, \$58.8 million and \$62.0 million for the years ended December 31, 2002, 2001 and 2000, respectively. The loss of the USPS is not expected to have a material adverse effect on the Company's operations or financial position.

Under the terms of the original contract with Verizon relating to its CLEC business, there were certain minimum monthly volume commitments at pre-determined hourly billing rates ("Minimum Commitments"). As previously announced, when the CLEC work was redirected to other Verizon business units during 2001, Verizon continued to honor the contractual terms of its Minimum Commitments. While the terms negotiated by these business units were generally at lower hourly billing rates than the Minimum Commitments, Verizon has continued to meet its financial obligations associated with Minimum Commitments. In some instances, volume associated with new work is also offset against the Minimum Commitments. In addition, certain Minimum Commitments were bought out with cash, and these settlement payments have been amortized over the life of such Minimum Commitments. With the renewal of the Verizon Wireless contract in December 2002, and assuming business volume continues at its current rate, our expectation is that the Minimum Commitments will be satisfied and, accordingly, expire between 2003 and 2005. The amount of Minimum Commitments satisfied by Verizon in excess of the payments attributed to the new work, together with amortized settlement payments, was \$33 million in 2002. It is expected that this amount will decline to approximately \$30 million in 2003, \$8 million in 2004, and will further decrease thereafter. The loss of the Minimum Commitments is not expected to have a material adverse effect on the Company's 2003 operating results or financial position. The anticipated decline could have an adverse affect on the Company's operating results in 2004 unless the profits earned from the Minimum Commitments are replaced with other business of comparable profitability, margins are improved through greater

operating efficiencies, and other cost reductions are achieved, all of which are being pursued by management.

Critical Accounting Policies

The Company has identified the policies below as critical to its business and results of operations. The impact and any associated risks related to these policies on the Company's business is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the consolidated financial statements.

Revenue Recognition. The revenue recognition policy is significant because revenue is a key component of operating results. The Company follows very specific and detailed guidelines in measuring revenue. The Company recognizes revenue at the time services are performed. In certain circumstances, the Company receives payment in advance of providing service. Accordingly, amounts billed but not earned under these contracts are excluded from revenue and included in customer advances and deferred income.

Derivatives. Mitigating economic risk associated with changes in foreign currencies is important to the Company. The ability to qualify for hedge accounting allows the Company to match the gains and losses from changes in the fair market value of the derivative securities used for hedging activities with

the operating results being hedged. While the Company expects that its derivative instruments will continue to meet the conditions for hedge accounting, if hedges did not qualify as highly effective or if the Company did not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. The Company does not believe it is exposed to more than a nominal amount of credit risk in its hedging activities, as the counterparties are established, well-capitalized financial institutions.

Foreign Currency Translation. A substantial amount of the Company's operations are conducted outside of the United States. 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. Foreign currency transaction gains and losses are included in determining net income. Intercompany loans are generally treated as permanently invested and settlement is not planned or anticipated in the foreseeable future.

Contract Acquisition Costs. Amounts paid to or on behalf of clients to obtain long-term contracts are capitalized (if incurred within 12 months of commencement of operations) and amortized on a straight-line basis over the term of the contract as a reduction to revenue commencing with the date of the first revenues from the contract. In certain circumstances, costs may be estimated at the inception of operations and subsequently revised based on actual costs incurred. The Company's accounting policy is to limit the amount of capitalized costs for a given contract to the lesser of the estimated ongoing future cash flows from the contract or the termination fees the Company would receive in the event of early termination of the contract by the customer. The Company's entitlement to termination fees may, however, be subject to challenge if a customer were to allege that the Company was in breach of contract.

Restructuring and Impairment Charges. The Company periodically assesses the profitability and utilization of its customer management centers along with the overall profitability of the Company. As a result, the Company has historically chosen to close under-performing centers and make reductions in force to enhance future profitability. Under the previous accounting guidance, the Company recorded the anticipated charges at the time a plan was approved by management or the Board of Directors. In

June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which specifies that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred instead of upon commitment to a plan. SFAS No. 146 is effective January 1, 2003. Additionally, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," contains a broadened definition of a discontinued operation. It is possible that future exit or disposal activities of the Company could be classified as a discontinued operation which would require restatement of historical financial statements. The Company adopted SFAS No. 144 effective January 1, 2002. The recoverability of goodwill and long-lived assets is dependent upon the Company's ability to generate sufficient future cash flow.

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not believe adoption will have a material effect on the Company's financial position.

In April 2002, the FASB issued SFAS No. 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which eliminated inconsistency between required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This statement is effective for financial statements issued for fiscal years beginning after May 15, 2002. Management does not believe adoption will have a material effect on the Company's financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which specifies that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred instead of recognized at the date of an entity's commitment to an exit plan. This statement is effective for exit or disposal activities that are initiated after December 31, 2002. Management does not believe adoption will have a material effect on the Company's financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also required that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. The Company has implemented all required disclosures of SFAS 148 in this Form 10-K filing. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition requirements of SFAS No. 148 are effective for the Company's fiscal year 2003. The Company does not plan to transition to a fair value method of accounting for stock-based employee compensation.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows of the Company due to adverse changes in financial and commodity market prices and rates. The Company is exposed to market risk in the areas of changes in U.S. interest rates, foreign currency exchange rates as measured against the U.S. dollar and changes in the market value of its investment portfolio. These exposures are directly related to its normal operating and funding activities. As of December 31, 2002, the Company has entered into forward financial instruments to manage and reduce the impact of changes in certain foreign currency rates with several financial institutions. The

Company has also entered into an interest rate swap agreement to manage its cash flow risk on the lease for the Property as the lease payments are based on variable monthly interest.

Interest Rate Risk

The interest on the Revolver is variable based on LIBOR and, therefore, affected by changes in market interest rates. At December 31, 2002, there were no amounts outstanding on the Revolver.

Foreign Currency Risk

The Company has operations in 12 foreign countries. Revenues and expenses from these operations are typically denominated in local currency, thereby creating exposures to changes in exchange rates. The changes in the exchange rate may positively or negatively affect the Company's revenues and net income attributed to these subsidiaries. For the years ended December 31, 2002, 2001 and 2000, revenues from non-U.S. countries represented 34.7%, 41.6% and 36.1% of consolidated revenues, respectively.

The Company has contracted with several commercial banks to acquire a total of \$120.4 million Canadian dollars through November 2004 at a fixed price in U.S. dollars of \$76.2 million. There is no material difference between the fixed exchange ratio and the current exchange ratio of the U.S./Canadian dollar. If the U.S./Canadian dollar exchange rates were to change 10% from year-end levels, the Company would not incur a material loss on the contract.

Fair Value of Debt and Equity Securities

The Company's did not have any material investments in debt or equity securities at December 31, 2002.

Item 8. Financial Statements and Supplementary Data.

The financial statements required by this item are located beginning on page 34 of this report and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

On May 10, 2002, Arthur Andersen LLP ("Andersen") was dismissed as the Company's independent accountant effective upon completion of its review of the Company's financial statements for the quarter ended March 31, 2002, and Ernst & Young LLP ("E&Y") was appointed as the new independent accountant for the Company to replace Andersen for the year ending December 31, 2002. The decision to dismiss Andersen and to appoint E&Y was recommended by the Audit Committee of the Board of Directors and was approved by the Board of Directors on May 10, 2002. Information with respect to this matter is included in the Company's current report on Form 8-K filed May 16, 2002, which information is incorporated herein by reference.

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

PART III

Item 10. Directors and Executive Officers of the Registrant.

For a discussion of our executive officers, you should refer to Part I, page 11, after Item 4 under the caption "Executive Officers of TeleTech Holdings, Inc."

For a discussion of our Directors, you should refer to our definitive Proxy Statement for our 2003 Annual Meeting of Stockholders under the caption "Election of Directors" and "Director Compensation," which we incorporate by reference into this Form 10-K.

Item 11. Executive Compensation.

We hereby incorporate by reference the information to appear under the caption "Executive Officers—Executive Compensation" in our definitive Proxy Statement for our 2003 Annual Meeting of Stockholders, provided, however, that neither the Report of the Compensation Committee on Executive Compensation nor the performance graph set forth therein shall be incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

We hereby incorporate by reference the information to appear under the caption "Security Ownership of Certain Beneficial Owners and Management" in our definitive Proxy Statement for our 2003 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Party Transactions.

We hereby incorporate by reference the information to appear under the caption "Certain Relationships and Related Party Transactions" in our definitive Proxy Statement for our 2003 Annual Meeting of Stockholders.

Item 14. Controls and Procedures.

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2002. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2002.

PART IV

Item 15. 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

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

(3) Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of TeleTech (incorporated by reference to Exhibit 3.1 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
3.2	Amended and Restated Bylaws of TeleTech (incorporated by reference to Exhibit 3.2 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)

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

to Exhibit 10.31 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)

- 10.12 Amended and Restated Participation Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.32 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
- 10.13 Private Placement of Senior Notes pursuant to Note Purchase Agreement dated October 30, 2001 (incorporated by reference to Exhibit 10.73 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)

- 10.14 Participation Agreement dated as of December 27, 2000 among TeleTech, Teletech Service Corporation ("TSC"), State Street Bank and Trust Company of Connecticut, N.A., (the "Trust"), First Security Bank, N.A., ("First Security") and the financial institutions named on Schedules I and II (the "Certificate Holders and Lenders") thereto (incorporated by reference to Exhibit 2.2 to TeleTech's Current Report on Form 8-K filed on January 16, 2001)
- 10.15 Lease and Deed of Trust dated as of December 27, 2000 among TSC, the Trust and the Public Trustee of Douglas County, Colorado (incorporated by reference to Exhibit 2.3 to TeleTech's Current Report on Form 8-K filed on January 16, 2001)
- 10.16 Participant Guarantee dated December 27, 2000 made by TeleTech in favor of First Security, the Certificate Holders and Lenders (incorporated by reference to Exhibit 2.4 to TeleTech's Current Report on Form 8-K filed on January 16, 2001)
- 10.17 Lessee Guarantee dated December 27, 2000 made by TeleTech in favor of the Trust, First Security, the Certificate Holders and Lenders (incorporated by reference to Exhibit 2.5 to TeleTech's Current Report on Form 8-K filed on January 16, 2001)
- 10.18 Contract dated December 26, 2000 between TCI Realty, LLC and TSC (incorporated by reference to Exhibit 2.6 to TeleTech's Current Report on Form 8-K filed on January 16, 2001)
- 10.19+ Employment Agreement dated as of February 26, 1998 between Morton H. Meyerson and TeleTech (incorporated by reference to Exhibit 10.14 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 1998)
- 10.20+ Employment Agreement dated February 8, 2001 between Margot O'Dell and TeleTech (incorporated by reference to Exhibit 10.48 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.21+ Stock Option Agreement between TeleTech Holdings, Inc. and Margot O'Dell dated September 11, 2000 (incorporated by reference to Exhibit 10.34 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 30, 2000)
- 10.22+ Stock Option Agreement dated February 8, 2001 between Margot O'Dell and TeleTech (incorporated by reference to Exhibit 10.49 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.23+ Stock Option Agreement dated March 21, 2001 between Margot O'Dell and TeleTech (incorporated by reference to Exhibit 10.50 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.24+ Employment Agreement dated May 15, 2001 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.64 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.25+ Stock Option Agreement dated August 16, 2000 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.53 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.26+ Employment Agreement dated October 1, 2001 between Michael Foss and TeleTech (incorporated by reference to Exhibit 10.67 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)

- 10.27+ Non-Qualified Stock Option Agreement dated October 27, 1999 between Michael E. Foss and TeleTech

(incorporated by reference to Exhibit 10.26 to TeleTech's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)

- 10.28+ Stock Option Agreement dated December 6, 2000 between Michael Foss and TeleTech (incorporated by reference to Exhibit 10.51 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.29+ Employment Agreement dated May 21, 2001 between Sean Erickson and TeleTech (incorporated by reference to Exhibit 10.65 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.30+ Promissory Note dated November 28, 2000 by Sean Erickson for the benefit of TeleTech (incorporated by reference to Exhibit 10.62 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.31*+ Promissory Note dated March 28, 2001 by Sean Erickson for the benefit of TeleTech
- 10.32+ Stock Option Agreement dated August 16, 2000 between Sean Erickson and TeleTech (incorporated by reference to Exhibit 10.52 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.33+ Employment Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.66 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.34+ Stock Option Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.70 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.35+ Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.71 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.36+ Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.72 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.37+ Employment Agreement dated October 15, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.68 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.38+ Stock Option Agreement dated October 1, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.69 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
- 10.39+ Letter Agreement dated January 11, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.54 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.40+ Stock Option Agreement dated January 29, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.55 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
- 10.41+ Letter Agreement dated January 26, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.56 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)

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- 10.42+ Stock Option Agreement dated March 5, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.57 to TeleTech's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
 - 16.1 Representation letter from Arthur Andersen LLP (incorporated by reference to Exhibit 16.1 to TeleTech's Current Report on Form 8-K filed on May 16, 2002)
 - 21.1<*>List of subsidiaries
 - 23.1* Consent of Ernst & Young LLP
 - 23.2* Information Regarding Consent of Arthur Andersen LLP

- * Filed herewith.
- + Management contract or compensatory plan or arrangement filed pursuant to Item 15(c) of this report.
- [] 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.
- [4] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1997.
- [5] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1998.
- [6] TeleTech's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.
- [7] TeleTech's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.
- [8] TeleTech's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.
- [9] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1999.
- [10] TeleTech's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
- [11] TeleTech's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
- [12] TeleTech's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
- [13] TeleTech's Annual Report on Form 10-K for the year ended December 31, 2000.
- [14] TeleTech's Current Report on Form 8-K filed August 25, 2000.
- [15] TeleTech's Current Report on Form 8-K filed September 6, 2000.
- [16] TeleTech's Registration Statement on Form S-8 filed October 2, 2000 (Registration Statement No. 333-47142).
- [17] TeleTech's Registration Statement on Form S-8 filed December 20, 2000 (Registration Statement No. 333-52352).

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- [18] TeleTech's Current Report on Form 8-K filed January 16, 2001.
- [19] TeleTech's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
- [20] TeleTech's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
- [21] TeleTech's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
- [22] TeleTech's Registration Statement on Form S-8 filed September 19, 2001 (Registration Statement No. 333-69668).
- [23] TeleTech's Annual Report on Form 10-K for the year ended December 31, 2001.
- [24] TeleTech's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
- [25] TeleTech's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
- [26] TeleTech's Quarterly Report on Form 10-Q for the quarter ended December 31, 2002.

(b) Reports on Form 8-K

- TeleTech's Current Report on Form 8-K filed on January 17, 2002.
- TeleTech's Current Report on Form 8-K filed on May 16, 2002.
- TeleTech's Current Report on Form 8-K filed on December 24, 2002.

CERTIFICATIONS

I, Kenneth D. Tuchman, Chairman and Chief Executive Officer of TeleTech Holdings, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of TeleTech Holdings, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ KENNETH D. TUCHMAN

Kenneth D. Tuchman
Chairman and Chief Executive Officer

CERTIFICATIONS

I, Margot M. O'Dell, Chief Financial Officer and Executive Vice President of International Operations of TeleTech Holdings, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of TeleTech Holdings, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have;

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ MARGOT M. O'DELL

Margot M. O'Dell
*Chief Financial Officer and Executive Vice President of
International Operations*

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REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying consolidated balance sheet of TeleTech Holdings, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended December 31, 2002. These consolidated financial statements are the responsibility of TeleTech Holdings, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of TeleTech Holdings, Inc. for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations and whose report dated February 8, 2002 expressed an unqualified opinion on those statements before the revision to include the transitional disclosures included in Note 1.

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

In our opinion, the 2002 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, 2002, and the consolidated results of their operations and their cash flows for the year then ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets " and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

As discussed above, the consolidated financial statements of TeleTech Holdings, Inc. as of December 31, 2001 and 2000, and for the years then ended were audited by other auditors who have ceased operations. As described in Note 1, these consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 1 with respect to 2001 and 2000 included (a) agreeing the previously reported net income (loss) to the previously issued consolidated financial statements and the adjustments to reported net income (loss) representing amortization expense (including any related tax effects) recognized in those periods related to goodwill, to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income (loss) to reported net income (loss). In our opinion, the disclosures for 2001 and 2000 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 consolidated financial statements of TeleTech Holdings, Inc. other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on TeleTech Holdings, Inc.'s 2001 and 2000 consolidated financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Denver, Colorado
February 7, 2003

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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, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the financial position of TeleTech Holdings, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Denver, Colorado,
February 8, 2002

This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with TeleTech Holdings, Inc.'s filing on Form 10-K for the year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K. See Exhibit 23.2 for further discussion. The consolidated balance sheet as of December 31, 2000 referred to in this report has not been included in the accompanying financial statements.

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	December 31,	
	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 144,792	\$ 95,430

Investment in available-for-sale securities	—	2,281
Short-term investments	23	6,460
Accounts receivable, net	137,598	162,344
Prepays and other assets	18,867	21,888
Income taxes receivable	14,318	8,410
Deferred tax asset	11,633	11,613
	<u> </u>	<u> </u>
Total current assets	327,231	308,426
	<u> </u>	<u> </u>
PROPERTY AND EQUIPMENT, net	123,093	177,959
	<u> </u>	<u> </u>
OTHER ASSETS:		
Long-term accounts receivable	858	3,249
Goodwill, net of accumulated amortization of \$5,147 and \$6,394, respectively	29,987	40,563
Contract acquisition costs, net of accumulated amortization of \$10,637 and \$6,575, respectively	20,768	12,873
Deferred tax asset	17,067	6,800
Other assets	21,584	24,069
	<u> </u>	<u> </u>
Total assets	\$ 540,588	\$ 573,939
	<u> </u>	<u> </u>

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Cont.)

(Amounts in thousands except share amounts)

	December 31,	
	2002	2001
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,995	\$ 17,939
Accrued employee compensation and benefits	54,076	42,316
Other accrued expenses	22,111	35,991
Customer advances and deferred income	35,479	22,048
Current portion of long-term debt and capital lease obligations	4,673	4,927
	<u> </u>	<u> </u>
Total current liabilities	136,334	123,221
	<u> </u>	<u> </u>
LONG-TERM LIABILITIES, net of current portion:		
Capital lease obligations	524	4,081
Senior notes	75,000	75,000
Other long-term debt	1,060	4,916
Other liabilities	7,934	4,452
	<u> </u>	<u> </u>
Total liabilities	220,852	211,670
	<u> </u>	<u> </u>
MINORITY INTEREST	13,577	14,319
	<u> </u>	<u> </u>
STOCKHOLDERS' EQUITY:		
Stock purchase warrants	5,100	5,100
Common stock; \$.01 par value; 150,000,000 shares authorized; 74,124,416 and 76,751,607 shares, respectively, issued and outstanding	740	768
Additional paid-in capital	193,954	212,097
Deferred compensation	(1,184)	(2,078)
Notes receivable from stockholders	(224)	(107)

Accumulated other comprehensive loss	(26,855)	(19,213)
Retained earnings	134,628	151,383
Total stockholders' equity	306,159	347,950
Total liabilities and stockholders' equity	\$ 540,588	\$ 573,939

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands except per share data)

	Year Ended December 31,		
	2002	2001	2000
REVENUES	\$ 1,017,436	\$ 916,144	\$ 885,349
OPERATING EXPENSES:			
Costs of services	712,585	587,423	557,681
Selling, general and administrative expenses	198,959	204,005	189,668
Depreciation and amortization	57,725	60,308	48,001
Impairment loss	32,816	—	—
Restructuring charges	8,243	18,515	—
Loss on closure of subsidiary and customer management centers	1,213	7,733	8,082
Loss on real estate held for sale	—	7,000	9,000
Total operating expenses	1,011,541	884,984	812,432
INCOME FROM OPERATIONS	5,895	31,160	72,917
OTHER INCOME (EXPENSE):			
Interest, net	(5,118)	(3,999)	371
Other than temporary decline in value of equity investment	—	(16,500)	—
Gain on sale of securities	547	161	56,985
Share of losses on equity investment	(3,562)	(7,702)	—
Business combination expenses	—	—	(10,548)
Other	(2,130)	(3,361)	2,578
	(10,263)	(31,401)	49,386
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(4,368)	(241)	122,303
Provision for income taxes	1,606	174	46,938
INCOME (LOSS) BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(5,974)	(415)	75,365
Minority interest	760	(1,510)	(1,559)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(5,214)	(1,925)	73,806
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(11,541)	—	—
NET INCOME (LOSS)	\$ (16,755)	\$ (1,925)	\$ 73,806
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	76,383	75,804	74,171
Diluted	76,383	75,804	79,108
INCOME (LOSS) PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			
Basic	\$ (0.07)	\$ (0.03)	\$ 1.00
Diluted	\$ (0.07)	\$ (0.03)	\$ 0.93
NET INCOME (LOSS) PER SHARE			

Basic	\$	(0.22)	\$	(0.03)	\$	1.00
Diluted	\$	(0.22)	\$	(0.03)	\$	0.93

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

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Notes Receivable from Stockholder	Stock Purchase Warrants	Retained Earnings	Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount								
BALANCES, December 31, 1999	73,114	\$ 731	\$ 174,299	\$ (1,398)	\$ (1,104)	\$ (56)	\$ —	\$ 80,673	\$	\$ 253,145
Comprehensive income (loss):										
Net income	—	—	—	—	—	—	—	73,806	73,806	73,806
Other comprehensive income (loss)										
Unrealized gains on securities, net of tax	—	—	—	9,519	—	—	—	—	9,519	9,519
Translation adjustments	—	—	—	(3,293)	—	—	—	—	(3,293)	(3,293)
Other comprehensive income	—	—	—	—	—	—	—	—	6,226	6,226
Comprehensive income	—	—	—	—	—	—	—	\$ 80,032		
Employee stock purchase plan	70	1	1,895	—	—	—	—	—	—	1,896
Acquisition of iCcare	75	1	1,999	—	—	—	—	—	—	2,000
Exercise of stock options	1,384	14	17,355	—	—	(227)	—	—	—	17,142
Issuances of common stock	41	—	2,920	—	—	—	—	—	—	2,920
CCH acquisition costs	—	—	1,800	—	—	—	—	—	—	1,800
Amortization of deferred compensation	—	—	—	—	501	—	—	—	—	501
Issuance of warrants	—	—	—	—	—	—	5,100	—	—	5,100
Distribution to stockholder	—	—	—	—	—	—	—	(1,171)	—	(1,171)
BALANCES, December 31, 2000	74,684	747	200,268	4,828	(603)	(283)	5,100	153,308		363,365
Comprehensive income:										
Net loss	—	—	—	—	—	—	—	(1,925)	(1,925)	(1,925)
Other comprehensive loss										
Unrealized losses on securities, net of tax	—	—	—	(8,577)	—	—	—	—	(8,577)	(8,577)
Translation adjustments	—	—	—	(14,649)	—	—	—	—	(14,649)	(14,649)
Derivative valuation, net of tax	—	—	—	(815)	—	—	—	—	(815)	(815)
Other comprehensive loss	—	—	—	—	—	—	—	—	(24,041)	(24,041)
Comprehensive loss	—	—	—	—	—	—	—	\$ (25,966)		

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Cont.)

(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation	Notes Receivable from Stockholder	Stock Purchase Warrants	Retained Earnings	Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount								
Employee stock purchase plan	263	3	1,754	—	—	—	—	—	—	1,757
Exercise of stock options	1,840	18	7,723	—	—	—	—	—	—	7,741
Grant of restricted stock	—	—	1,961	—	(1,927)	—	—	—	—	34
Purchase of common stock	(35)	—	(213)	—	—	—	—	—	—	(213)
Amortization of deferred compensation	—	—	—	—	452	—	—	—	—	452
Other	—	—	604	—	—	176	—	—	—	780
BALANCES, December 31, 2001	76,752	\$ 768	\$ 212,097	\$ (19,213)	\$ (2,078)	\$ (107)	\$ 5,100	\$ 151,383	\$	\$ 347,950
Comprehensive income (loss):										
Net loss	—	—	—	—	—	—	—	(16,755)	(16,755)	(16,755)
Other comprehensive loss										
Unrealized losses on securities, net of tax	—	—	—	(941)	—	—	—	—	(941)	(941)
Translation adjustments	—	—	—	(4,668)	—	—	—	—	(4,668)	(4,668)
Derivative valuation, net of tax	—	—	—	(2,033)	—	—	—	—	(2,033)	(2,033)
Other comprehensive loss	—	—	—	—	—	—	—	—	(7,642)	(7,642)

Comprehensive loss	—	—	—	—	—	—	—	—	—	\$ (24,397)
Employee stock purchase plan	293	3	1,851	—	—	—	—	—	—	1,854
Exercise of stock options	609	6	4,636	—	—	—	—	—	—	4,642
Purchase of common stock	(3,530)	(37)	(24,747)	—	—	—	—	—	—	(24,784)
Amortization of deferred compensation	—	—	—	—	894	—	—	—	—	894
Other	—	—	117	—	—	(117)	—	—	—	—
BALANCES, December 31, 2002	74,124	\$ 740	\$ 193,954	\$ (26,855)	\$ (1,184)	\$ (224)	\$ 5,100	\$ 134,628	\$	\$ 306,159

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

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (16,755)	\$ (1,925)	\$ 73,806
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	11,541	—	—
Depreciation and amortization	57,725	60,308	48,001
Bad debt expense	9,258	6,026	5,067
Deferred rent	—	—	(52)
Gain on sale of securities	(547)	(161)	(56,985)
Deferred compensation	894	452	501
Deferred income taxes	(8,931)	(10,693)	(2,281)
Minority interest	(760)	1,510	1,559
Share of losses on equity investment	3,562	7,702	—
Impairment loss	32,816	—	—
Loss on closure of customer management centers or subsidiary	1,213	7,733	8,082
Loss on real estate held for sale	—	7,000	9,000
Loss on disposal of assets	89	—	—
Other than temporary decline in value of equity investment	—	16,500	—
Loss on derivatives	94	909	—
Net gain on sale of division of subsidiary	—	—	(3,964)
Non-cash acquisition costs	—	—	1,800
Tax benefit from stock option exercises	406	2,326	8,573
Changes in assets and liabilities:			
Accounts receivable	29,058	16,102	(102,000)
Prepays and other assets	(5,324)	(8,233)	(14,780)
Accounts payable and accrued expenses	(14,108)	(17,131)	61,424
Customer advances and deferred income	13,431	15,144	(1,489)
Net cash provided by operating activities	113,662	103,569	36,262
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(37,940)	(52,073)	(118,013)
Acquisitions, net of cash acquired	—	—	(15,700)
Proceeds from sale of available-for-sale securities	1,633	1,251	64,912
Proceeds from sale of businesses	—	—	4,950
Proceeds from minority interest in subsidiary	—	—	11,250
Funding of EHI, net	88	(11,908)	(7,989)
Investment in real estate held for sale, net of proceeds received	—	(13,782)	(2,405)
Changes in other assets, accounts payable and accrued liabilities related to investing activities	(3,821)	(967)	(15,211)
Decrease in short-term investments	6,437	2,444	23,934
Net cash used in investing activities	(33,603)	(75,035)	(54,272)

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont.)

(Amounts in thousands)

	Year Ended December 31,		
	2002	2001	2000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of common stock	\$ (24,784)	\$ (213)	\$ —
Net decrease in bank overdraft	—	—	(1,323)
Net increase (decrease) in line of credit	—	(62,000)	44,000
Proceeds from long-term debt borrowings	—	75,000	700
Payments on long-term debt borrowings	(5,141)	(9,947)	(7,182)
Payments on capital lease obligations	(4,920)	(2,452)	(11,358)
Proceeds from employee stock purchase plan	1,854	1,757	1,896
Proceeds from exercise of stock options	4,236	5,415	8,569
Distribution to stockholder	—	—	(1,171)
Net cash (used in) provided by financing activities	(28,755)	7,560	34,131
Effect of exchange rate changes on cash	(1,942)	539	(5,602)
NET INCREASE IN CASH AND CASH EQUIVALENTS:	49,362	36,633	10,519
CASH AND CASH EQUIVALENTS, beginning of year	95,430	58,797	48,278
CASH AND CASH EQUIVALENTS, end of year	\$ 144,792	\$ 95,430	\$ 58,797
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 7,796	\$ 5,444	\$ 1,510
Cash paid for income taxes	\$ 31,075	\$ 22,916	\$ 22,497
Assets acquired under capital leases and other financings	\$ 349	\$ 3,358	\$ 2,991

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended

December 31, 2002, 2001 and 2000

NOTE 1: OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview of Company. TeleTech Holdings, Inc. ("TeleTech" or the "Company") is a leading global provider of customer management solutions for large multinational companies in the United States, Argentina, Australia, Brazil, Canada, China, Northern Ireland, Mexico, New Zealand, the Philippines, Scotland, Singapore and Spain. Customer management 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.

Basis of Presentation. The consolidated financial statements are composed of the accounts of TeleTech and its wholly owned subsidiaries, as well as its 55% owned subsidiary, Percepta, LLC ("Percepta"). All intercompany balances and transactions have been eliminated in consolidation.

During August 2000 and December 2000, the Company entered into business combinations with Contact Center Holdings, S.L. ("CCH") and Newgen Results Corporation ("Newgen"), respectively. The business combinations have been accounted for as poolings-of-interests, and the historical consolidated financial statements of the Company for the year 2000 have been restated in the accompanying consolidated financial statements to include the financial position, results of operations and cash flows of CCH and Newgen.

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. Foreign currency transaction gains and losses are included in determining net income. Such gains and losses were not material for any period presented. Intercompany loans are generally treated as permanently invested and settlement is not planned or anticipated in the foreseeable future.

Cash, Cash Equivalents, Investment in Available-for-Sale Securities and Short-Term Investments. The Company considers all cash and investments with an original maturity of 90 days or less to be cash equivalents. Investment in available-for-sale securities consisted of shares of common stock of a publicly-traded company held by the Company. Short-term investments consist of commercial paper, corporate securities, government securities and other securities. Investment in available-for-sale securities and short-term investments are carried at fair value based on quoted market prices with unrealized gains and losses, if any, net of tax, reported in accumulated other comprehensive income.

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.

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Depreciation is computed on the straight-line method based on the following estimated useful lives:

Computer equipment and software	4-5 years
Telephone equipment	4-7 years
Furniture and fixtures	5-7 years
Leasehold improvements	5-10 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, where title to the leased assets passes to the Company upon termination of the lease). Depreciation expense related to equipment under capital leases was \$3.8 million, \$3.4 million and \$5.2 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Depreciation expense was \$51.4 million, \$51.3 million and \$40.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Long-Term Accounts Receivable. Long-term accounts receivable are receivables the Company believes will take in excess of one year to receive payment due to either extended payment terms or litigation. Long-term accounts receivable are stated at their estimated net realizable value.

Goodwill. Goodwill represents the excess of acquisition costs over the fair value of net assets of businesses acquired, and prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," was amortized on a straight-line basis over periods ranging from nine to 25 years.

The Company adopted SFAS No. 142 on January 1, 2002. Under SFAS No. 142, goodwill is no longer required to be amortized, however, must be tested annually for impairment.

In the year of its adoption, SFAS No. 142 required a transitional goodwill impairment evaluation, which was a two-step process. The first step was to determine whether there was an indication that goodwill was impaired on January 1, 2002. SFAS No. 142 required a separate impairment evaluation of each of the Company's reporting units, which the Company determined to be the same as its operating business units. To perform the first step, the fair value of each reporting unit was estimated by a third-party appraiser by discounting the expected future cash flows and using market multiples of comparable companies. The fair value of each reporting unit was compared to its carrying value, including goodwill. This first step evaluation indicated an impairment of the goodwill recorded by its Latin American reporting unit, but no impairment of the goodwill recorded by its North American, Asia Pacific or Newgen reporting units.

Since the first step indicated an impairment of Latin American goodwill, SFAS No. 142 required a second step to determine the amount of the impairment. The amount of the impairment was determined by comparing the implied fair value of Latin American goodwill to its carrying value. The implied fair value of the goodwill was determined by allocating the fair value of Latin America to its assets and liabilities as if Latin America had been acquired and the fair value was the purchase price. The excess "purchase price" over the amounts assigned to the assets and liabilities was the implied value of goodwill. The carrying amount of Latin America goodwill exceeded the implied value by \$11.5 million, which excess has been recorded as a cumulative effect of a change in accounting principle in the consolidated statements of operations for the year ended December 31, 2002. The impairment loss on the goodwill recorded by Latin America was due to the significant anticipated decline in its performance in 2002 and the impact of that decline on expected future cash flows. The

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Company performed its impairment test on each of its reporting units again in December 2002 and concluded that there were no further indications of impairment.

The following table summarizes the Company's net income (loss) and earnings (loss) per share had the provisions of SFAS No. 142 been in effect on January 1, 2000 (in thousands, except per share amounts):

	December 31,		
	2002	2001	2000
Reported net income (loss)	\$ (16,755)	\$ (1,925)	\$ 73,806
Goodwill amortization, net of tax of \$0.9 million in 2001 and \$0.9 million in 2000	—	1,862	2,055
Adjusted net income (loss)	\$ (16,755)	\$ (63)	\$ 75,861
Diluted earnings (loss) per share—as reported	\$ (0.22)	\$ (0.03)	\$ 0.93

Contract Acquisition Costs. Amounts paid to or on behalf of clients to obtain long-term contracts are capitalized (if incurred within 12 months of commencement of operations) and amortized on a straight-line basis over the terms of the contracts commencing with the date of the first revenues from the contract. In certain circumstances, costs may be estimated at the inception of operations and subsequently revised based on actual costs incurred. The Company's accounting policy is to limit the amount of capitalized costs for a given contract to the lesser of the estimated ongoing future cash flows from the contract or the termination fees the Company would receive in the event of early termination of the contract by the customer. The Company's entitlement to termination fees may, however, be subject to challenge if a customer were to allege that the Company was in breach of contract. Amortization of these costs for the years ended December 31, 2002, 2001 and 2000, was \$4.1 million, \$2.7 million and \$2.3 million, respectively. During 2002, the Company adopted Emerging Issues Task Force ("EITF") No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products," which requires certain expenses previously classified as depreciation and amortization expenses to be reclassified as deductions from revenues. Prior year results have not been restated as the impact was immaterial. Future amortization of contract acquisition costs are as follows (in thousands):

2003	\$ 4,194
2004	4,194
2005	2,580
2006	2,337
2007	2,329
Thereafter	5,134
	\$ 20,768

Long-Lived Assets. On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, long-lived assets and identifiable intangibles 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. An asset is considered impaired when future undiscounted cash flows are estimated to be insufficient to recover the carrying amount. If impaired, an asset is written down to its fair value. In the fourth quarter of 2002, the Company determined that the net fixed asset balances of certain customer management centers were impaired. In making its determination, the Company considered historical

and projected capacity utilization, pricing and operating cash flows. Accordingly, the Company's North American and international outsourcing segments recorded impairment losses of \$16.7 million and \$16.1 million, respectively to adjust the respective asset carrying amounts to their estimated fair market values. The Company relied on historical and recent experience in selling similar assets to third parties to determine their estimated fair market value. The above mentioned charges are reflected as an impairment loss in the accompanying consolidated statements of operations for the year ended December 31, 2002.

Software Development Costs. The Company accounts for software development costs in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," which requires that certain costs related to the development or purchase of internal-use software be capitalized. At December 31, 2002 and 2001, the Company had approximately \$17.5 million and \$12.1 million, respectively, of capitalized software costs, which are included in other assets in the accompanying consolidated balance sheets. These costs will be amortized over the expected useful life of the software. Approximately \$5.2 and \$0.6 million of amortization expense related to capitalized software costs is included in the accompanying consolidated statements of operations for the years ended December 31, 2002 and 2001, respectively. There was no amortization expense for the year ended December 31, 2000, as the software was in the development stage.

Customer Advances and Deferred Income. The Company records amounts billed or received but not earned as customer advances and deferred income. Included in customer advances and deferred income are customer prepayments, unearned grant monies received from local municipalities and amounts received to settle contractual minimum commitments in lieu of providing services. These settlement payments are amortized over the life of the original contract life that gave rise to the obligation. For the year ended December 31, 2002, the Company amortized approximately \$10.8 million into revenue in the accompanying consolidated statements of operations related to settlement payments.

Income Taxes. The Company accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the 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. Gross deferred tax assets then may be reduced by a valuation allowance for amounts that do not satisfy the realization criteria of SFAS No. 109.

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 customer advances and deferred income.

Comprehensive Income (Loss). Comprehensive income (loss) includes the following components:

Year Ended December 31,		
2002	2001	2000
(in thousands)		

Net income (loss) for the period	\$ (16,755)	\$ (1,925)	\$ 73,806
Other comprehensive income (loss):			
Unrealized gains (losses) on securities, net of reclassification adjustments	(1,270)	(13,197)	14,644
Foreign currency translation adjustments	(4,668)	(14,649)	(3,293)
Derivative valuation, net of tax	(2,033)	(1,254)	—
Income tax (expense) benefit related to items of other comprehensive income	329	5,059	(5,125)
Other comprehensive income (loss), net of tax	(7,642)	(24,041)	6,226
Comprehensive income (loss)	\$ (24,397)	\$ (25,966)	\$ 80,032

Disclosure of reclassification amounts:

	Year Ended December 31,		
	2002	2001	2000
	(in thousands)		
Unrealized holding gains (losses) arising during the period	\$ (723)	\$ (13,036)	\$ 71,629
Less: reclassification adjustment for gains included in net income (loss)	(547)	(161)	(56,985)
Benefit (Provision) for income taxes	329	4,620	(5,125)
Net unrealized gains (losses) on securities	\$ (941)	\$ (8,577)	\$ 9,519

At December 31, 2002, accumulated comprehensive income consists of \$24.0 million and \$2.9 million of foreign currency translation adjustments and derivative valuation, respectively.

Earnings (Loss) Per Share. Basic earnings (loss) per share is computed by dividing the Company's net income (loss) by the weighted average number of common shares outstanding. The impact of any potentially dilutive securities is excluded. Diluted earnings per share is computed by dividing the Company's net income (loss) by the weighted average number of shares and dilutive potential common shares outstanding during the period. The following table sets forth the computation of basic and diluted shares for the three years ending December 31, 2002:

	Year Ended December 31,		
	2002	2001	2000
	(in thousands)		
Shares used in basic per share calculation	76,383	75,804	74,171
Effects of dilutive securities:			
Warrants	—	—	444
Stock options	—	—	4,493
Shares used in diluted per share calculation	76,383	75,804	79,108

At December 31, 2002, 2001 and 2000 options to purchase 8.1 million, 4.9 million and 2.4 million shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

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

Self-Insurance Program. The Company self-insures for certain levels of workers' compensation and employee health insurance. Estimated costs of these self-insurance programs were accrued at the projected settlements for known and anticipated claims. Self-insurance liabilities of the Company amounted to \$6.9 million and \$4.0 million at December 31, 2002 and 2001, respectively, and are included in accrued employee compensation and benefits on the accompanying consolidated balance sheets.

Fair Value of Financial Instruments. Fair values of cash equivalents and other current accounts receivable and payable approximate the carrying amounts because of their short-term nature. Short-term investments include U.S. Government Treasury Bills, investments in commercial paper, short-term corporate bonds and other short-term corporate obligations. The carrying values of these investments approximate their fair values. Debt and long-term receivables carried on the Company's consolidated balance sheets at December 31, 2002 and 2001 have a carrying value that approximates their 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 because of its short-term nature.

Derivatives. The Company follows SFAS No. 133, "Accounting for Derivative Instrument and Hedging Activities," which establishes fair value accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset the related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. Based on the criteria established by SFAS No. 133, all of the Company's hedges are deemed effective. While the Company expects that its derivative instruments will continue to meet the conditions for hedge accounting, if hedges did not qualify as highly effective or if the Company did not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. The Company does not believe it is exposed to more than a nominal amount of credit risk in its hedging activities, as the counterparties are established, well-capitalized financial institutions.

At December 31, 2002, the Company has an interest rate swap designated as a cash flow hedge. The Company has an operating lease for its headquarters building whereby the required lease payments are variable based on LIBOR. On December 12, 2000, the Company entered into an interest rate swap whereby the Company receives LIBOR and pays fixed rate interest of 6.12%. The swap agreement has a notional amount of approximately \$38.2 million and has a six-year term. As of December 31, 2002, the Company has a derivative liability associated with this swap of \$5.0 million, which is reflected in other liabilities on the accompanying consolidated balance sheets.

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The Company's Canadian subsidiary's functional currency is the Canadian dollar. The subsidiary has customer contracts where it is paid in U.S. dollars and the Company has contracted with several commercial banks to acquire a total of \$120.4 million Canadian dollars through November 2004 at a fixed price in U.S. dollars of \$76.2 million to hedge its foreign currency risk. During the year ended December 31, 2002, the Company recorded \$0.1 million in its statement of operations relating to Canadian dollar forward contracts. As of December 31, 2002, the Company has a derivative liability of \$0.3 million associated with these forward contracts, which is reflected in other accrued expenses on the accompanying consolidated balance sheets.

Stock Option Accounting. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options is generally equal to the market price of the underlying stock on the date of the grant, no compensation expense is recognized. Statement No. 123, "Accounting and Disclosure of Stock-Based Compensation" ("SFAS 123"), establishes an alternative method of expense recognition for stock-based compensation awards to employees based on fair values. The Company elected not to adopt SFAS 123 for expense recognition purposes.

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 4.0%, 4.8% and 4.9% in 2002, 2001 and 2000, respectively; dividend yield of 0.0% during each period; volatility factor of the expected market price of the Company's common stock of 72%, 81% and 81%, for 2002, 2001 and 2000, respectively; and a weighted-average expected life of the option of 4.0 years, 5.7 years and 3.1 years for 2002, 2001 and 2000, respectively.

Option valuation models require the input of highly subjective assumptions including expected stock price characteristics significantly different from those of traded options. Because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted-average fair value of options granted during 2002, 2001 and 2000 was \$6.19, \$4.00, and \$15.27, respectively. For purposes of pro-forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro-forma net income (loss) and pro-forma net income (loss) per share, as if the Company had used the fair value accounting provisions of SFAS 123 are shown below.

Net Income (Loss)

	Years ended December 31,		
	2002	2001	2000
	(amounts in thousands)		
As reported	\$ (16,755)	\$ (1,925)	\$ 73,806
Pro forma	\$ (27,545)	\$ (12,459)	\$ 55,680

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Per Share Amounts

	2002	2001	2000
As reported:			
Basic	\$ (0.22)	\$ (0.03)	\$ 1.00
Diluted	\$ (0.22)	\$ (0.03)	\$ 0.93
Pro forma:			
Basic	\$ (0.36)	\$ (0.16)	\$ 0.75
Diluted	\$ (0.36)	\$ (0.16)	\$ 0.70

Effects of Recently Issued Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not believe adoption will have a material effect on the Company's financial position.

In April 2002, the FASB issued SFAS No. 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which eliminated inconsistency between required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This statement is effective for financial statements issued for fiscal years beginning after May 15, 2002. Management does not believe adoption will have a material effect on the Company's financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which specifies that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred instead of recognized at the date of an entity's commitment to an exit plan. This statement is effective for exit or disposal activities that are initiated after December 31, 2002. Management does not believe adoption will have a material effect on the Company's financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also required that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. The Company has implemented all required disclosures of SFAS 148 in this Form 10-K filing. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition requirements of SFAS No. 148 are effective for the Company's fiscal year 2003. The Company does not plan to transition to a fair value method of accounting for stock-based employee compensation.

NOTE 2: SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS

The Company classifies its business activities into four fundamental segments: North American outsourcing, international outsourcing, database marketing and consulting, and corporate activities. These segments are consistent with the Company's management of the business and generally reflect its internal financial reporting structure and operating focus. North American and international outsourcing provide comprehensive customer management solutions. North American outsourcing consists of customer management services provided in the United States and Canada, while international outsourcing consists of all other countries. Database marketing and consulting provides outsourced database management, direct marketing and related customer retention services for

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automobile dealerships and manufacturers. Included in corporate activities are the elimination of intercompany transactions, general corporate expenses and operational management expenses not attributable to any other segment. Segment accounting policies are the same as those used in the consolidated financial statements. There are no significant transactions between the reported segments for the periods presented.

	2002	2001	2000
	(Amounts in thousands)		
Revenues:			
North American outsourcing	\$ 707,115	\$ 609,976	\$ 591,834
International outsourcing	217,028	236,651	206,989
Database marketing and consulting	95,988	71,156	78,255
Corporate activities	(2,695)	(1,639)	8,271
Total	\$ 1,017,436	\$ 916,144	\$ 885,349
Operating Income (Loss):			
North American outsourcing	\$ 69,084	\$ 88,105	\$ 110,850
International outsourcing	(23,481)	12,320	21,900
Database marketing and consulting	15,512	8,836	9,659
Corporate activities	(55,220)	(78,101)	(69,492)
Total	\$ 5,895	\$ 31,160	\$ 72,917
Depreciation and Amortization (Included in Operating Income):			
North American outsourcing	\$ 28,780	\$ 31,877	\$ 26,143
International outsourcing	14,472	13,937	10,244
Database marketing and consulting	7,280	7,254	5,145
Corporate activities	7,193	7,240	6,469
Total	\$ 57,725	\$ 60,308	\$ 48,001
Assets:			
North American outsourcing	\$ 161,973	\$ 190,239	\$ 215,646
International outsourcing	117,382	167,378	148,775
Database marketing and consulting	78,376	64,379	63,966
Corporate activities	182,857	151,943	152,512
Total	\$ 540,588	\$ 573,939	\$ 580,899
Goodwill, net (Included in Total Assets):			
North American outsourcing	\$ 11,446	\$ 11,446	\$ 11,886
International outsourcing	5,180	15,756	14,181

Database marketing and consulting	13,361	13,361	15,244
Corporate activities	—	—	—
Total	\$ 29,987	\$ 40,563	\$ 41,311
Capital Expenditures (Including Capital Leases):			
North American outsourcing	\$ 19,272	\$ 10,537	\$ 66,197
International outsourcing	10,632	26,572	45,897
Database marketing and consulting	6,491	5,091	6,484
Corporate activities	1,894	12,477	2,426
Total	\$ 38,289	\$ 54,677	\$ 121,004

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The following data includes revenues and gross property and equipment based on the geographic location where services are provided or the physical location of the equipment:

	2002	2001	2000
(Amounts in thousands)			
Revenues:			
United States	\$ 663,941	\$ 535,242	\$ 565,519
Asia Pacific	90,839	76,952	65,349
Canada	136,434	144,253	112,842
Europe	66,907	86,862	82,664
Latin America	59,315	72,835	58,975
Total	\$ 1,017,436	\$ 916,144	\$ 885,349
Gross Property and Equipment:			
United States	\$ 174,666	\$ 189,270	\$ 174,821
Asia Pacific	30,340	23,641	20,950
Canada	35,542	34,549	33,678
Europe	19,364	29,539	15,155
Latin America	27,014	34,491	31,355
Total	\$ 286,926	\$ 311,490	\$ 275,959
All Other Long-Lived Assets:			
United States	\$ 17,756	\$ 22,455	\$ 37,248
Asia Pacific	4	18	507
Canada	336	481	367
Europe	4,250	174	469
Latin America	96	4,190	3,619
Total	\$ 22,442	\$ 27,318	\$ 42,210

Significant Customers

The Company has two customers who contributed in excess of 10% of total revenues. These entities are involved in the communications industry. The revenues from these customers as a percentage of total revenues for each of the three years ended December 31 are as follows:

	2002	2001	2000
Customer A	16%	19%	20%
Customer B	15%	—	—

At December 31, 2002, accounts receivable from customers A and B were \$21.8 million and \$22.5 million, respectively. There was one additional customer with a receivable balance in excess of 10% of consolidated accounts receivable. Customer C, an automotive manufacturer, had an accounts receivable balance of \$19.9 million at December 31, 2002. Customers A and B are included in the North American outsourcing reporting segment. Customer C is included in the North American and international segments, as well as database marketing and consulting.

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. The Company does not require collateral from its customers. 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 impacted by economic conditions in the communications, transportation, automotive,

financial services and government services industries, management does not believe significant credit risk exists at December 31, 2002.

NOTE 3: DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Accounts Receivable

Accounts receivable consist of the following at December 31:

	2002	2001
	(in thousands)	
Accounts receivable	\$ 144,921	\$ 168,675
Less—allowance for doubtful accounts	(7,323)	(6,331)
Accounts receivable, net	\$ 137,598	\$ 162,344

Activity in the Company's allowance for doubtful accounts consists of the following:

	2002	2001	2000
	(in thousands)		
Balance, beginning of year	\$ 6,331	\$ 6,664	\$ 4,270
Provision for bad debts	9,258	6,026	5,067
Deductions for uncollectible receivables written off	(8,266)	(6,359)	(2,673)
Balance, end of year	\$ 7,323	\$ 6,331	\$ 6,664

Property and Equipment

Property and equipment consisted of the following at December 31:

	2002	2001
	(in thousands)	
Land	\$ 345	\$ 345
Computer equipment and software	120,490	116,846
Telephone equipment	38,619	36,448
Furniture and fixtures	35,583	60,572
Leasehold improvements	88,295	90,234
CIP	2,481	3,226
Other	1,113	3,819
	286,926	311,490
Less—accumulated depreciation	(163,833)	(133,531)
	\$ 123,093	\$ 177,959

Included in the cost of property and equipment is the following equipment obtained through capitalized leases as of December 31:

	2002	2001
	(in thousands)	
Computer equipment and software	\$ 15,757	\$ 15,546
Telephone equipment	4,501	4,363
Furniture and fixtures	9,036	9,036
	29,294	28,945
Less—accumulated depreciation	(24,460)	(20,625)
	\$ 4,834	\$ 8,320

NOTE 4: LONG-TERM DEBT**Capital Lease Obligations**

The Company has financed certain property and equipment under non-cancelable capital leases. Accordingly, the fair value of the equipment has been capitalized and the related obligation recorded. The average implicit interest rate on these leases was 7.4% at December 31, 2002. Interest is charged to expense at a constant rate applied to declining principal over the period of the obligation.

The future minimum lease payments under capitalized lease obligations as of December 31, 2002 are as follows (in thousands):

2003	\$ 3,161
2004	948
2005	15
	<u>4,124</u>
Less—amount representing interest	(588)
	<u>3,536</u>
Less—current portion	(3,012)
	<u>\$ 524</u>

Interest expense associated with capital leases was \$0.4 million, \$0.6 million and \$1.2 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Senior Notes

Senior Notes consisted of the following as of December 31:

	2002	2001
	(in thousands)	
Series A notes payable, interest at 7% per annum, interest payable semi-annually, principal payable annually commencing October 30, 2004, maturing October 30, 2008, unsecured	\$ 60,000	\$ 60,000
Series B notes payable, interest at 7.4% per annum, interest payable semi-annually, principal payable annually commencing October 30, 2005, maturing October 30, 2011, unsecured	15,000	15,000
	<u>\$ 75,000</u>	<u>\$ 75,000</u>

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The future principal amounts due for the Senior Notes are as follows (in thousands):

2003	\$ —
2004	12,000
2005	14,143
2006	14,143
2007	14,143
Thereafter	20,571
	<u>\$ 75,000</u>

A significant restrictive covenant under the Senior Notes requires the Company to maintain a minimum fixed charge coverage ratio as defined in the agreement.

Long-Term Debt

As of December 31, 2002 and 2001, other long-term debt consisted of the following notes:

	2002	2001
	(in thousands)	
Note payable, interest at 5% per annum, principal and interest payable monthly, maturing November 2009, collateralized by certain assets of the Company	\$ —	\$ 4,146
Note payable, interest at 8% per annum, principal and interest payable monthly, maturing May 2010, unsecured	330	362
Note payable, interest at 8% per annum, principal and interest payable quarterly,	100	575

maturing April 2003, unsecured		
Note payable, interest at 7% per annum, principal and interest payable monthly, maturing May 2004, unsecured	135	199
Other notes payable	1,871	567
	<u>2,436</u>	<u>5,849</u>
Less—current portion	(1,376)	(933)
	<u>\$ 1,060</u>	<u>\$ 4,916</u>

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

Year ended December 31,	
2003	\$ 1,376
2004	801
2005	40
2006	43
2007	46
Thereafter	130
	<u>\$ 2,436</u>

Revolving Line of Credit

The Company entered into a revolving credit agreement (the "Revolver") with a syndicate of five banks in October 2002. Under the terms of the Revolver, the Company may borrow up to \$85 million with the ability to increase the borrowing limit by an additional \$50 million within three years from the

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closing date of the Revolver (October 2002). The Revolver matures on December 28, 2006 at which time a balloon payment for the principal amount is due, however there is no penalty for early prepayment. The Revolver bears interest at a variable rate based on LIBOR. The interest rate will also vary based on Company leverage ratios. At December 31, 2002 the interest rate was 2.6% per annum. The Revolver is unsecured but is guaranteed by all of the Company's domestic subsidiaries. At December 31, 2002 there were no borrowings under the Revolver. A significant restrictive covenant under the Revolver requires the Company to maintain a minimum fixed charge coverage ratio as defined in the agreement.

In the first quarter of 2002, the Company violated a financial debt covenant in its synthetic lease agreement and previous revolving line of credit ("Old Revolver") that required it to maintain at least one dollar of net income each quarter. The violation resulted from the goodwill impairment upon adoption of SFAS No. 142. Waivers were obtained from both the synthetic lease and Old Revolver lenders, and the Revolver agreement completed in October 2002 eliminated the one dollar quarterly net income covenant.

In the fourth quarter of 2002, the Company violated two financial debt covenants in its synthetic lease agreement that required it to maintain at least one dollar of net income each quarter and a certain fixed charge coverage ratio. The violations resulted from the impairment loss the Company recorded during the quarter. In February 2003, the Company prepaid, without penalty, the \$38.2 million synthetic lease agreement and cured the default. Also in the fourth quarter, the Company failed to meet the fixed charge coverage ratio covenant in its Revolver agreement and the fixed charge coverage and leverage ratio covenants in its Senior Notes agreement and has obtained waivers from both lenders. There is no assurance that the Company will not violate financial covenants in the future and, in the event of a default, no assurance that the Company will be successful in obtaining waivers.

The Company's Spanish and Brazilian subsidiaries have lines of credit under which they may borrow up to EUR8.6 million and R1.4 million, respectively. As of December 31, 2002 and 2001, there was \$0.3 million and \$0 million outstanding under these factoring lines, included in current portion of long-term debt in the accompanying consolidated balance sheet.

NOTE 5: INCOME TAXES

The components of income (loss) before income taxes are as follows for the years ended December 31 (in thousands):

	2002	2001	2000
Domestic	\$ (1,168)	\$ (53,805)	\$ 66,809
Foreign	(2,440)	52,054	53,935
Total	<u>\$ (3,608)</u>	<u>\$ (1,751)</u>	<u>\$ 120,744</u>

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The components of the provision (benefit) for income taxes are as follows for the years ended December 31 (in thousands):

2002	2001	2000
------	------	------

Current provision:			
Federal	\$ (6,241)	\$ (12,550)	\$ 24,942
State	(844)	(2,051)	2,838
Foreign	21,908	23,926	21,439
	<u>14,823</u>	<u>9,325</u>	<u>49,219</u>
Deferred provision:			
Federal	(10,932)	(6,687)	(941)
State	(1,306)	(842)	(132)
Foreign	(979)	(1,622)	(1,208)
	<u>(13,217)</u>	<u>(9,151)</u>	<u>(2,281)</u>
	<u>\$ 1,606</u>	<u>\$ 174</u>	<u>\$ 46,938</u>

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

	2002	2001	2000
Income tax (benefit) expense per federal statutory rate	\$ (1,263)	\$ (613)	\$ 42,806
State income taxes, net of federal deduction	(1,456)	(94)	3,840
Tax benefit of operating loss carryforward acquired	—	—	(1,800)
Miscellaneous credits	(675)	(600)	(716)
Transaction costs	—	—	420
Valuation allowance	2,800	—	—
Foreign income taxed at different rate	867	2,714	2,188
Other	1,333	(1,233)	200
	<u>\$ 1,606</u>	<u>\$ 174</u>	<u>\$ 46,938</u>

The Company's deferred income tax assets and liabilities are summarized as follows as of December 31 (in thousands):

	2002	2001
Current deferred tax assets:		
Allowance for doubtful accounts	\$ 2,865	\$ 2,501
Vacation accrual	3,002	2,061
Compensation	1,901	395
Insurance reserves	793	1,644
Accrued restructuring charges	1,744	1,278
Unrealized losses on securities and derivatives	—	1,543
Warrant accrual	—	616
Deferred revenue	—	182
Other	1,328	1,393
	<u>11,633</u>	<u>11,613</u>
Long-term deferred tax assets:		
Depreciation and amortization	—	1,472
Other than temporary loss on equity investment	7,440	6,518
Deferred revenue	7,546	3,441
Unrealized losses on securities and derivatives	2,208	—
Lease write down	677	—
Asset impairment	12,231	—
	<u>30,102</u>	<u>11,431</u>
Long-term deferred tax liability:		
Capitalized software	(5,652)	(4,631)
Depreciation and amortization	(466)	—
Severance accrual	(4,059)	—
Other	(58)	—
	<u>(10,235)</u>	<u>(4,631)</u>
Valuation allowance	(2,800)	—
Total	<u>\$ 28,700</u>	<u>\$ 18,413</u>

During 2002, the Company established a valuation allowance for certain deferred tax assets in its international outsourcing segment.

NOTE 6: EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit-sharing plan that allows participation by employees who have completed six months 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 also eligible for a matching contribution by the Company of 50% of the first 6% of compensation a participant contributes to the plan. Participants vest in matching contributions over a four-year period. Company matching contributions to the 401(k) plan totaled \$2.0 million, \$2.4 million and \$2.3 million for the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE 7: STOCK COMPENSATION PLANS

The Company adopted a stock option plan during 1995 (the "1995 Option Plan") and amended and restated the plan in January 1996 for directors, officers, employees, consultants and independent

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contractors. The plan reserved 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- to 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 were granted at fair market value at the date of grant. Options vested as of the date of the option but were 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 472,250, 472,250 and 510,250 shares outstanding at December 31, 2002, 2001 and 2000, respectively. In May 2000, the Company terminated future grants under this plan. From that point on, Directors received options under the Company's 1999 Stock Option and Incentive Plan.

In July 1996, the Company adopted an employee stock purchase plan (the "ESPP"). Pursuant to the ESPP, as amended, an aggregate of 1,000,000 shares of common stock of the Company is available for issuance under the ESPP. Employees are eligible to participate in the ESPP after three months of service. The price per share purchased in any offering period is equal to the lesser of 85% of the fair market value of the common stock on the first day of the offering period or on the purchase date. The offering periods have a term of six months. Stock purchased under the plan for the years ended December 31, 2002, 2001 and 2000 were \$1.9 million, \$1.8 million and \$1.9 million, respectively.

In February 1999, the Company adopted the TeleTech Holdings, Inc. 1999 Stock Option and Incentive Plan (the "1999 Option Plan"). The purpose of the 1999 Option Plan is to enable the Company to continue to (a) attract and retain high quality directors, officers, employees and potential employees, consultants and independent contractors of the Company or any of its subsidiaries; (b) motivate such persons to promote the long-term success of the business of the Company and its subsidiaries and (c) induce employees of companies that are acquired by TeleTech to accept employment with TeleTech following such an acquisition. The 1999 Option Plan supplements the 1995 Option Plan. An aggregate of 14 million shares of common stock has been reserved for issuance under the 1999 Option Plan, which permits the award of incentive stock options, non-qualified stock options, stock appreciation rights and shares of restricted common stock. As previously discussed, the 1999 Option Plan also provides annual stock option grants to Directors. Outstanding options vest over a period of one to nine years and are exercisable for ten years from the date of grant.

In connection with the acquisition of Newgen, which was accounted for under the pooling-of-interests method, the Company assumed all of the options outstanding under Newgen's 1998 and 1996 Equity Incentive Plans.

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A summary of the status of the Company's stock option plans for the three years ended December 31, 2002, 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, 1999	11,562,225	\$ 8.43
Grants	4,827,832	\$ 28.04
Exercises	(1,384,022)	\$ 6.19
Forfeitures	(1,283,995)	\$ 11.41
Outstanding, December 31, 2000	13,722,040	\$ 15.10
Grants	3,121,085	\$ 8.13
Exercises	(1,840,082)	\$ 4.36
Forfeitures	(4,309,782)	\$ 17.59
Outstanding, December 31, 2001	10,693,261	\$ 13.98
Grants	2,884,550	\$ 10.94
Exercises	(609,247)	\$ 6.20
Forfeitures	(1,250,974)	\$ 17.89
Outstanding, December 31, 2002	11,717,590	\$ 13.06
Options exercisable at year end:		
2002	5,657,494	\$ 13.11
2001	4,385,403	\$ 12.92

2000	4,545,244	\$	8.64
Weighted average fair value of options granted during the year:			
2002		\$	6.19
2001		\$	4.00
2000		\$	15.27

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives at December 31, 2002:

Range of Exercise Prices	Outstanding			Exercisable	
	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Number of Shares Exercisable	Weighted Average Exercise Price
\$ 0.63 - \$ 3.98	332,172	\$ 1.49	2.7	332,108	\$ 1.49
\$ 3.99 - \$ 7.96	3,874,281	\$ 6.70	7.5	1,783,875	\$ 6.52
\$ 7.97 - \$11.94	3,642,143	\$ 10.74	7.3	1,381,961	\$ 9.83
\$11.95 - \$15.92	1,381,603	\$ 13.38	6.7	814,902	\$ 13.41
\$15.93 - \$19.91	413,718	\$ 17.18	7.4	190,461	\$ 17.36
\$19.92 - \$23.89	171,599	\$ 20.83	7.9	83,626	\$ 20.83
\$23.90 - \$27.87	317,500	\$ 25.30	6.3	220,325	\$ 25.25
\$27.88 - \$31.85	1,011,574	\$ 30.53	7.3	571,186	\$ 30.67
\$31.86 - \$35.83	508,000	\$ 33.29	7.0	249,350	\$ 33.27
\$35.84 - \$39.81	65,000	\$ 37.82	7.3	29,700	\$ 37.80
	11,717,590			5,657,494	

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NOTE 8: RELATED PARTY TRANSACTIONS

The Company has entered into agreements pursuant to which Avion, LLC ("Avion") and AirMax, LLC ("AirMax") provide certain aviation flight services to and as requested by the Company. Such services include the use of an aircraft and flight crew. Kenneth D. Tuchman, Chief Executive Officer and Chairman of the Board of the Company, has a direct beneficial ownership interest in Avion. During 2002, 2001 and 2000 the Company paid an aggregate of \$1.8 million, \$0.7 million and \$0.7 million, respectively, to Avion for services provided to the Company. Mr. Tuchman also purchases services from AirMax and from time to time provides short-term loans to AirMax. During 2002, 2001 and 2000 the Company paid to AirMax an aggregate of \$1.0 million, \$0.5 million and \$0.5 million, respectively, for services provided to the Company. The Audit Committee of the Board of Directors reviews these transactions quarterly and has determined that the fees charged by Avion and AirMax are at fair market value.

In the fourth quarter of 2000, the Company and its enhansiv subsidiary executed a transaction, whereby the Company transferred all of its shares of common stock of enhansiv, inc., a Colorado corporation ("enhansiv"), to enhansiv holdings, inc., a Delaware corporation ("EHI") in exchange for Series A Convertible Preferred Stock of EHI. EHI is developing a centralized, open architecture, customer management solution that incorporates a contact management database across all customer contact channels. The Company believes that the EHI technology will allow it to move to a more centralized technology platform, allowing it to provide more cost effective solutions in a more timely manner. As part of the transaction, EHI sold shares of common stock to a group of investors. These shares represented 100% of the existing common shares of EHI, which in turn owned 100% of the common shares of enhansiv. In addition, the Company received an option to purchase approximately 95% of the common stock of EHI. The Company also agreed to make available to EHI a convertible \$7.0 million line of credit, which was fully drawn in the second quarter of 2001.

One of the investors was Kenneth D. Tuchman, who acquired 14.4 million shares of EHI common stock for \$3.0 million, representing 42.9% of EHI in the initial transaction. Subsequent to the initial sale of common stock, EHI sold 9.6 million shares to Mr. Tuchman for \$2.0 million, giving him an additional 12.1% interest in EHI. Upon Mr. Tuchman's second investment, he entered into a confirmation joinder and amendment agreement which stated that for as long as Mr. Tuchman owned 50% of EHI's common stock, all action requiring stockholder approval shall require approval of holders of at least 66²/₃% of EHI common stock. The remaining equity of \$4.0 million, which represented approximately 17% of the fair value of the assets at inception, came from unrelated third parties and was at risk.

In June 2001, the Company entered into another transaction whereby the Company agreed to fund an additional \$5.0 million for certain development activities in exchange for a licensing agreement and the right to convert this additional investment into Series B Preferred Stock that is convertible at the option of the Company into EHI's common stock. The Company funded \$4.8 million of this additional commitment.

As a preferred stockholder, the Company accounted for its investment in EHI under the equity method of accounting. Accordingly, the Company recorded all of EHI's losses in excess of the value of all subordinate equity investments in EHI (common stock). The Company began reflecting EHI losses during the second quarter of 2001 and continued to do so through May 31, 2002. These losses totaled \$3.6 million and \$7.7 million for the years ended December 31, 2002 and 2001, respectively, and are included as a separate line item in other income (expense) in the accompanying consolidated statements of operations. During 2000, the Company did not record any losses from EHI subsequent to the sale of common stock.

On May 31, 2002, Mr. Tuchman transferred his 55% ownership of EHI's common stock to the Company and received no consideration in return. The Company placed nominal value on this

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transaction based on a third-party appraisal. As a result, the Company began consolidating the results of EHI effective June 1, 2002. During the fourth quarter of 2002, the Company purchased the remaining common stock of EHI held by the outside shareholders for approximately \$2.3 million. The Company expensed the consideration paid based on the above mentioned third-party appraisal. The loss on this transaction is reflected in other expense in the accompanying consolidated statements of operations for the year ended December 31, 2002. Notwithstanding the appraised valuation of the shares acquired, the Company places value on retaining the intellectual property that justified the payment of the purchase price. As a result of this transaction, the Company now owns 100% of EHI.

During the second quarter of 2001, after EHI was unsuccessful in raising additional outside capital, the Company concluded that its investment in EHI exceeded its fair value and such decline was other than temporary. The Company's determination of fair market value was based on pre-money valuations used by third parties during discussions to raise outside capital. The Company considered current and anticipated market conditions in its determination that the decline in value was other than temporary. As a result, the Company recorded a \$16.5 million charge to adjust the investment's carrying value down to its estimated fair value. The Company's net investment in EHI of \$3.8 million at December 31, 2001 is included in other assets in the accompanying consolidated balance sheets. Net assets of EHI, excluding the Company's loan to EHI, were \$15.0 million at December 31, 2001. EHI had no outside debt or other outstanding borrowings other than that owed to the Company.

During 2000 and 2001, the Company loaned an officer \$1.0 million. The loan bears interest at an annual rate of 8% and is secured by all future bonus payments, the proceeds from the exercise of any stock options, and any severance compensation payable to this officer. As of December 31, 2002, the loan balance was in default and has an outstanding balance of approximately \$0.9 million. In addition to the repayment mechanisms described above, the Company is pursuing perfecting a security interest in the officer's salary and the Company and the officer are also working on a monthly payment plan. This loan is included in Other Assets in the accompanying consolidated balance sheets.

During 2000, the Company utilized the services of EGI Risk Services, Inc. ("EGI") for reviewing, obtaining and/or renewing various insurance policies. EGI is a wholly owned subsidiary of Equity Group Investments, Inc. Rod Dammeyer, a director of the Company, was formerly the managing partner of Equity Group Investments, Inc., and Samuel Zell, a former director of the Company, was chairman of the board. During the years ended December 31, 2002, 2001 and 2000, the Company paid \$0, \$0 and \$1.1 million, respectively, to EGI primarily for insurance policy premiums.

During 2002 and 2001, the Company utilized the services of Korn Ferry International ("KFI") for executive search projects. James Barlett, Vice Chairman and a director of the Company is a director of KFI. During the years ended December 31, 2002, 2001 and 2000, the Company paid \$0.7 million, \$0.3 million and \$0, respectively, to KFI for executive search services.

During 2001 and 2000, the Company purchased cable and wiring materials from Anixter International, Inc. Rod Dammeyer, a director of the Company, served as Vice Chairman and a director for Anixter International, Inc. until February 2001. During the years ended December 31, 2001 and 2000, the Company paid \$0.1 million and \$0.1 million, respectively, to Anixter International, Inc.

NOTE 9: ACQUISITIONS

On August 31, 2000, the Company and CCH entered into a definitive Share Purchase Agreement, which included the exchange of 3,264,000 shares of the Company's common stock for all of the issued share capital of CCH. The business combination was accounted for as a pooling-of-interest, and accordingly, the historical financial statements of the Company have been restated to include the financial statements of CCH for all periods presented prior to the acquisition.

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On December 20, 2000, the Company consummated a business combination with Newgen that included the exchange of 8,283,325 shares of the Company's common stock for all of the issued shares of Newgen. The business combination was accounted for as a pooling-of-interest, and accordingly, the historical financial statements of the Company have been restated to include the financial statements of Newgen for all periods presented prior to the acquisition.

The table below sets forth the results of operations of the previously separate enterprises for the period prior to the consummation of the August 2000 and December 2000 business combinations during the period ended December 31, 2000 (in thousands):

	TeleTech	CCH	Newgen	Combined
Revenues	\$ 750,782	\$ 38,540	\$ 77,468	\$ 866,790
Net income	64,477	2,259	5,919	72,655

On October 27, 2000, TeleTech acquired iCcare Limited ("iCcare"), a Hong Kong based customer management company, in a transaction accounted for under the purchase method of accounting. The Company purchased iCcare for approximately \$4.0 million consisting of \$2.0 million in cash and \$2.0 million in stock. On the basis of achievement of predetermined revenue targets, iCcare could also receive additional stock or cash payments over a two-year period. During 2002 and 2001, iCcare did not achieve the target. The operations of iCcare 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 November 7, 2000, the Company acquired the customer care division of Boston Communications Group ("BCG") in an asset purchase transaction accounted for under the purchase method of accounting. BCG's customer care division provides 24x7 inbound customer care solutions for the wireless industry. The Company purchased the customer care division in a cash transaction valued at \$15 million, including a \$13 million cash payment and assumption of approximately \$2 million of liabilities. Under the terms of the agreement, BCG could receive additional cash payments, totaling up to an additional \$20 million over four years, based upon achievement of certain predetermined revenue targets. During 2002 and 2001, the revenue targets were not achieved. The operations of the customer care division of BCG 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 December 15, 1999, the Company invested \$2.5 million in a customer management software company. On January 27, 2000, an additional investment of \$8.0 million was made in the same customer management software company. In May 2000, this software company merged with E.piphany, Inc., a publicly traded customer management company. As a result of the merger, TeleTech received 1,238,400 shares of E.piphany common stock. During the years ended December 31, 2002, 2001 and 2000, the Company sold approximately 229,100, 100,000 and 909,300 shares, respectively, of E.piphany for total proceeds of \$1.6 million, \$1.3 million and \$64.9 million, which resulted in realized gains of \$0.6 million, \$0.2 million and \$57.0 million, respectively. As of December 31, 2002, the Company had sold all of its Epiphany shares.

NOTE 10: FORD JOINT VENTURE

During the first quarter of 2000, the Company and Ford Motor Company ("Ford") formed Percepta. Percepta was formed to provide global customer management solutions for Ford and other automotive companies. Percepta is currently providing such services in the United States, Canada, Australia and Scotland. In connection with this formation, the Company issued stock purchase warrants to Ford entitling Ford to purchase 750,000 shares of TeleTech common stock for \$12.47 per share. These warrants were valued at \$5.1 million using the Black-Scholes Option model. The warrants expire on December 31, 2005.

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Ford has the right to earn additional warrants based upon Percepta's achievement of certain revenue thresholds through 2004. Such thresholds were not achieved for 2002, 2001 or 2000. The number of warrants to be issued is subject to a formula based upon the profitability of Percepta, among other factors. The exercise price of any warrants issued under the agreement will be a 5% premium over the Company's stock price at the date the warrants are issued.

NOTE 11: ASSET DISPOSITIONS

In March 2000, the Company and State Street Bank and Trust Company ("State Street") entered into a lease agreement whereby State Street acquired 12 acres of land in Arapahoe County, Colorado for the purpose of constructing a new corporate headquarters for the Company (the "Planned Headquarters Building"). Subsequently, management of the Company decided to terminate the lease agreement as it was determined that the Planned Headquarters Building would be unable to accommodate the Company's anticipated growth. The Company recorded a \$9.0 million loss on the termination of the lease in 2000, which is included in the accompanying consolidated statements of operations.

In March 2001, the Company acquired the Planned Headquarters Building being constructed on its behalf for approximately \$15.0 million and incurred additional capital expenditures to complete construction of the building. During the second quarter of 2001, after receiving various offers for the Planned Headquarters Building that were less than the estimated completed cost, the Company determined that the fair value of the building, less the cost to complete and sell, exceeded the carrying amount by \$7.0 million. Accordingly, the Company recorded a loss on real estate held for sale of \$7.0 million, which is included in the accompanying consolidated statements of operations. In October 2001, the Company completed and sold the Planned Headquarters Building to a third party receiving net proceeds of approximately \$11.8 million.

In March 2001, the Company shut down its Digital Creators subsidiary. The Company closed the subsidiary because of weak operating performance. It was more cost effective to close the operation than to seek a buyer. There was no significant loss associated with the disposal of this business as the majority of assets and people were absorbed by the Company.

In July 2000, the Company sold a division of its Australian subsidiary, which provides services in the healthcare industry, for cash of approximately \$4.9 million. This sale resulted in a gain recognized in the third quarter of 2000 of approximately \$4.0 million, which is included in other income in the accompanying consolidated statements of operations. The operating results, assets and liabilities of this division were not material to the consolidated operating results, assets and liabilities of the Company.

In September 2000, the Company closed its Pamet subsidiary, which provided marketing solutions by leveraging Internet and database technologies. The Company closed the subsidiary because of weak operating performance and incompatibility with the Company's key strategic initiatives. It was more cost effective to close the operation than to seek a buyer. The disposal resulted in a \$3.4 million loss, which is included as an operating expense in the accompanying consolidated statements of operations.

NOTE 12: RESTRUCTURING CHARGES

During 2002, the Company's corporate and North American outsourcing segments recorded restructuring charges associated with the termination of approximately 400 administrative employees and the impairment of a property lease totaling approximately \$7.3 million and \$0.9 million, respectively. Additionally, the Company's international outsourcing segment recorded a loss on the closure of customer management centers in Spain and Canada of approximately \$1.2 million. These charges are reflected on separate line items in the accompanying consolidated statements of operations.

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During 2001, the Company recorded a \$7.7 million loss in its North American outsourcing segment on the closure of a customer management center ("CIC") located in Thornton, Colorado, consisting of future rent and occupancy costs and loss on disposal of assets, which is reflected as a separate line item in the accompanying consolidated statements of operations.

During 2001, the Company implemented certain cost cutting measures. In connection with these actions, the Company recorded \$18.5 million of charges in its corporate segment for severance and other termination benefits related to a reduction in force of approximately 500 employees, which are reflected as a separate line item in the accompanying consolidated statements of operations.

In December 2000, the Company identified three customer management centers in California, which were older and under-performing, and decided to consolidate them into one new center. As a result, the Company accrued a \$4.7 million loss in its North American outsourcing segment on the closure of these sites consisting of future rent and occupancy costs and loss on the disposal of assets, which is included as an operating expense in the accompanying consolidated statements of operations.

A rollforward of the activity in the above mentioned restructuring accruals for the years ended December 31, 2002 and 2001 follows (in thousands):

	Closure of CICs	Reduction in Force	Total
Balances, December 31, 1999	\$ —	\$ —	\$ —
Expenses	4,779	—	4,779
Payments	(4,304)	—	(4,304)

Balances, December 31, 2000	475	—	475
Expense	7,733	18,515	26,248
Payments	(4,679)	(15,883)	(20,562)
Balances, December 31, 2001	3,529	2,632	6,161
Expense	1,213	8,243	9,456
Writedown of assets	(1,201)	—	(1,201)
Payments	(1,360)	(4,147)	(5,507)
Balances, December 31, 2002	\$ 2,181	\$ 6,728	\$ 8,909

The restructuring accrual is included in other accrued expenses in the accompanying consolidated balance sheets.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Leases. The Company has various operating leases for equipment, customer management centers and office space. Rent expense under operating leases was approximately \$33.3 million, \$31.1 million and \$21.6 million for the years ended December 31, 2002, 2001 and 2000, respectively.

In December 2000, the Company and State Street consummated a lease transaction for the Company's new corporate headquarters, whereby State Street acquired the property at 9197 South Peoria Street, Englewood, Colorado (the "Property"). Simultaneously, State Street leased the Property to TeleTech Services Corporation ("TSC"), a wholly owned subsidiary of the Company. As part of the transaction, State Street formed a special purpose entity to purchase the Property and hold the associated debt and equity from a group of banks. The debt held by this entity was approximately \$37.0 million at December 31, 2002. The Company's lease on the Property has a four-year term and expires in December 2004. At expiration, the Company has three options: 1) renew the lease for two one-year periods at the same monthly rate paid during the original term, 2) purchase the Property for approximately \$38.2 million, or 3) vacate the Property. In the event the Company vacates the Property,

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the Company must sell the Property. If the Property is sold for less than \$38.2 million, the Company has guaranteed State Street a residual payment upon sale of the building based on a percentage of the difference between the selling price and appraised fair market value of the Property. If the Company were to vacate the Property prior to the original four-year term, the Company has guaranteed State Street a residual value of approximately \$31.5 million upon sale of the Property. The Company has no plans to vacate the Property prior to the original term. The potential liability, if any, resulting from a residual payment has not been reflected on the accompanying consolidated balance sheet. The rent expense of \$3.2 million and \$2.6 million for the years ended December 31, 2002 and 2001, respectively, is reflected in selling, general and administrative expense in the accompanying consolidated statements of operations. Future lease payments are reflected in the lease commitments disclosed within this Note. A significant restrictive covenant under this agreement requires the Company to maintain at least one dollar of net income each quarter. Additionally, the lease payments are based on the debt payments which are variable based on LIBOR. However, the Company has an interest rate swap agreement in place to hedge any fluctuations in LIBOR. Subsequent to year end, the Company purchased the Property from State Street for \$38.2 million using proceeds from the Revolver to finance the transaction.

The future minimum rental payments required under non-cancelable operating leases as of December 31, 2002 are as follows (in thousands):

Year ended December 31,	
2003	\$ 39,291
2004	25,717
2005	27,033
2006	18,655
2007	12,640
Thereafter	92,968
	\$ 216,304

Legal Proceedings. 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.

Sales and Use Taxes. The Company has recently received inquiries from several states regarding the applicability of sales or use taxes to the services provided by its North American outsourcing and database marketing and consulting segments. The Company has taken the position that the services in question are not subject to the aforementioned taxes. The Company is working with the inquiring states to explain and support the Company's position. At this time, the Company does not expect the outcome to have a material adverse effect on the Company's results of operations or financial condition.

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NOTE 14: QUARTERLY FINANCIAL DATA (UNAUDITED)

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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Year ended December 31, 2002:								
Revenues	\$	254,031	\$	253,685	\$	251,889	\$	257,831
Income (loss) from operations		15,300		7,654		10,718		(27,777)
Net income (loss)		(4,779)		3,913		6,217		(22,106)
Net income (loss) per common share:								
Basic	\$	(0.06)	\$	0.05	\$	0.08	\$	(0.29)
Diluted	\$	(0.06)	\$	0.05	\$	0.08	\$	(0.29)
Year ended December 31, 2001:								
Revenues	\$	237,880	\$	225,211	\$	222,818	\$	230,235
Income (loss) from operations		(4,665)		8,324		10,256		17,245
Net income (loss)		(3,866)		(7,368)		2,126		7,183
Net income (loss) per common share:								
Basic	\$	(0.05)	\$	(0.10)	\$	0.03	\$	0.09
Diluted	\$	(0.05)	\$	(0.10)	\$	0.03	\$	0.09

The Company has restated net loss and net loss per common share for the first and fourth quarters of 2002 to properly reflect no tax effect on the cumulative effect of change in accounting principle recorded in the first quarter of 2002. Upon adoption of SFAS No. 142 on January 1, 2002, the Company recorded a loss on transition of \$11.5 million which it tax effected in its Form 10-Q for the three months ended March 31, 2002. The Company believed that the goodwill would eventually be deducted for tax purposes, but later came of the opinion that the realizability of the future benefit was uncertain. As a result, in the fourth quarter of 2002 the Company wrote off the deferred tax asset associated with the adoption of SFAS No. 142 that had been created in the first quarter of 2002. The financial data above reflects this activity as if the tax benefit was never recorded. The Company did not file amended 10-Q's for the previous quarters of 2002 as there was no impact to income before cumulative effect of change in accounting principle, which the Company believes its shareholders used to analyze the Company's 2002 profitability, and the balance sheet impact of \$4.0 million was immaterial to consolidated total assets in any given quarter.

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[TELETECH HOLDINGS, INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements For the Years Ended December 31, 2002, 2001 and 2000](#)

CREDIT AGREEMENT

Dated as of October 29, 2002

among

TELETECH HOLDINGS, INC.
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent, Swing Line Lender
and
L/C Issuer,

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC

Sole Lead Arranger and Sole Book Manager

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CREDIT AGREEMENT

This CREDIT AGREEMENT (this "AGREEMENT") is entered into as of October 29, 2002 among TELETECH HOLDINGS, INC., a Delaware corporation (the "BORROWER"), each lender from time to time party hereto (each a "LENDER" and collectively the "LENDERS") and BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual agreements contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

1.01 DEFINED TERMS. As used in this Agreement, the following terms shall have the meanings set forth below:

"ACQUISITION" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person or otherwise causing any Person to become a Subsidiary or (c) a merger or

1.00:1 but
LESS THAN
2.00:1
0.250%
1.000%
0.000% 3
GREATER
THAN
2.00:1 but
LESS THAN
2.50:1
0.300%
1.250%
0.000% 4
GREATER
THAN
2.50:1
0.350%
1.500%
0.000%

Initially, the Applicable Rate shall be based on Pricing Level 3. The Applicable Rate shall be adjusted, to the extent applicable, 45 days (or in the case of the last Fiscal Quarter of any Fiscal Year, 90 days) after the end of each Fiscal Quarter based on the Leverage Ratio as of the last day of such Fiscal Quarter beginning with the Fiscal Quarter ending December 31, 2002; PROVIDED that if the Borrower fails to deliver the financial statements required by SECTION 6.01(a) or (b), as applicable, and the related Compliance Certificate required by SECTION 6.02(b) by the 45th day (or, if applicable, the 90th day) after any Fiscal Quarter, Pricing Level 4 shall apply until such financial statements are delivered.

"ARRANGER" means Banc of America Securities LLC, in its capacity as sole lead arranger and sole book manager.

"ASSIGNMENT AND ASSUMPTION" means an Assignment and Assumption substantially in the form of EXHIBIT E.

"ATTORNEY COSTS" means and includes all reasonable fees and charges of any law firm or other external counsel and, without duplication, the reasonable allocated cost of internal legal services and all reasonable expenses and disbursements of internal counsel.

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"ATTRIBUTABLE INDEBTEDNESS" means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"AUDITED FINANCIAL STATEMENTS" means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the Fiscal Year ended December 31, 2001, and the related consolidated statements of income or operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries for such Fiscal Year, including in each case the notes thereto.

"AVAILABILITY PERIOD" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to SECTION 2.06 and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the of the L/C Issuer to make L/C Credit Extensions pursuant to SECTION 8.02.

"BANK OF AMERICA" means Bank of America, N.A. and its successors.

"BASE RATE" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 0.5% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors, including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"BASE RATE LOAN" means a Revolving Loan that bears interest based on the

Base Rate.

"BORROWER" - see the introductory paragraph.

"BORROWING" means a borrowing consisting of simultaneous Revolving Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to SECTION 2.01.

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"CASH COLLATERALIZE" - see SECTION 2.03(g).

"CHANGE OF CONTROL" means an event or series of events by which:

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(a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (excluding (i) any employee benefit plan of the Borrower or any Subsidiary, (ii) any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan and (iii) Kenneth D. Tuchman, his spouse, his lineal descendants, the spouses of his lineal descendants and limited liability companies, partnerships or trusts that are created for the benefit of and controlled by one or more individuals previously described in this CLAUSE (iii)) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of more than the greater of (x) the amount of common stock of the Borrower then owned by the Persons described in CLAUSE (iii) above and (y) 25% of the equity securities of the Borrower entitled to vote for members of the board of directors of the Borrower; or

(b) during any period of 25 consecutive calendar months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of such board or equivalent governing body on the first day of such period, (ii) whose election or nomination to such board or equivalent governing body was approved by individuals referred to in CLAUSE (i) above constituting at the time of such election or nomination at least a majority of such board or equivalent governing body or (iii) whose election or nomination to such board or equivalent governing body was approved by individuals referred to in CLAUSES (i) and (ii) above constituting at the time of such election or nomination at least a majority of such board or equivalent governing body (excluding, in the case of both CLAUSE (ii) and CLAUSE (iii), any individual whose initial nomination for, or assumption of office as, a member of such board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

"CLOSING DATE" means the first date on which all conditions precedent in SECTION 4.01 are satisfied or waived (or, in the case of SECTION 4.01(b), waived by the Person entitled to receive the applicable payment).

"CODE" means the Internal Revenue Code of 1986.

"COMMITMENT" means, as to each Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to SECTION 2.01, (b) purchase participations in L/C Obligations and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any time outstanding not to exceed the amount set forth opposite such Lender's name on SCHEDULE 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"COMPLIANCE CERTIFICATE" means a certificate substantially in the form of EXHIBIT D.

"COMPUTATION PERIOD" means each period of four consecutive Fiscal Quarters of the Borrower ending on the last day of a Fiscal Quarter.

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"CONSOLIDATED EBITDAR" means, for any period, Consolidated Net Income for

such period PLUS (a) to the extent deducted in calculating such Consolidated Net Income, (i) Consolidated Interest Charges, (ii) all accrued taxes on or measured by income, (iii) all amounts treated as expenses for depreciation and the amortization of intangibles of any kind, (iv) all charges to Consolidated Net Income resulting from the application of SFAS 142, (v) Rental Expense and (vi) interest payments made in respect of Synthetic Lease Obligations PLUS/MINUS (b) to the extent included in calculating such Consolidated Net Income, non-cash, non-recurring losses/gains resulting directly from or incurred directly as a consequence of the sale or closure of any operating facility by the Borrower or any Subsidiary.

"CONSOLIDATED FUNDED INDEBTEDNESS" means, as of any date of determination, for the Borrower and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations, whether current or long-term, for borrowed money (including Obligations hereunder) and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (b) all purchase money Indebtedness, (c) all direct obligations arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments, (d) all obligations in respect of the deferred purchase price of property or services which constitutes Indebtedness (other than trade accounts payable in the ordinary course of business), (e) Attributable Indebtedness in respect of capital leases and Synthetic Lease Obligations, (f) Indebtedness with respect to Securitization Transactions, (g) without duplication, all Guarantees with respect to outstanding Indebtedness of the types specified in CLAUSES (a) through (f) above of Persons other than the Borrower or any Subsidiary, and (h) all Indebtedness of the types referred to in CLAUSES (a) through (g) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which the Borrower or a Subsidiary is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to the Borrower or such Subsidiary.

"CONSOLIDATED INTEREST CHARGES" means, for any period, the sum, without duplication, of (a) all interest, premium payments, debt discount, fees, charges and related expenses of the Borrower and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of Rental Expense of the Borrower and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP, all computed on a consolidated basis.

"CONSOLIDATED NET INCOME" means, for any period, the consolidated net income (or loss) of the Borrower for such period.

"CONSOLIDATED NET WORTH" means, as of any date of determination, the consolidated shareholders' equity of the Borrower on such date.

"CONSOLIDATED TANGIBLE NET WORTH" means, as of any date of determination, Consolidated Net Worth on such date minus the Intangible Assets of the Borrower and its Subsidiaries.

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"CONTRACTUAL OBLIGATION" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"CONTROL" - see the definition of "Affiliate."

"CREDIT EXTENSION" means each of the following (a) the making of a Loan and (b) an L/C Credit Extension.

"DEBTOR RELIEF LAWS" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"DEFAULT" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time or both, would be an Event of Default.

"DEFAULT RATE" means an interest rate per annum equal to (a) in the case of any Eurodollar Rate Loan, the interest rate otherwise applicable thereto plus 2% and (b) in the case of any other Obligation, the sum of (i) the Base Rate PLUS (ii) the Applicable Rate for Base Rate Loans PLUS (iii) 2%; PROVIDED that the interest rate applicable to any Obligation shall not at any time exceed the

highest rate permitted by applicable Law.

"DEFAULTING LENDER" means any Lender that (a) has failed to fund any portion of the Revolving Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"DISPOSITION" or "DISPOSE" means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"DOLLAR" and "\$" mean lawful money of the United States.

"DOMESTIC SUBSIDIARY" means a Subsidiary organized under the laws of the United States or any political subdivision or any agency, department or instrumentality thereof.

"DOMESTIC TANGIBLE ASSETS" means all assets of the Borrower and its Domestic Subsidiaries other than (a) Intangible Assets and (b) any asset that is subject to a Lien (other than any Lien for taxes not yet due or any Lien permitted under SECTION 7.01(a), (c) or (f)).

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"EARNOUT" means an arrangement where the deferred purchase price of property is subject to the achievement of a certain level of revenues, net income or similar arrangement or of a particular business goal.

"ELIGIBLE ASSIGNEE" - see SECTION 10.07(g).

"ENVIRONMENTAL LAWS" means any and all applicable Federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders and decrees and all permits, concessions, grants, franchises, licenses and restrictions issued by, and agreements with, a Governmental Authority relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries to the extent resulting from (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ENVIRONMENTAL PERMIT" - see SECTION 5.09.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA EVENT" means: (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"EURODOLLAR RATE" means for any Interest Period with respect to any Eurodollar Rate Loan:

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(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period,

(b) if the rate referenced in the preceding CLAUSE (a) is not available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding CLAUSES (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"EURODOLLAR RATE LOAN" means a Revolving Loan that bears interest at a rate based on the Eurodollar Rate.

"EVENT OF DEFAULT" - see SECTION 8.01.

"EXISTING CREDIT AGREEMENT" means the Amended and Restated Revolving Credit Agreement dated as of March 24, 2000 among the Borrower, Bank of America, as agent, and a syndicate of lenders.

"EXISTING LETTERS OF CREDIT" means the letters of credit listed on SCHEDULE 1.

"FEDERAL FUNDS RATE" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; PROVIDED that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"FEE LETTER" means the letter agreement dated September 12, 2002 among the Borrower, the Administrative Agent and the Arranger.

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"FISCAL QUARTER" means a fiscal quarter of a Fiscal Year.

"FISCAL YEAR" means any one-year period beginning on January 1 and ending on the following December 31.

"FIXED CHARGE COVERAGE RATIO" means, for any Computation Period, the ratio of (a) Consolidated EBITDAR for such Computation Period to (b) the sum, without duplication, of (i) Consolidated Interest Charges for such Computation Period plus (ii) Rental Expense for such Computation Period plus (iii) the aggregate amount of scheduled payments of principal of Consolidated Funded Indebtedness made during such Computation Period.

"FOREIGN LENDER" - see SECTION 10.15(a)(i).

"FOREIGN SUBSIDIARY" means any Subsidiary other than a Domestic Subsidiary.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"GOVERNMENTAL AUTHORITY" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GRANTING LENDER" - see SECTION 10.07(h).

"GUARANTORS" means, collectively, each Subsidiary that has executed a counterpart of the Guaranty.

"GUARANTY" means a Guaranty substantially in the form of EXHIBIT F.

"GUARANTEE" means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee

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in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HONOR DATE" - see SECTION 2.03(c)(i).

"INDEBTEDNESS" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business on ordinary terms);

(d) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including

indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

- (e) obligations under capital leases and Synthetic Lease Obligations;
- (f) obligations with respect to Securitization Transactions; and
- (g) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, (i) the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person, (ii) the amount of any capital lease

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or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date, (iii) the amount of Indebtedness arising in connection with any Earnout shall be the amount that, at the time of any determination of the amount of Indebtedness, is reasonably expected to be paid by the Borrower or any Subsidiary in connection therewith and (iv) the amount of Indebtedness arising in connection with any Securitization Transaction shall equal the lesser of (x) the aggregate investment or claim held at the relevant time by all purchasers, assignees or transferees of (or of interests in) or holders of obligations that are supported or secured by accounts receivable and other rights to payment in connection with such Securitization Transaction and (y) the maximum amount of recourse to the Borrower or any Subsidiary at the relevant time in connection with such Securitization Transaction.

"INDEMNIFIED LIABILITIES" - see SECTION 10.05.

"INDEMNITEES" - see SECTION 10.05.

"INTANGIBLE ASSETS" means assets that are considered to be intangible assets under GAAP, including customer lists, goodwill, computer software, copyrights, trade names, trademarks, patents, franchises, licenses, unamortized deferred charges, unamortized debt discount and capitalized research and development costs.

"INTEREST PAYMENT DATE" means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date, PROVIDED that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates and (b) as to any other Loan, the last Business Day of each March, June, September and December and the Maturity Date.

"INTEREST PERIOD" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Revolving Loan Notice; PROVIDED that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the following Business Day unless such following Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the scheduled Maturity Date.

"IP RIGHTS" - see SECTION 5.17.

"IRS" means the United States Internal Revenue Service.

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"JOINT VENTURE" means a single-purpose corporation, partnership, limited liability company, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity, but excluding

a Subsidiary) now or hereafter formed by the Borrower or any of its Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person that is not substantially different from those lines of business conducted by the Borrower and its Subsidiaries on the Closing Date or businesses substantially related or incidental thereto.

"LAWS" means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"L/C ADVANCE" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Pro Rata Share.

"L/C BORROWING" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing.

"L/C CREDIT EXTENSION" means, with respect to any Letter of Credit, the issuance thereof, or extension of the expiry date thereof or an increase in the amount thereof.

"L/C ISSUER" means Bank of America in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

"L/C OBLIGATIONS" means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit PLUS the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

"LENDER" has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the L/C Issuer and the Swing Line Lender.

"LENDING OFFICE" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"LETTER OF CREDIT" means any standby letter of credit issued hereunder and shall include the Existing Letters of Credit.

"LETTER OF CREDIT APPLICATION" means an application and agreement for the issuance or amendment of a Letter of Credit in such form as shall at any time be in use by the L/C Issuer.

"LETTER OF CREDIT EXPIRATION DATE" means the day that is 35 days prior to the last day of the scheduled Availability Period (or, if such day is not a Business Day, the next preceding Business Day).

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"LETTER OF CREDIT SUBLIMIT" means the lesser of (a) \$25,000,000 and (b) the Aggregate Commitments. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

"LEVERAGE RATIO" means, as of the last day of any Computation Period, the ratio of (a) Total Debt as of such date to (b) Adjusted Consolidated EBITDAR for such Computation Period.

"LIEN" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing, but excluding the interest of a lessor under an operating lease).

"LOAN" means an extension of credit by a Lender to the Borrower under ARTICLE II in the form of a Revolving Loan or a Swing Line Loan.

"LOAN DOCUMENTS" means this Agreement, each Note, the Fee Letter and the Guaranty.

"LOAN PARTIES" means, collectively, the Borrower and the Guarantors.

"MATERIAL ADVERSE EFFECT" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities

(actual or contingent) or condition (financial or otherwise) of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

"MATURITY DATE" means (a) December 28, 2006 or (b) such earlier date upon which all Loans and other Obligations become due in accordance with the terms hereof.

"MULTIEMPLOYER PLAN" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate makes or is obligated to make, or during the preceding five plan years has made or been obligated to make, contributions.

"NOTE" means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of EXHIBIT C.

"OBLIGATIONS" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Law naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

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"ORGANIZATION DOCUMENTS" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"OTHER TAXES" - see SECTION 3.01(b).

"OUTSTANDING AMOUNT" means (i) with respect to Revolving Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and payments occurring on such date and (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other change in the aggregate amount of the L/C Obligations as of such date, including as a result of reimbursement of any outstanding unpaid drawing under any Letter of Credit or any reduction in the maximum amount available for drawing under any Letter of Credit taking effect on such date.

"PARTICIPANT" - see SECTION 10.07(d).

"PBGC" means the Pension Benefit Guaranty Corporation.

"PENSION PLAN" means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"PERMITTED ACQUISITION" means an Acquisition that meets each of the following requirements: (a) the Person to be acquired is, or the assets to be acquired are for use, in the same, a similar or a complementary line of business as the Company and its Subsidiaries, (b) in the case of the Acquisition of a Person, such Acquisition has been approved by the board of directors or similar governing body and, if applicable, the shareholders of the Person to be acquired, (c) the Company is and will be in pro forma compliance with each of the financial covenants contained in SECTION 7.10 before and after giving effect to such Acquisition and (d) no Default shall exist at the time of, or shall result from, such Acquisition.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

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"PRO RATA SHARE" means, with respect to each Lender at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitment of such Lender at such time and the denominator of which is the amount of the Aggregate Commitments at such time; PROVIDED that if the Commitments have been terminated, then the Pro Rata Share of each Lender shall be determined based on the Pro Rata Share of such Lender immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof. The initial Pro Rata Share of each Lender is set forth opposite the name of such Lender on SCHEDULE 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"REGISTER" - see SECTION 10.07(c).

"RENTAL EXPENSE" means, for any period, the sum of the aggregate payments by the Borrower and its Subsidiaries on a consolidated basis under noncancellable agreements to rent or lease any real or personal property (exclusive of (a) obligations under capital leases, (b) Synthetic Lease Obligations and (c) agreements to rent or lease real or personal property which are cancelable at the option of the lessee without penalty within a three-month period), all as determined in accordance with GAAP.

"REPORTABLE EVENT" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"REQUEST FOR CREDIT EXTENSION" means (a) with respect to a Borrowing, conversion or continuation of Revolving Loans, a Revolving Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"REQUIRED LENDERS" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the Commitments have been terminated, Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender's participation in L/C Obligations and Swing Line Loans being deemed "held" by such Lender for purposes of this definition); PROVIDED that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"RESPONSIBLE OFFICER" means, with respect to any Person, the chief executive officer, the president, the chief financial officer, the controller, the treasurer or any assistant treasurer of such Person. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"REVOLVING LOAN" - see SECTION 2.01.

"REVOLVING LOAN NOTICE" means a notice of (a) a borrowing of Revolving Loans, (b) a conversion of Revolving Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to SECTION 2.02(a), which, if in writing, shall be substantially in the form of EXHIBIT A.

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"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"SECURITIZATION TRANSACTION" means any sale, assignment or other transfer by the Borrower or any Subsidiary of accounts receivable, lease receivables or other payment obligations owing to the Borrower or such Subsidiary or any interest in any of the foregoing, together in each case with any collections and other proceeds thereof, any collection or deposit accounts related thereto, and any collateral, guaranty or other property or claim in favor of the Borrower or such Subsidiary supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivable.

"SENIOR DOMESTIC DEBT" means all Indebtedness (including the Obligations) of the Borrower and its Domestic Subsidiaries, other than Indebtedness that is expressly subordinated to the Obligations.

"SENIOR NOTE AGREEMENT" means the Note Purchase Agreement dated as of October 1, 2001 between the Borrower and the purchasers named therein.

"SENIOR NOTES" means the notes issued by the Borrower from time to time pursuant to the Senior Note Agreement.

"SFAS 142" means Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

"SPC" - see SECTION 10.07(h).

"SUBSIDIARY" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of members of the board of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"SWAP CONTRACT" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transaction or any combination of any of the foregoing (including any option to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master

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Agreement (any such master agreement, together with any related schedules, a "MASTER AGREEMENT"), including any such obligations or liabilities under any Master Agreement.

"SWAP TERMINATION VALUE" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in CLAUSE (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"SWING LINE LENDER" means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"SWING LINE LOAN" - see SECTION 2.04(a).

"SWING LINE LOAN NOTICE" means a notice of a Swing Line Loan pursuant to SECTION 2.04(b), which, if in writing, shall be substantially in the form of EXHIBIT B.

"SWING LINE SUBLIMIT" means lesser of (a) \$15,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

"SYNTHETIC LEASE OBLIGATION" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"TAXES" - see SECTION 3.01(a).

"THRESHOLD AMOUNT" means \$7,500,000.

"TOTAL DEBT" means at any time the sum, without duplication, of (a) Consolidated Funded Indebtedness plus (b) five times the Rental Expense for the most recently ended Computation Period.

"TOTAL OUTSTANDINGS" means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

"TYPE" means, with respect to a Revolving Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

"UNFUNDED PENSION LIABILITY" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

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"UNITED STATES" and "U.S." mean the United States of America.

"UNREIMBURSED AMOUNT" - see SECTION 2.03(c)(i).

1.02 OTHER INTERPRETIVE PROVISIONS. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words "HEREIN," "HERETO," "HEREOF" and "HEREUNDER" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term "INCLUDING" is by way of example and not limitation.

(iv) The term "DOCUMENTS" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word "FROM" means "FROM AND INCLUDING;" the words "TO" and "UNTIL" each mean "TO BUT EXCLUDING;" and the word "through" means "TO AND INCLUDING."

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 ACCOUNTING TERMS. (a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis in a manner consistent with that used in preparing the Audited Financial Statements, EXCEPT as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); PROVIDED that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

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(c) If the definition of "Consolidated EBITDA" in the Senior Note Agreement is amended to account for changes in the treatment of employee stock options, then (to the extent the amendment relates to non-cash items) the definition of Consolidated EBITDAR in SECTION 1.01 shall be amended to be consistent with such amended definition of "Consolidated EBITDA" with respect to the treatment of such options.

1.04 ROUNDING. Any financial ratio required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 REFERENCES TO AGREEMENTS AND LAWS. Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

1.06 TIMES OF DAY. Unless otherwise specified, all references herein to times of day shall be references to Central time (daylight or standard, as applicable).

1.07 LETTER OF CREDIT AMOUNTS. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time.

ARTICLE II THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 REVOLVING LOANS. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans in Dollars (each such loan a "REVOLVING LOAN") to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; PROVIDED that after giving effect to any Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Revolving Loans of any Lender PLUS such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations and Swing Line Loans shall not exceed the amount of such Lender's Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this SECTION 2.01, prepay under SECTION 2.05 and reborrow under this SECTION 2.01. Revolving Loans may be Base Rate Loans or Eurodollar Rate Loans.

2.02 BORROWINGS, CONVERSIONS AND CONTINUATIONS OF REVOLVING LOANS.

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(a) Each Borrowing, each conversion of Revolving Loans from one Type to the other and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any borrowing of, conversion of or to or continuation of Eurodollar Rate Loans, and (ii) on the requested date of any borrowing of Base Rate Loans. Each telephonic notice by the Borrower pursuant to this SECTION 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Revolving Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$3,000,000 or a higher integral multiple of \$1,000,000. Except as provided in SECTIONS 2.03(c) and 2.04(c), each borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a higher integral multiple of \$100,000. Each Revolving Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Revolving Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Revolving Loans to be borrowed, converted or continued, (iv) the Type of Revolving Loans to be borrowed or continued or to which existing Revolving Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto.

If the Borrower fails to specify a Type of Revolving Loan in a Revolving Loan Notice or if the Borrower fails to give a timely notice requesting a continuation, then the applicable Revolving Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a borrowing of, conversion to or continuation of Eurodollar Rate Loans in a Revolving Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Revolving Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Pro Rata Share of the applicable Revolving Loans, and if no timely notice of a continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding clause. In the case of a Borrowing, each Lender shall make the amount of its Revolving Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Revolving Loan Notice. So long as the Administrative Agent has not received notice that the applicable conditions set forth in ARTICLE IV have not been satisfied, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

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(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. Each determination of an applicable Eurodollar Rate by the Administrative Agent shall be conclusive in the absence of manifest error. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to any borrowing, conversion or continuation of Revolving Loans, there shall not be more than six Interest Periods in effect.

2.03 LETTERS OF CREDIT.

(a) THE LETTER OF CREDIT COMMITMENT.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the other Lenders set forth in this SECTION 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit for the account of the Borrower (or jointly for the account of the Borrower and any Subsidiary), and to amend Letters of Credit previously issued by it, in accordance with CLAUSE (b) below, and (2) to honor drafts under Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower; PROVIDED that the L/C Issuer shall not be obligated to make, and no Lender shall be obligated to participate in, any L/C Credit Extension if as of the date of such L/C Credit Extension, (x) the Total Outstandings would exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Revolving Loans of any Lender PLUS such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations and Swing Line Loans would exceed the amount of such Lender's Commitment or (z) the Outstanding Amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving and, accordingly, the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto and, from and after the Closing Date, shall be subject to and governed by the terms and conditions hereof.

(ii) The L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for

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which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) subject to SECTION 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than 12 months after the date of issuance or last extension thereof, unless the L/C Issuer has approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur after the scheduled Letter of Credit Expiration Date, unless all Lenders have approved such expiry date;

(D) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer;

(E) such Letter of Credit is in an initial amount less than \$100,000 or is to be denominated in a currency other than Dollars; or

(F) such Letter of Credit is otherwise not in form and substance acceptable to the L/C Issuer.

(b) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(c) PROCEDURES FOR ISSUANCE AND AMENDMENT OF LETTERS OF CREDIT;
AUTO-RENEWAL LETTERS OF CREDIT.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least three Business Days (or such later date and time as the L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for the initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day);

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(3) the nature of the proposed amendment; and (4) such other matters as the L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy

of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into such amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a participation in such Letter of Credit in an amount equal to the product of such Lender's Pro Rata Share TIMES the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "AUTO-RENEWAL LETTER OF CREDIT"); PROVIDED that any such Auto-Renewal Letter of Credit must permit the L/C Issuer to prevent any such renewal at least once in each 12-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "NONRENEWAL NOTICE DATE") in each such 12-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrower shall not be required to make a specific request to the L/C Issuer for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the renewal of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; PROVIDED that the L/C Issuer shall not permit any such renewal if (A) the L/C Issuer has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of SECTION 2.03(a)(ii) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is three Business Days before the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in SECTION 4.02 is not then satisfied.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(d) DRAWINGS AND REIMBURSEMENTS; FUNDING OF PARTICIPATIONS.

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(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent of its receipt of such notice and the amount of the requested drawing. Not later than 11:00 a.m. on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "HONOR DATE"), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "UNREIMBURSED AMOUNT"), and the amount of such Lender's Pro Rata Share thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in SECTION 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in SECTION 4.02 (other than the delivery of a Revolving Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this SECTION 2.03(c)(i) may be given by telephone if immediately confirmed in writing; PROVIDED that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including the Lender acting as L/C Issuer) shall upon any notice pursuant to SECTION 2.03(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of SECTION 2.03(c)(iii), each Lender that so makes funds

available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in SECTION 4.02 (other than the delivery of a Request for Credit Extension, which condition need not be satisfied) cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to SECTION 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this SECTION 2.03.

(iv) Until each Lender funds its Revolving Loan or L/C Advance pursuant to this SECTION 2.03(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of the L/C Issuer.

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(v) Each Lender's obligation to make Revolving Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this SECTION 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; PROVIDED that each Lender's obligation to make Revolving Loans pursuant to this SECTION 2.03(c) is subject to the conditions set forth in SECTION 4.02 (other than delivery by the Borrower of a Revolving Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this SECTION 2.03(c) by the time specified in SECTION 2.03(c)(ii), the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this CLAUSE (vi) shall be conclusive absent manifest error.

(e) REPAYMENT OF PARTICIPATIONS.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with SECTION 2.03(c), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Pro Rata Share thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to SECTION 2.03(c)(i) is required to be returned under any of the circumstances described in SECTION 10.06 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

(f) OBLIGATIONS ABSOLUTE. The obligation of the Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(g) ROLE OF L/C ISSUER. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificate or document expressly required by such Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as

applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; PROVIDED that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement, whether before or after any drawing by such beneficiary or transferee. None of the L/C Issuer, any Agent-Related Person or any of the respective correspondents, participants or assignees of the L/C Issuer shall be liable or responsible for any of the matters described in CLAUSES (i) through (v) of SECTION 2.03(e); PROVIDED that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under

any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(h) CASH COLLATERAL. Upon the request of the Administrative Agent if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations (in an amount equal to such Outstanding Amount determined as of the Letter of Credit Expiration Date). For purposes hereof, "CASH COLLATERALIZE" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at Bank of America.

(i) APPLICABILITY OF ISP98 AND UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice

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on April 6, 1998 regarding the European single currency (euro)) shall apply to each commercial Letter of Credit.

(j) LETTER OF CREDIT FEES. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share a Letter of Credit fee for each Letter of Credit equal to the Applicable Rate TIMES the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit); PROVIDED that, upon request of the Required Lenders while any Event of Default exists, the rate per annum for Letter of Credit fees shall be increased by 2%. Such letter of credit fee shall be computed on a quarterly basis in arrears and shall be due and payable (i) on the first Business Day after the end of each March, June, September and December and (ii) on the Maturity Date and thereafter on demand. If there is any change in the Applicable Rate during any quarter, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(k) FRONTING FEE AND DOCUMENTARY AND PROCESSING CHARGES PAYABLE TO L/C ISSUER. The Borrower shall pay directly to the L/C Issuer for its own account a fronting fee with respect to each Letter of Credit on the date of issuance of such Letter of Credit in an amount equal to 0.125% of the maximum amount available to be drawn under such Letter of Credit. In addition, the Borrower shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such fees, costs and charges shall be due and payable on demand and are nonrefundable.

(l) CONFLICT WITH LETTER OF CREDIT APPLICATION. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

2.04 SWING LINE LOANS.

(a) THE SWING LINE. Subject to the terms and conditions set forth herein, the Swing Line Lender may, in its sole discretion, make loans (each a "SWING LINE LOAN") to the Borrower from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time

outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans plus the Pro Rata Share of the Outstanding Amount of Revolving Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Commitment; PROVIDED that after giving effect to any Swing Line Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Revolving Loans of any Lender PLUS such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations and Swing Line Loans shall not exceed the amount of such Lender's Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this SECTION 2.04, prepay under SECTION 2.05 and reborrow under this SECTION 2.04. Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a participation in such Swing Line Loan in an amount equal to the product of such Lender's Pro Rata Share TIMES the amount of such Swing Line Loan.

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(b) BORROWING PROCEDURES. Each Swing Line Loan shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of \$500,000 and a higher integral multiple thereof, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Swing Line Loan (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of SECTION 2.04(a) or (B) that one or more of the applicable conditions specified in ARTICLE IV is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender may, in its discretion, make the amount of its Swing Line Loan available to the Borrower at its office by crediting the account of the Borrower on the books of the Swing Line Lender in immediately available funds.

(c) REFINANCING OF SWING LINE LOANS.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Loan in an amount equal to such Lender's Pro Rata Share of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Revolving Loan Notice for purposes hereof) and in accordance with the requirements of SECTION 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in SECTION 4.02. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Revolving Loan Notice promptly after delivering such notice to the Administrative Agent (but failure to do so shall not impair the effectiveness of such notice or impose any liability on the Swing Line Lender). Each Lender shall make an amount equal to its Pro Rata Share of the amount specified in such Revolving Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Revolving Loan Notice, whereupon, subject to SECTION 2.04(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by a Borrowing in accordance with SECTION 2.04(c)(i), the request for Base Rate Loans

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submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its

participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to SECTION 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this SECTION 2.04(c) by the time specified in SECTION 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amount owing under this CLAUSE (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Revolving Loans or to purchase and fund participations in Swing Line Loans pursuant to this SECTION 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; PROVIDED that each Lender's obligation to make Revolving Loans pursuant to this SECTION 2.04(c) is subject to the conditions set forth in SECTION 4.02. No such funding of participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(d) REPAYMENT OF PARTICIPATIONS.

(i) At any time after any Lender has purchased and funded a participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Pro Rata Share of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in SECTION 10.06 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender.

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(e) INTEREST FOR ACCOUNT OF SWING LINE LENDER. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Base Rate Loan or participation pursuant to this SECTION 2.04 to refinance such Lender's Pro Rata Share of any Swing Line Loan, interest in respect of such Pro Rata Share shall be solely for the account of the Swing Line Lender.

(f) PAYMENTS DIRECTLY TO SWING LINE LENDER. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 PREPAYMENTS.

(a) The Borrower may, upon notice to the Administrative Agent, at any time and from time to time voluntarily prepay Revolving Loans in whole or in part without premium or penalty; PROVIDED that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$3,000,000 or a higher integral multiple of \$1,000,000 (or the entire principal amount thereof then outstanding); and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a higher integral multiple of \$100,000 (or the entire principal amount thereof then outstanding). Each such notice shall specify the date and amount of such prepayment and the Type(s) of Revolving Loans to be prepaid. The Administrative

Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Pro Rata Share of the applicable prepayment. If such a notice is given by the Borrower, the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest thereon, together with any additional amount required pursuant to SECTION 3.05. Each such prepayment shall be applied to the Revolving Loans of the Lenders in accordance with their respective Pro Rata Shares.

(b) The Borrower may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; PROVIDED that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment and (ii) any such prepayment shall be in a minimum principal amount of \$100,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

2.06 TERMINATION OR REDUCTION OF COMMITMENTS. The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitment or from time to time permanently reduce the Aggregate Commitments; PROVIDED that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five Business Days prior to the date of termination or reduction, (ii) any partial reduction shall be in an aggregate amount of \$5,000,000 or a higher integral multiple of \$1,000,000 and (iii) the Borrower may not reduce the Aggregate Commitments to an amount less than the Total Outstandings. The Administrative Agent will promptly notify the Lenders of its receipt of any notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to

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the Commitment of each Lender according to its Pro Rata Share. All commitment fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.07 REPAYMENT OF LOANS. The Borrower shall repay all outstanding Loans on the Maturity Date.

2.08 INTEREST.

(a) Subject to the provisions of CLAUSE (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period therefor at a rate per annum equal to the Eurodollar Rate for such Interest Period PLUS the Applicable Rate; (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the Base Rate from time to time in effect PLUS the Applicable Rate; and (iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the Base Rate from time to time in effect PLUS the Applicable Rate (or such other rate as the Swing Line Lender and the Borrower shall agree).

(b) If any amount payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace period), whether at stated maturity, by acceleration or otherwise, such amount shall (to the extent permitted by applicable Law) thereafter bear interest at the Default Rate from time to time in effect. Furthermore, upon request of the Required Lenders while any Event of Default exists, all outstanding Obligations shall (to the extent permitted by applicable Law) bear interest at the Default Rate from time to time in effect. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 FEES. In addition to certain fees described in CLAUSES (i) and (j) of SECTION 2.03:

(a) COMMITMENT FEE. The Borrower shall pay to the Administrative Agent, for the account of each Lender in accordance with its Pro Rata Share, a commitment fee equal to the Applicable Rate TIMES the actual daily amount by which the Aggregate Commitments exceed the sum of the Outstanding Amount of Revolving Loans and the Outstanding Amount of L/C Obligations. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in ARTICLE IV is not met and

shall be due and payable on the last Business Day of each March, June, September and December and on the Maturity Date (and, if applicable, thereafter on demand). The commitment fee shall be calculated quarterly in arrears and, if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) OTHER FEES.

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(i) The Borrower shall pay to the Arranger and the Administrative Agent, for their own respective accounts, fees in the amounts and at the times specified in the Fee Letter.

(ii) The Borrower shall pay to the Administrative Agent, for the account of each Lender, an upfront fee on the Closing Date in the amount previously agreed to by such Lender. Upfront fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 COMPUTATION OF INTEREST AND FEES. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, PROVIDED that any Loan that is repaid on the same day on which it is made shall, subject to SECTION 2.12(a), bear interest for one day.

2.11 EVIDENCE OF DEBT.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in CLAUSE (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

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2.12 PAYMENTS GENERALLY.

(a) All payments to be made by the Borrower hereunder shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by the Administrative Agent. Any payment received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) If any payment to be made by the Borrower shall come due on a day

other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) Unless the Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "COMPENSATION PERIOD") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the

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Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this CLAUSE (c) shall be conclusive, absent manifest error.

(d) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this ARTICLE II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to such Loan set forth in ARTICLE IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall promptly return such funds (in like funds as received from such Lender) to such Lender, without interest.

(e) The obligations of the Lenders hereunder to make Revolving Loans and to fund participations in Letters of Credit and Swing Line Loans are several and not joint. The failure of any Lender to make any Revolving Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Revolving Loan or purchase any participation.

(f) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 SHARING OF PAYMENTS. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Revolving Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact and (b) purchase from the other Lenders such participations in the Revolving Loans made by them and/or such subparticipations in the participations in L/C Obligations or Swing Line Loans held by them, as

the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Revolving Loans or such participations, as the case may be, pro rata with each of them; PROVIDED that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in SECTION 10.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to SECTION 10.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of

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participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

2.14 INCREASE IN COMMITMENTS.

(a) The Borrower may, from time to time on or prior to December 28, 2005 so long as no Default exists, by means of a letter delivered to the Administrative Agent substantially in the form of EXHIBIT H, request that the Aggregate Commitments be increased by up to \$50,000,000 in the aggregate; PROVIDED that any such increase in the Aggregate Commitment shall be in an integral multiple of \$5,000,000.

(b) Any increase in the Aggregate Commitments may be effected by (i) increasing the Commitment of one or more Lenders that have agreed to such increase and/or (ii) subject to CLAUSE (c), adding one or more commercial banks or other Persons acceptable to the Administrative Agent as a party hereto (each an "ADDITIONAL LENDER") with a Commitment in an amount (which shall not be less than \$5,000,000) agreed to by any such Additional Lender.

(c) Any increase in the Aggregate Commitments pursuant to this SECTION 2.14 shall be effective three Business Days (or such other period agreed to by the Administrative Agent, the Borrower and, as applicable, each Lender that has agreed to increase its Commitment and each Additional Lender) after the date on which the Administrative Agent has received and accepted the applicable increase letter in the form of ANNEX 1 to EXHIBIT H.

(d) No Additional Lender shall be added as a party hereto without the written consent of the Administrative Agent, the L/C Issuer and the Swing Line Lender (which consents shall not be unreasonably withheld).

(e) The Administrative Agent shall promptly notify the Borrower and the Lenders of any increase in the amount of the Aggregate Commitments pursuant to this SECTION 2.14 and of the Commitment and Pro Rata Share of each Lender after giving effect thereto. The Borrower acknowledges that, in order to maintain Revolving Loans in accordance with each Lender's Pro Rata Share, a reallocation of the Commitments as a result of a non-pro-rata increase in the Aggregate Commitments may require prepayment or conversion of all or portions of certain Revolving Loans on the date of such increase (and any such prepayment or conversion shall be subject to the provisions of SECTION 3.05).

(f) This Section shall supersede any provision in SECTION 10.01 to the contrary.

ARTICLE III TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 TAXES.

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(a) Any and all payments by the Borrower to or for the account of the Administrative Agent or any Lender under any Loan Document shall be made free

and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, EXCLUDING, in the case of the Administrative Agent and each Lender, taxes imposed on or measured by its overall net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges and liabilities, "TAXES"). If the Borrower shall be required by any Law to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), each of the Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deduction been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Law and (iv) within 30 days after the date of such payment, the Borrower shall furnish to the Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (all of the foregoing, "OTHER TAXES").

(c) If the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, the Borrower shall also pay to the Administrative Agent or to such Lender, as the case may be, at the time interest is paid, such additional amount that the Administrative Agent or such Lender specifies is necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) that the Administrative Agent or such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify the Administrative Agent and each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Administrative Agent and such Lender, (ii) amounts payable under SECTION 3.01(c) and (iii) any liability (including additions to tax, penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this CLAUSE (d) shall be made within 30 days after the date the Lender or the Administrative Agent makes a demand therefor.

3.02 ILLEGALITY. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the

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Borrower and the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert each Eurodollar Rate Loan of such Lender to a Base Rate Loan, either on the last day of the Interest Period therefor or on such earlier date on which such Lender may no longer lawfully continue to maintain such Eurodollar Rate Loan. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Thereafter, for so long as such circumstances continue, all Loans which would otherwise be made or maintained by such Lender as Eurodollar Rate Loans shall be Base Rate Loans. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for any notice described above and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 INABILITY TO DETERMINE RATES. If the Required Lenders determine that for any reason adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or that the Eurodollar Rate for any requested Interest

Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 INCREASED COST AND REDUCED RETURN; CAPITAL ADEQUACY.

(a) If any Lender determines that as a result of the introduction of or any change in or in the interpretation of any Law, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans or issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this CLAUSE (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which SECTION 3.01 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the jurisdiction under the laws of which such Lender is organized or in which such Lender has its Lending Office and (iii) reserve requirements contemplated by SECTION 3.04(c)), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that the introduction of, or any change in or in the interpretation of, or compliance by such Lender (or its Lending Office) with, any Law regarding capital adequacy has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration such Lender's or such corporation's policies with respect to capital

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adequacy and such Lender's or such corporation's desired return on capital), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

(c) The Borrower shall pay to each Lender, with respect to any period during which such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, PROVIDED the Borrower shall have received at least 15 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 15 days from receipt of such notice.

3.05 FUNDING LOSSES. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of a Eurodollar Rate Loan on a day other than the last day of an Interest Period for such Loan (whether voluntary, mandatory, by reason of acceleration or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to borrow, continue or convert any Loan into a Eurodollar Rate Loan on the date or in the amount notified by the Borrower;

including any loss or expense arising from the liquidation or reemployment of funds obtained by such Lender to maintain such Loan or from fees payable to terminate any deposit from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing. For purposes of calculating amounts payable by the Borrower to the Lenders under this SECTION 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by such Lender at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank

eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 MATTERS APPLICABLE TO ALL REQUESTS FOR COMPENSATION. (a) A certificate of the Administrative Agent or any Lender claiming compensation under this ARTICLE III and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or any Lender may use any reasonable averaging and attribution methods.

(b) Upon any Lender's making a claim for compensation pursuant to SECTION 3.01 or 3.04, the Borrower may replace such Lender in accordance with SECTION 10.17.

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3.07 SURVIVAL. All of the Borrower's obligations under this ARTICLE III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 CONDITIONS OF INITIAL CREDIT EXTENSION. The obligation of each Lender to make its initial Credit Extension is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and its legal counsel:

(i) executed counterparts of this Agreement and the Guaranty, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed and validly existing in the jurisdiction of its organization or formation;

(v) a favorable opinion of Hogan & Hartson L.L.P., counsel to the Loan Parties, substantially in the form of EXHIBIT G;

(vi) a certificate of a Responsible Officer of each Loan Party either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party, and the validity against such Loan Party, of the Loan Documents to which it is a party (and such consents, licenses and approvals shall be in full force and effect) or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in SECTIONS 4.02(a) and (b) have been satisfied and (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

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(viii) evidence that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated; and

(ix) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuer, the Swing Line

Lender or the Required Lenders reasonably may require.

(b) The Borrower shall have paid to the Administrative Agent, the Arranger or any Lender all fees required to be paid on or before the Closing Date.

(c) The Borrower shall have paid all Attorney Costs of the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

(d) The Closing Date shall have occurred before November 15, 2002.

4.02 CONDITIONS TO ALL CREDIT EXTENSIONS. The obligation of each Lender to honor any Request for Credit Extension (other than a Revolving Loan Notice requesting only a conversion of Revolving Loans to the other Type or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

(a) Each representation and warranty of the Borrower and each other Loan Party contained in ARTICLE V or any other Loan Document, or which is contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of the requested Credit Extension, except to the extent that such representation and warranty specifically refers to an earlier date, in which case it shall be true and correct as of such earlier date.

(b) No Default shall exist or would result from the requested Credit Extension.

(c) The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

(d) After giving effect to such Credit Extension and the use of the proceeds thereof, the aggregate net book value of Domestic Tangible Assets shall equal at least 125% of the aggregate outstanding principal amount of Senior Domestic Debt.

Each Request for Credit Extension (other than a Revolving Loan Notice requesting only a conversion of Revolving Loans to, or a continuation of, Eurodollar Rate Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in SECTIONS 4.02(a), (b) and (d) have been satisfied on and as of the date of the applicable Credit Extension.

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ARTICLE V REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 EXISTENCE, QUALIFICATION AND POWER. Each Loan Party (a) is duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its organization or formation, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business substantially as now conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party and (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license except, in the case of this CLAUSE (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party have been duly authorized by all necessary organizational action on the part of such Person and do not and will not: (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or result in or require the creation or imposition of any Lien under, (i) any Contractual Obligation to which such Person is a party or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law.

5.03 GOVERNMENTAL AUTHORIZATION; OTHER CONSENTS. No approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document.

5.04 BINDING EFFECT. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against such Loan Party in accordance with its terms.

5.05 FINANCIAL STATEMENTS; NO MATERIAL ADVERSE EFFECT.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, (ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

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(b) The unaudited consolidated financial statements of the Borrower and its Subsidiaries dated June 30, 2002, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the Fiscal Quarter ended on that date, (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject to the absence of footnotes and to normal year-end audit adjustments. Except as set forth on SCHEDULE 5.05, such financial statements set forth all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

5.06 LITIGATION. Except as specifically disclosed in SCHEDULE 5.06, there is no action, suit, proceeding, claim or dispute pending or, to the knowledge of the Borrower, threatened, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or any Subsidiary or against any of their properties or revenues (a) that purports to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) as to which (either individually or in the aggregate) there exists a reasonable likelihood of an adverse determination and, if so determined, could reasonably be expected to have a Material Adverse Effect.

5.07 NO DEFAULT. Neither the Borrower nor any Subsidiary is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 OWNERSHIP OF PROPERTY; LIENS. Each of the Borrower and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Borrower and its Subsidiaries is subject to no Liens, other than Liens permitted by SECTION 7.01.

5.09 ENVIRONMENTAL COMPLIANCE.

(a) Except as specifically disclosed in SCHEDULE 5.09, the on-going operations of the Borrower and each of its Subsidiaries comply in all respects with all Environmental Laws, except such noncompliance which would not (if enforced in accordance with applicable law) result in aggregate liability (to the extent not covered by independent third-party insurance as to which the

insurer does not dispute coverage) in excess of the Threshold Amount.

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(b) Except as specifically disclosed in SCHEDULE 5.09, the Borrower and each of its Subsidiaries have obtained all licenses, permits, authorizations and registrations required under any Environmental Law and necessary for their respective ordinary course operations ("ENVIRONMENTAL PERMITS"), all such Environmental Permits are in good standing, and the Borrower and each of its Subsidiaries are in compliance with all material terms and conditions of such Environmental Permits.

(c) Except as specifically disclosed in SCHEDULE 5.09, none of the Borrower, any of its Subsidiaries or any of their respective present property or operations is subject to any outstanding written order from or agreement with any Governmental Authority, nor subject to (i) any judicial or docketed administrative proceeding respecting any Environmental Law, Environmental Claim or Hazardous Material or (ii) any claim, proceeding or written notice from any Person regarding any Environmental Liability.

(d) Except as specifically disclosed in SCHEDULE 5.09, there are no Hazardous Materials or other conditions or circumstances existing with respect to any property of the Borrower or any Subsidiary, or arising from operations prior to the Closing Date, of the Borrower or any of its Subsidiaries that would reasonably be expected to give rise to aggregate Environmental Liabilities (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) for all such conditions, circumstances and properties in excess of the Threshold Amount. In addition, to the Borrower's knowledge, (i) neither the Borrower nor any Subsidiary owns or operates underground storage tanks that (x) are not properly registered or permitted under applicable Environmental Laws or (y) are leaking or disposing of Hazardous Materials offsite which, in any such case, could reasonably be expected to have a Material Adverse Effect, and (ii) the Borrower and its Subsidiaries have met all material notification requirements under all Environmental Laws.

5.10 INSURANCE. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates.

5.11 TAXES. The Borrower and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower or any Subsidiary that would, if made, have a Material Adverse Effect.

5.12 ERISA COMPLIANCE.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and,

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to the best knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There is no pending or, to the knowledge of the Borrower, threatened claim, action or lawsuit, or action by any Governmental Authority, with respect to any Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to

incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability); and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

5.13 SUBSIDIARIES. As of the Closing Date, the Borrower has no Subsidiaries other than those specifically disclosed in PART (a) of SCHEDULE 5.13 and has no equity investments in any other corporation or entity other than those specifically disclosed in PART (b) of SCHEDULE 5.13.

5.14 MARGIN REGULATIONS; INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY ACT.

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U of the FRB) or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person Controlling the Borrower or any Subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 DISCLOSURE. The Borrower has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any Subsidiary is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the

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transactions contemplated hereby or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 COMPLIANCE WITH LAWS. Each of the Borrower and each Subsidiary is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate with all other such failures, could not reasonably be expected to have a Material Adverse Effect.

5.17 INTELLECTUAL PROPERTY; LICENSES, ETC. The Borrower and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, "IP RIGHTS") that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.18 SOLVENCY. The Borrower and each of its Subsidiaries are solvent.

ARTICLE VI AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of SECTIONS 6.01, 6.02, 6.03 and 6.11) cause each Subsidiary to:

6.01 FINANCIAL STATEMENTS. Deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event not later than the earlier of (i) five days after the filing thereof with the SEC and (ii) 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such Fiscal Year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion

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shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, but in any event not later than the earlier of (i) five days after the filing thereof with the SEC and (ii) 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such Fiscal Quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year then ended, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter of the previous Fiscal Year and the corresponding portion of the previous Fiscal Year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

As to any information contained in materials furnished pursuant to SECTION 6.02(d), the Borrower shall not be separately required to furnish such information under CLAUSE (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in CLAUSES (a) and (b) above at the times specified therein.

6.02 CERTIFICATES; OTHER INFORMATION. Deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in SECTION 6.01(a), a certificate of its independent certified public accountants certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default under the financial covenants set forth herein or, if any such Default shall exist, stating the nature and status of such event;

(b) concurrently with the delivery of the financial statements referred to in SECTIONS 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;

(c) concurrently with the delivery of the financial statements referred to in SECTION 6.01(a), a budget for the next succeeding Fiscal Year;

(d) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;

(e) promptly after any request by the Administrative Agent or any Lender acting through the Administrative Agent (but in any event not more than once during any Fiscal Quarter), a report from a Responsible Officer of the Borrower listing each Foreign Subsidiary of the Borrower and the assets and revenues of such Foreign Subsidiary as a percentage of the

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consolidated assets and consolidated revenues, respectively, of the Borrower and its consolidated Subsidiaries as of a recent date;

(f) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto; and

(g) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

6.03 NOTICES. Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (to the extent applicable) (i) any breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Law;

(c) of the occurrence of any ERISA Event; and

(d) of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to SECTION 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 PAYMENT OF OBLIGATIONS. Pay and discharge, as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary, (b) all lawful claims which, if unpaid, would by law become a Lien upon its property that would not be permitted under SECTION 7.01 and (c) all Indebtedness (unless such Indebtedness is being contested in good faith and, if necessary, by appropriate proceeds), as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

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6.05 PRESERVATION OF EXISTENCE, ETC. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by SECTION 7.03 or 7.04; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 MAINTENANCE OF PROPERTIES. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07 MAINTENANCE OF INSURANCE. Maintain, with financially sound and reputable insurance companies which are not Affiliates of the Borrower, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons; PROVIDED that the Borrower may self-insure against liabilities in respect of medical and workers' compensation

coverage.

6.08 COMPLIANCE WITH LAWS. Comply in all material respects with the requirements of all Laws (including ERISA and Environmental Laws) and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect. Upon the written request of the Administrative Agent or any Lender (acting through the Administrative Agent), the Borrower shall submit and cause each of its Subsidiaries to submit, to the Administrative Agent with sufficient copies for each Lender a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report required pursuant to SECTION 6.03(b) that could, individually or in the aggregate, result in liability in excess of the Threshold Amount.

6.09 BOOKS AND RECORDS. Maintain proper books of record and account, in which full, true and correct entries sufficient to prepare financial statements in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be.

6.10 INSPECTION RIGHTS. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, at such reasonable times during normal business hours and as often as may be

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reasonably desired, upon reasonable advance notice to the Borrower; PROVIDED that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at any time during normal business hours and without advance notice; and PROVIDED, FURTHER, that the Borrower shall not be required to pay costs and expenses relating to any such inspection or examination unless incurred during the existence of an Event of Default.

6.11 USE OF PROCEEDS. Use the proceeds of the Credit Extensions for the repayment of the Borrower's obligations under the Existing Credit Agreement, for working capital, for capital expenditures, for the repayment of outstanding Indebtedness (including Synthetic Lease Obligations), for the consummation of Permitted Acquisitions and for other general corporate purposes not in contravention of any Law or of any Loan Document.

6.12 FURTHER ASSURANCES. Take such actions as are necessary, or as the Administrative Agent (or the Required Lenders acting through the Administrative Agent) may reasonably request from time to time, to ensure that the obligations of the Borrower hereunder and under the other Loan Documents are guaranteed at all times by Domestic Subsidiaries that, together with the Borrower, collectively (a) own assets which account for 95% or more of the consolidated assets of the Borrower and its Domestic Subsidiaries and (b) generate revenues which account for 95% or more of the consolidated revenues of the Borrower and its Domestic Subsidiaries for the most recently ended period of four consecutive Fiscal Quarters, excluding from such calculations the assets and revenues of any Domestic Subsidiary that is a party to an agreement that restricts the ability of such Domestic Subsidiary to guarantee such obligations, so long as such agreement is not prohibited by SECTION 7.08.

ARTICLE VII NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall not, nor (to the extent applicable) shall it permit any Domestic Subsidiary (or, in the case of SECTIONS 7.04 through 7.08 and 7.11, any Subsidiary) to:

7.01 LIENS. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens for taxes, fees, assessments or other governmental charges that are not yet due or remain payable without penalty which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate

reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

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(d) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(e) deposits or other Liens to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds and other non-delinquent obligations of a like nature, in each case incurred in the ordinary course of business, PROVIDED that all such Liens in the aggregate could not (even if enforced) reasonably be expected to result in a Material Adverse Effect;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(g) Liens securing judgments for the payment of money not constituting an Event of Default under SECTION 8.01(h) or securing appeal or other surety bonds related to such judgments;

(h) Liens on assets of corporations that become Subsidiaries after the Closing Date, PROVIDED that such Liens existed at the time such corporations became Subsidiaries and were not created in anticipation thereof and do not extend to any assets other than those of the corporation that becomes a Subsidiary;

(i) Liens securing Synthetic Lease Obligations existing on the date hereof relating to the Borrower's chief executive office;

(j) Liens arising in connection with any Securitization Transaction permitted under SECTION 7.02(e), provided that a customary "true sale" opinion has been delivered in connection with such Securitization Transaction;

(k) Liens securing Indebtedness permitted by SECTION 7.02(f); and

(l) other Liens securing obligations of the Borrower and its Domestic Subsidiaries in an aggregate principal amount not exceeding at any time outstanding 10% of Consolidated Tangible Net Worth.

Notwithstanding the foregoing, the Borrower shall not, and shall not permit any Domestic Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its accounts receivable, other than Liens arising in connection with Securitization Transactions permitted hereunder.

7.02 INDEBTEDNESS. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

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(b) Indebtedness outstanding on the date hereof and listed on SCHEDULE 7.02 and any refinancings, refundings, renewals or extensions thereof; PROVIDED that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder;

(c) Guarantees of the Borrower or any Guarantor in respect of Indebtedness otherwise permitted hereunder of the Borrower or any other Guarantor;

(d) obligations (contingent or otherwise) of the Borrower or any

Subsidiary existing or arising under any Swap Contract, PROVIDED that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(e) Indebtedness arising in connection with Securitization Transactions if the related sales of accounts receivable are permitted by SECTION 7.03;

(f) Indebtedness incurred in connection with the refinancing of the Borrower's chief executive office (provided that the financial covenants and events of default (and related definitions) governing such Indebtedness are no more restrictive than the financial covenants and Events of Default (and related definitions) hereunder), and any refinancings, refundings, renewals or extensions thereof; PROVIDED that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension above the amount of Indebtedness permitted pursuant to SECTION 7.01(i) except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing; and

(g) other Indebtedness of the Borrower and its Domestic Subsidiaries in an aggregate principal amount not to exceed 25% of the net book value of Domestic Tangible Assets at any time outstanding, PROVIDED that (i) the financial covenants and events of default (and related definitions) governing such Indebtedness are no more restrictive than the financial covenants and Events of Default (and related definitions) hereunder and (ii) no Default exists at the time of, or would result from, the incurrence of such Indebtedness.

Without limitation of the foregoing, Indebtedness in connection with Earnouts shall only be permitted if such Indebtedness is expressly subordinated in right of payment to the Obligations pursuant to documentation satisfactory to the Administrative Agent, it being understood that such documentation may permit the Borrower and its Domestic Subsidiaries to make regularly scheduled payments of principal and interest in connection with such Indebtedness so long as no Default exists at the time of any such payment.

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7.03 DISPOSITIONS OF ACCOUNTS RECEIVABLE. Dispose of any account receivable, other than Dispositions pursuant to Securitization Transactions so long as the aggregate net book value of accounts receivable subject to such Securitization Transactions does not exceed in aggregate amount at any time outstanding the greater of (a) \$35,000,000 or (b) 20% of the net book value of accounts receivable of the Borrower and its Domestic Subsidiaries.

7.04 FUNDAMENTAL CHANGES. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) the Borrower, PROVIDED that the Borrower shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, PROVIDED that when any wholly-owned Subsidiary is merging with another Subsidiary, the wholly-owned Subsidiary shall be the continuing or surviving Person;

(b) any Subsidiary may merge with any Person in order to effect a Permitted Acquisition or a Joint Venture expressly permitted hereunder;

(c) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Subsidiary; PROVIDED that if the transferor in such a transaction is a wholly-owned Subsidiary, then the transferee must either be the Borrower or a wholly-owned Subsidiary;

(d) the Borrower may dispose of the Borrower's chief executive office in connection with the refinancing of such chief executive office permitted by SECTION 7.02(f);

(e) the Borrower or any Subsidiary may dispose of any operating facility in the ordinary course of business; and

(f) the Borrower or any Subsidiary may dispose of accounts receivable to the extent permitted by SECTION 7.03.

7.05 CHANGE IN NATURE OF BUSINESS. Engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Subsidiaries on the date hereof or any business substantially related or incidental thereto. Without limiting the foregoing, the Borrower and its Subsidiaries may not enter into joint ventures or similar business arrangements other than Joint Ventures.

7.06 TRANSACTIONS WITH AFFILIATES. Enter into any transaction of any kind with any Affiliate of the Borrower, whether or not in the ordinary course of business, other than on terms that are no less favorable to the Borrower or such Subsidiary as would be obtainable by the Borrower or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

7.07 USE OF PROCEEDS. Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to (a) purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the

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purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose or (b) to make a voluntary prepayment of Indebtedness under the Senior Note Agreement or any Senior Note.

7.08 RESTRICTIVE AGREEMENTS. Enter into any indenture, agreement, instrument or other arrangement which directly or indirectly prohibits or restrains or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the ability of any Subsidiary to (a) pay dividends or make other distributions (i) on its capital stock or (ii) with respect to any other interest or participation in, or measured by, its profits, (b) make loans or advances to the Borrower or any other Subsidiary, (c) repay loans or advances from the Borrower or any other Subsidiary, (d) guarantee, or grant Liens on any of its assets (other than assets subject to Permitted Liens and as to which the Borrower or such Subsidiary has agreed not to extend a second Lien) in favor of the Administrative Agent or any Lender to secure, the Obligations or (e) transfer any of its properties or assets to the Borrower or any other Subsidiary; PROVIDED that (i) any such agreement or arrangement to which any Subsidiary which is the subject of a Permitted Acquisition is a party at the time of such Permitted Acquisition may remain in effect for a period of 60 days following the consummation of such Permitted Acquisition and (ii) this SECTION 7.08 shall not apply to the Operating Agreement for Percepta, LLC (f/k/a Ford Tel II, LLC) dated as of February 24, 2000 by and among Ford Motor Company and the Borrower, as in effect on the date hereof and as hereafter amended (so long as no such amendment materially and adversely affects the interests of the Lenders hereunder).

7.09 LEASE OBLIGATIONS. Create or suffer to exist any obligation for the payment of rent for any property under lease or agreement to lease, except for:

(a) leases in existence on the Closing Date and any renewal, extension or refinancing thereof;

(b) operating leases entered into after the Closing Date in the ordinary course of business; and

(c) capital leases entered into after the Closing Date to finance the acquisition of equipment or real property.

7.10 FINANCIAL COVENANTS.

(a) MINIMUM CONSOLIDATED NET WORTH. Permit Consolidated Net Worth at any time to be less than the sum of (a) \$276,000,000 and (b) an amount equal to 50% of the Consolidated Net Income earned in each full Fiscal Quarter ending after June 30, 2002 (with no deduction for a net loss in any such Fiscal Quarter).

(b) MINIMUM FIXED CHARGE COVERAGE RATIO. Permit the Fixed Charge Coverage Ratio as of the last day of any Computation Period to be less than 2.50 to 1.0.

(c) MAXIMUM LEVERAGE RATIO. Permit the Leverage Ratio as of the last day of any Computation Period to be greater than 3.00 to 1.0.

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(d) MAXIMUM CAPITAL EXPENDITURES; ACQUISITIONS. Permit the sum of (i)

Capital Expenditures and (ii) consideration paid in connection with Acquisitions (including assumed Indebtedness but excluding consideration paid in common stock of the Borrower) to exceed \$200,000,000 in the aggregate during any Fiscal Year.

7.11 PREPAYMENT OF INDEBTEDNESS. Make any voluntary prepayment of Indebtedness (other than the Obligations) if the Leverage Ratio is greater than 2.75 to 1.0 at the time of (but without giving effect to) such prepayment.

7.12 LIQUIDITY. If the Leverage Ratio as of the last day of any Fiscal Quarter (the "Test Quarter") is greater than 2.75 to 1.0, permit, as of the last day of the immediately following Fiscal Quarter (the "Following Quarter"), the amount of cash (exclusive of the net increase (if any) in the aggregate principal amount of outstanding Loans from the last day of the Test Quarter through the last day of the Following Quarter) of the Borrower and its Subsidiaries on deposit in accounts that are not subject to the Liens of any Person (other than Liens of the depository institution for charges associated with such accounts and for repayment of dishonored items deposited to such accounts) to be less than \$40,000,000 (unless the Leverage Ratio as of the last day of the Following Quarter is equal to or less than 2.75 to 1).

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

8.01 EVENTS OF DEFAULT. Any of the following shall constitute an Event of Default:

(a) NON-PAYMENT. The Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation, or (ii) within three Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any commitment or other fee due hereunder, or (iii) within five Business Days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) SPECIFIC COVENANTS. The Borrower fails to perform or observe any term, covenant or agreement contained in any of SECTION 6.01, 6.02, 6.03 or ARTICLE VII; or

(c) OTHER DEFAULTS. Any Loan Party fails to perform or observe any other covenant or agreement contained in any Loan Document on its part to be performed or observed (other than any failure that would constitute an Event of Default under one of the other provisions of this SECTION 8.01) and such failure continues for 20 Business Days after the earlier of (i) the date upon which a Responsible Officer knew of such failure or (ii) the date upon which written notice thereof is given to the Borrower by the Administrative Agent or any Lender; or

(d) REPRESENTATIONS AND WARRANTIES. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

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(e) CROSS-DEFAULT. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of the Senior Notes or any other Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a

result thereof is greater than the Threshold Amount; or

(f) INSOLVENCY PROCEEDINGS, ETC. The Borrower or any Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) INABILITY TO PAY DEBTS; ATTACHMENT. (i) The Borrower or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(h) JUDGMENTS. There is entered against the Borrower or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such

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judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) INVALIDITY OF LOAN DOCUMENTS. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect (other than with respect to any Loan Party as the result of any transaction permitted under SECTION 7.04); or any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) LOSS OF LICENSES. Any Governmental Authority revokes or fails to renew any material license, permit or franchise of the Borrower or any Subsidiary, or the Borrower or any Subsidiary for any reason loses any material license, permit or franchise, or the Borrower or any Subsidiary suffers the imposition of any restraining order, escrow, suspension or impound of funds in connection with any proceeding (judicial or administrative) with respect to any material license; or

(l) MATERIAL ADVERSE EFFECT. There occurs a Material Adverse Effect; or

(m) CHANGE OF CONTROL. Any Change of Control occurs.

8.02 REMEDIES UPON EVENT OF DEFAULT. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all

interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

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PROVIDED that upon the occurrence of an any Event of Default under SECTION 8.01(f) or (g), the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

ARTICLE IX ADMINISTRATIVE AGENT

9.01 APPOINTMENT AND AUTHORIZATION OF ADMINISTRATIVE AGENT.

(a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or Participant, and no implied covenant, function, responsibility, duty, obligation or liability shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligation arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this ARTICLE IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this ARTICLE IX and in the definition of "Agent-Related Person" included the L/C Issuer with respect to such acts or omissions and (ii) as additionally provided herein with respect to the L/C Issuer.

9.02 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

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9.03 LIABILITY OF ADMINISTRATIVE AGENT. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or Participant for any recital, statement, representation or warranty made by any Loan Party or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received

by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party or any Affiliate thereof.

9.04 RELIANCE BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Loan Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in SECTION 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

9.05 NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that

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such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default as may be directed by the Required Lenders in accordance with ARTICLE VIII; PROVIDED that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Lenders.

9.06 CREDIT DECISION; DISCLOSURE OF INFORMATION BY ADMINISTRATIVE AGENT. Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Loan Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether any Agent-Related Person has disclosed material information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties and their respective Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and

creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Loan Parties or any of their respective Affiliates which may come into the possession of any Agent-Related Person.

9.07 INDEMNIFICATION OF ADMINISTRATIVE AGENT. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Loan Party and without limiting the obligation of any Loan Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; PROVIDED that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct; PROVIDED that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement

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(whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive termination of the Aggregate Commitments, the payment of all other Obligations and any resignation of the Administrative Agent.

9.08 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Loan Parties and their respective Affiliates as though Bank of America were not the Administrative Agent or the L/C Issuer hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding any Loan Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Loan Party or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the L/C Issuer, and the terms "Lender" and "Lenders" include Bank of America in its individual capacity.

9.09 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; PROVIDED that any such resignation by Bank of America shall also constitute its resignation as L/C Issuer and Swing Line Lender. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent, L/C Issuer and Swing Line Lender and the respective terms "Administrative Agent," "L/C Issuer" and "Swing Line Lender" shall mean such successor administrative agent, Letter of Credit issuer and swing line lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring L/C Issuer's and Swing Line Lender's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring L/C Issuer or Swing Line Lender or any other Lender, other than the obligation of the successor L/C Issuer to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of

the retiring L/C Issuer with respect to such Letters of Credit. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this ARTICLE IX and SECTIONS 10.04 and 10.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative

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Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

9.10 ADMINISTRATIVE AGENT MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under SECTIONS 2.03(i) and (j), 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under SECTIONS 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.11 GUARANTY MATTERS. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty pursuant to this SECTION 9.11.

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ARTICLE X MISCELLANEOUS

10.01 AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED that no such amendment, waiver or consent shall:

(a) waive any condition set forth in SECTION 4.01(a) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any

Commitment terminated pursuant to SECTION 8.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to CLAUSE (iv) of the second proviso to this SECTION 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(e) change SECTION 2.13 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) release all or substantially all of the Guarantors from the Guaranty without the written consent of each Lender;

and, PROVIDED FURTHER, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything

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to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

10.02 NOTICES AND OTHER COMMUNICATIONS; FACSIMILE COPIES.

(a) GENERAL. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or (subject to CLAUSE (c) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the L/C Issuer or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on SCHEDULE 10.02 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrower, the Administrative Agent, the L/C Issuer and the Swing Line Lender.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of CLAUSE (c) below), when delivered; PROVIDED that notices

and other communications to the Administrative Agent, the L/C Issuer and the Swing Line Lender pursuant to ARTICLE II shall not be effective until actually received by such Person. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) EFFECTIVENESS OF FACSIMILE DOCUMENTS AND SIGNATURES. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; PROVIDED that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) RELIANCE BY ADMINISTRATIVE AGENT AND LENDERS. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Revolving Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Borrower

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even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 NO WAIVER; CUMULATIVE REMEDIES. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 ATTORNEY COSTS, EXPENSES AND TAXES. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. All amounts due under this SECTION 10.04 shall be payable within 10 Business Days after demand therefor. The agreements in this Section shall survive the termination of the Aggregate Commitments and repayment of all other Obligations.

10.05 INDEMNIFICATION BY THE BORROWER. Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "INDEMNITEES") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of

Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower, any Subsidiary or any other Loan Party, or any Environmental Liability related in any way to the Borrower, any Subsidiary or any other Loan Party, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "INDEMNIFIED LIABILITIES; PROVIDED that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this SECTION 10.05 shall be payable within 10 Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.06 PAYMENTS SET ASIDE. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

10.07 SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of CLAUSE (b) of this Section, (ii) by way of participation in accordance with the

provisions of CLAUSE (d) of this Section, (iii) by way of pledge or assignment of a security interest subject to the restrictions of CLAUSE (f) or (i) of this Section, or (iv) to an SPC in accordance with the provisions of CLAUSE (h) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in CLAUSE (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this CLAUSE (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); PROVIDED that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment

and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund (as defined in CLAUSE (g) of this Section) with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$2,500,000 (or such lesser amount as the Administrative Agent and the Borrower shall agree); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this CLAUSE (ii) shall not apply to rights in respect of Swing Line Loans; and (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; PROVIDED that no such recordation fee shall be payable in connection with an assignment from a Lender to an Affiliate of such Lender or an Approved Fund (as defined in CLAUSE (g) below) related to such Lender. Subject to acceptance and recording thereof by the Administrative Agent pursuant to CLAUSE (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of SECTIONS 3.01, 3.04, 3.05, 10.04 and 10.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this clause shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with CLAUSE (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the

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Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "PARTICIPANT") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); PROVIDED that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; PROVIDED that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to SECTION 10.01 that directly affects such Participant. Subject to CLAUSE (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of SECTIONS 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to CLAUSE (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of SECTION 10.09 as though it were a Lender, PROVIDED such Participant agrees to be subject to SECTION 2.13 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under SECTION 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of SECTION 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with SECTION 10.15 as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; PROVIDED that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) As used herein, the following terms have the following meanings:

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"ELIGIBLE ASSIGNEE" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, the L/C Issuer and the Swing Line Lender (which approvals shall not be unreasonably withheld or delayed) and (ii) unless an Event of Default has occurred and is continuing, the Borrower (which approval of the Borrower is not to be unreasonably withheld or delayed); PROVIDED that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"FUND" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"APPROVED FUND" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "GRANTING LENDER") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Revolving Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; PROVIDED that (i) nothing herein shall constitute a commitment by any SPC to fund any Revolving Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Revolving Loan, the Granting Lender shall be obligated to make such Revolving Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under SECTION 3.04), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Revolving Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Revolving Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee of \$3,500, assign all or any portion of its right to receive payment with respect to any Revolving Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Revolving Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee or credit or liquidity enhancement to such SPC.

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(i) Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to CLAUSE (b) above, Bank of America may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as L/C Issuer and/or (ii) upon 30 days' notice to the Borrower, resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer or Swing Line Lender hereunder; PROVIDED that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as L/C Issuer or Swing Line Lender, as the case may be. If Bank of America resigns as L/C Issuer, it shall retain all the rights and obligations of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund participations in Unreimbursed Amounts pursuant to SECTION 2.03(c)). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund participations in outstanding Swing Line Loans pursuant to SECTION 2.04(c).

10.08 CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Loan Parties; (g) with the consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; or (i) if the applicable Lender is an insurance company, to the National Association of Insurance Commissioners or any other similar organization to the extent requested in connection with a review of such Lender. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Credit Extensions. For the purposes of this Section, "INFORMATION" means all information received from any Loan Party relating to any Loan Party or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Loan Party; PROVIDED that, in the case of information received from a Loan Party after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the

confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.09 SET-OFF. In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Loan Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Loan Parties against any and all Obligations owing to such Lender hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or denominated in a

currency different from that of the applicable deposit or indebtedness. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; PROVIDED that the failure to give such notice shall not affect the validity of such set-off and application.

10.10 INTEREST RATE LIMITATION. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "MAXIMUM RATE"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.11 COUNTERPARTS. This Agreement may be 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.

10.12 INTEGRATION. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; PROVIDED that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

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10.13 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.14 SEVERABILITY. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.15 TAX FORMS. (a) (i) Each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code (a "FOREIGN LENDER") shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Foreign Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Foreign Lender is entitled to an exemption from, or reduction of, U.S. withholding tax, including any exemption pursuant to Section 881(c) of the Code. Thereafter and from time to time, each such Foreign Lender shall (A) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or

such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement, (B) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Foreign Lender.

(ii) Each Foreign Lender, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Lender

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under any of the Loan Documents (for example, in the case of a typical participation by such Lender), shall deliver to the Administrative Agent on the date when such Foreign Lender ceases to act for its own account with respect to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Administrative Agent (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Lender as set forth above, to establish the portion of any such sums paid or payable with respect to which such Lender acts for its own account that is not subject to U.S. withholding tax, and (B) two duly signed completed copies of IRS Form W-8IMY (or any successor thereto), together with any information such Lender chooses to transmit with such form, and any other certificate or statement of exemption required under the Code, to establish that such Lender is not acting for its own account with respect to a portion of any such sums payable to such Lender.

(iii) The Borrower shall not be required to pay any additional amount to any Foreign Lender under SECTION 3.01 (A) with respect to any Taxes required to be deducted or withheld on the basis of the information, certificates or statements of exemption such Lender transmits with an IRS Form W-8IMY pursuant to this SECTION 10.15(a) or (B) if such Lender shall have failed to satisfy the foregoing provisions of this SECTION 10.15(a); PROVIDED that if such Lender shall have satisfied the requirement of this SECTION 10.15(a) on the date such Lender became a Lender or ceased to act for its own account with respect to any payment under any of the Loan Documents, nothing in this SECTION 10.15(a) shall relieve the Borrower of its obligation to pay any amounts pursuant to SECTION 3.01 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender or other Person for the account of which such Lender receives any sums payable under any of the Loan Documents is not subject to withholding or is subject to withholding at a reduced rate.

(iv) The Administrative Agent may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under any of the Loan Documents with respect to which the Borrower is not required to pay additional amounts under this SECTION 10.15(a).

(b) Upon the request of the Administrative Agent, each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Administrative Agent two duly signed completed copies of IRS Form W-9. If such Lender fails to deliver such forms, then the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable back-up withholding tax imposed by the Code, without reduction.

(c) If any Governmental Authority asserts that the Administrative Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any

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jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the termination of the Aggregate Commitments, repayment of all other Obligations hereunder and the resignation of the Administrative Agent.

10.16 AUTOMATIC DEBITS OF FEES. With respect to any interest, commitment fee, letter of credit fee or other fee due and payable to the Administrative Agent, the LC Issuer, the Swing Line Lender, Bank of America or the Arranger under the Loan Documents, the Borrower hereby irrevocably authorizes Bank of America to debit any deposit account of the Borrower with Bank of America in an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee or other cost or expense. If there are insufficient funds in such deposit accounts to cover the amount of the interest or fees then due, such debits will be reversed (in whole or in part, in Bank of America's sole discretion) and such amount not debited shall be deemed to be unpaid. No such debit under this Section shall be deemed a set-off.

10.17 REPLACEMENT OF LENDERS. Under any circumstance set forth herein providing that the Borrower shall have the right to replace a Lender as a party to this Agreement, the Borrower may, upon notice to such Lender and the Administrative Agent, replace such Lender by causing such Lender to assign its Commitment (with the assignment fee to be paid by the Borrower in such instance) pursuant to SECTION 10.07(b) to one or more other Lenders or Eligible Assignees procured by the Borrower; provided, however, that if the Borrower elects to exercise such right with respect to any Lender pursuant to SECTION 3.06(b), it shall be obligated to replace all Lenders that have made similar requests for compensation pursuant to SECTION 3.01 or 3.04. The Borrower shall (x) pay in full all principal, interest, fees and other amounts owing to such Lender through the date of replacement (including any amounts payable pursuant to SECTION 3.05), (y) provide appropriate assurances and indemnities (which may include letters of credit) to the L/C Issuer and the Swing Line Lender as each may reasonably require with respect to any continuing obligation to fund participation interests in any L/C Obligations or any Swing Line Loans then outstanding, and (z) release such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver an Assignment and Assumption with respect to such Lender's Commitment and outstanding Loans and participations in L/C Obligations and Swing Line Loans.

10.18 GOVERNING LAW; JURISDICTION.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF ILLINOIS SITTING IN CHICAGO OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS

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PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

10.19 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.20 ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

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

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

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BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name: _____
Title: _____

S-2

BANK OF AMERICA, N.A., as a Lender, L/C
Issuer and Swing Line Lender

By: _____
Name: _____
Title: _____

S-3

CIBC INC.

By: _____
Name: _____
Title: _____

S-4

THE NORTHERN TRUST COMPANY

By: _____
Name: _____
Title: _____

S-5

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

S-6

KEY CORPORATE CAPITAL, INC.

By: _____
Name: _____
Title: _____

S-7

SCHEDULE 2.01

COMMITMENTS
AND PRO RATA SHARES

LENDER
COMMITMENT
PRO RATA
SHARE - -----

Bank of
America, N.A.
\$ 25,000,000
29.411764704
CIBC Inc. \$
15,000,000
17.647058824
The Northern
Trust Company
\$ 15,000,000
17.647058824
Wachovia
Bank,
National
Association \$
15,000,000
17.647058824
Key Corporate
Capital, Inc.
\$ 15,000,000
17.647058824
Total \$
85,000,000
100.000000000%

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SCHEDULE 5.05

SUPPLEMENT TO INTERIM FINANCIAL STATEMENTS

1

SCHEDULE 5.06

LITIGATION

1

SCHEDULE 5.09

ENVIRONMENTAL MATTERS

1

SUBSIDIARIES
AND OTHER EQUITY INVESTMENTS

Part (a). SUBSIDIARIES.

Part (b). OTHER EQUITY INVESTMENTS.

1

SCHEDULE 5.17

INTELLECTUAL PROPERTY MATTERS

1

SCHEDULE 7.01

EXISTING LIENS

1

SCHEDULE 7.02

EXISTING INDEBTEDNESS

1

SCHEDULE 10.02

ADMINISTRATIVE AGENT'S OFFICE,
CERTAIN ADDRESSES FOR NOTICES

TELETECH HOLDINGS, INC.:
9197 Peoria Street
Englewood, CO 80112
Attention: Karen Breen, Treasurer
Telephone: 303-397-8592
Facsimile: 303-397-8671
Electronic Mail: karen.breen@teletech.com

ADMINISTRATIVE AGENT:

ADMINISTRATIVE AGENT'S OFFICE
(FOR PAYMENTS AND REQUESTS FOR CREDIT EXTENSIONS):
Bank of America, N.A.
901 Main Street
TX1-492-14-14
Dallas, TX 75202-3714
Attention: Jackie Harvey
Telephone: 214-209-2158
Facsimile: 214-290-9671
Electronic Mail: jacqueline.harvey@bankofamerica.com
Account No.: 1292000883
Ref: TeleTech Holdings, Inc.
ABA# 111000012

OTHER NOTICES AS ADMINISTRATIVE AGENT:
Bank of America, N.A.
Agency Management
231 South LaSalle Street
Chicago, IL 60697
Attention: David A. Johanson, Vice President
Telephone: 312-828-7933
Facsimile: 312-974-9102
Electronic Mail: david.johanson@bankofamerica.com

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L/C ISSUER:
231 South LaSalle Street
Mail Code: IL1-231-17-00
Chicago, IL 60697

Attention: Riyaz Kaka, Vice President
Telephone: 312-923-5924
Facsimile: 312-974-0142
Electronic Mail: riyaz.n.kaka@bankofamerica.com

SWING LINE LENDER:
Bank of America, N.A.
901 Main Street
Mail Code: TX1-492-14-14
Dallas, TX 75202-3714
Attention: Jackie Harvey
Telephone: 214-209-2158
Facsimile: 214-290-9671
Electronic Mail: jacqueline.harvey@bankofamerica.com
Account No.: 1292000883
Ref: TeleTech Holdings, Inc.
ABA# 111000012

CIBC INC.

OPERATIONS CONTACT:

2727 Paces Ferry Road, Suite 120
2 Paces West, Building 2
Atlanta, GA 30339
Attention: Kelli Jones
Telephone: 770-319-4821
Facsimile: 770-319-4950
Electronic Mail: Kelli.Jones@us.cibc.com

CREDIT CONTACT:

425 Lexington Avenue
New York, NY 10017
Attention: Gerald Girardi
Telephone: 212-856-3649
Facsimile: 212-856-3991
Electronic Mail: Gerald.Girardi@us.cibc.com

THE NORTHERN TRUST COMPANY

OPERATIONS CONTACT:

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801 S. Canal Street
Chicago, IL 60675
Attention: Chelsea Buckner
Loan Service Representative
Telephone: 312-444-5504
Facsimile: 312-444-3502
Electronic Mail: CDBS@ntrs.com

CREDIT CONTACT:

50 S. LaSalle Street
Chicago, IL 60675
Attention: Edmund H. Lester
Vice President
Telephone: 312-444-3527
Facsimile: 312-444-7028
Electronic Mail: ELI8@ntrs.com

KEY CORPORATE CAPITAL, INC.

OPERATIONS CONTACT:

431 E. Pancenter Blvd.
Boise, ID 83706
Attention: Specialty Services Team
Telephone: 800-297-5518
Facsimile: 800-297-5494

CREDIT CONTACT:

127 Public Square
OH-01-27-0402
Cleveland, OH 44114
Attention: Vijaya Kulkarni
Portfolio Manager

Telephone: 216-689-0238
Facsimile: 216-689-8329
Electronic Mail: Vijaya_N_Kulkarni@keybank.com

WACHOVIA BANK, NATIONAL ASSOCIATION

OPERATIONS CONTACT:

201 S. College Street
NC1183
Charlotte, NC 28288
Attention: Dianne Taylor

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Telephone: 704-715-1876
Facsimile: 704-383-7999

CREDIT CONTACT:

301 S. College Street
Charlotte, NC 28288-0760
Attention: Andy Phelps
Vice President
Telephone: 704-383-7239
Facsimile: 704-383-7611
Electronic Mail: Andy.Phelps@wachovia.com

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EXHIBIT A

FORM OF REVOLVING LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of October 29, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "AGREEMENT;" the terms defined therein being used herein as therein defined) among TeleTech Holdings, Inc., a Delaware corporation (the "BORROWER"), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests (select one):

/ / A Borrowing of Revolving Loans / / A conversion or continuation of Revolving Loans

1. On _____ (a Business Day).
2. In the amount of \$_____.
3. Comprised of _____.
[Type of Revolving Loans requested]
4. For Eurodollar Rate Loans: with an Interest Period of ____ months.

[The Borrowing requested herein complies with the proviso to the first sentence of Section 2.01 of the Agreement.]

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

A-1

EXHIBIT B

Date: _____, _____

To: Bank of America, N.A., as Swing Line Lender
Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of October 29, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "AGREEMENT;" the terms defined therein being used herein as therein defined) among TeleTech Holdings, Inc., a Delaware corporation (the "BORROWER"), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests a Swing Line Loan:

1. On _____ (a Business Day).
2. In the amount of \$_____.

The Swing Line Loan requested herein complies with the requirements of the provisos to the first sentence of Section 2.04(a) of the Agreement.

TELETECH HOLDINGS, INC.

By: _____
 Name: _____
 Title: _____

B-1

EXHIBIT C

FORM OF NOTE

_____, 2002

FOR VALUE RECEIVED, the undersigned (the "BORROWER"), hereby promises to pay to _____ or registered assigns (the "LENDER"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the Borrower under the Credit Agreement dated as of October 29, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "AGREEMENT;" the terms defined therein being used herein as therein defined) among the Borrower, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. Except as otherwise provided in SECTION 2.04(f) of the Agreement with respect to Swing Line Loans, all payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, 200__

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of October 29, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "AGREEMENT;" the terms defined therein being used herein as therein defined) among TeleTech Holdings, Inc., a Delaware corporation (the "BORROWER"), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

[USE FOLLOWING PARAGRAPH 1 FOR FISCAL YEAR-END FINANCIAL STATEMENTS]

1. Attached hereto as SCHEDULE 1 are the year-end audited financial statements required by SECTION 6.01(a) of the Agreement for the Fiscal Year ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[USE FOLLOWING PARAGRAPH 1 FOR FISCAL QUARTER-END FINANCIAL STATEMENTS]

1. Attached hereto as SCHEDULE 1 are the unaudited financial statements required by SECTION 6.01(b) of the Agreement for the Fiscal Quarter ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[SELECT ONE:]

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[to the best knowledge of the undersigned during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it.]

--OR--

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower contained in ARTICLE V of the Agreement, or which are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in CLAUSES (a) and (b) of SECTION 5.05 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to CLAUSES (a) and (b), respectively, of SECTION 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on SCHEDULE 2 attached hereto are true and accurate on and as of the date of this Certificate.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

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For the Quarter/Year ended _____ ("STATEMENT DATE")

SCHEDULE 2
to the Compliance Certificate
(\$ in 000's)

I. SECTION 7.10(a) - CONSOLIDATED NET WORTH.

- A. Actual Consolidated Net Worth at Statement Date: \$ _____
- B. 50% of Consolidated Net Income for each full Fiscal Quarter ending after the Closing Date (no reduction for losses): \$ _____
- C. Minimum required Consolidated Net Worth (Line IB. PLUS \$276,000,000): \$ _____
- D. Excess (deficient) for covenant compliance (Line I.A - I.C): \$ _____

II. SECTION 7.10(b) - FIXED CHARGE COVERAGE RATIO.

- A. Consolidated EBITDAR for the Computation Period ending on above date:
 - 1. Consolidated Net Income for Computation Period: \$ _____
 - 2. Consolidated Interest Charges for Computation Period: \$ _____
 - 3. Accrued taxes on or measured by income for Computation Period: \$ _____
 - 4. Amounts treated as expenses for depreciation and the amortization of intangibles of any kind for Computation Period: \$ _____
 - 5. Charges to Consolidated Net Income resulting from the application of SFAS 142 for Computation Period: \$ _____
 - 6. Rental Expense for Computation Period: \$ _____
 - 7. Interest payments with respect to Synthetic Lease Obligations for Computation Period: \$ _____
 - 8. Non-recurring losses/gains resulting directly from or incurred directly as a consequence of the sale or closure of any operating facility by Borrower or any Subsidiary: \$ _____
 - 9. Consolidated EBITDAR (Lines II.A.1 + 2 + 3 + 4 +5 +6 + 7 +/-8): \$ _____
- B. Consolidated Fixed Charges for Computation Period:
 - 1. Consolidated Interest Charges for Computation Period: \$ _____
 - 2. Rental Expense for Computation Period: \$ _____

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3. Aggregate amount of payments of principal of Consolidated Funded Indebtedness (other than in respect of Capital Leases) scheduled to be made during Computation Period: \$ _____

4. Consolidated Fixed Charges (Lines II.B.1 + 2 + 3): \$ _____

C. Fixed Charge Coverage Ratio (Line II.A.9 DIVIDED BY Line II.B.4): _____ to 1.0

MINIMUM REQUIRED: _____ to 1.0

III. SECTION 7.10(c) - LEVERAGE RATIO.

A. Total Debt as of the last day of Computation Period: \$ _____

1. Consolidated Funded Indebtedness: \$ _____

2. Five times Rental Expense for Computation Period: \$ _____

3. Total Debt \$ _____

B. Adjusted Consolidated EBITDAR for Computation Period: \$ _____

C. Leverage Ratio (Line III.A.3 DIVIDED BY Line III.B): _____ to 1.0

MAXIMUM PERMITTED: _____ to 1.0

IV. SECTION 7.10(d) - CAPITAL EXPENDITURES AND ACQUISITIONS

A. Capital Expenditures made during Fiscal Year: \$ _____

B. Consideration paid in connection with Acquisitions during Fiscal Year (including assumed Indebtedness but excluding consideration paid in common stock of the Borrower): \$ _____

C. Sum of IV.A and IV.B: \$ _____

MAXIMUM PERMITTED: \$ _____

EXHIBIT E

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "ASSIGNMENT AND ASSUMPTION") is dated as of the Effective Date set forth below and is entered into by and between [INSERT NAME OF ASSIGNOR] (the "ASSIGNOR") and [INSERT NAME OF ASSIGNEE] (the "ASSIGNEE"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "CREDIT AGREEMENT"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) the interest in and to all of the Assignor's rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto that relates to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation, Letters of Credit, Guarantees and Swing Line Loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to

(1) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder

(2) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

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Consented to and Accepted:

BANK OF AMERICA, N.A., as
Administrative Agent

By:

Title:

[Consented to:
TELETECH HOLDINGS, INC.

By:

Title:]

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ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. REPRESENTATIONS AND WARRANTIES.

1.1. ASSIGNOR. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. ASSIGNEE. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. PAYMENTS. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned interest (including

payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments

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in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. GENERAL PROVISIONS. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Illinois.

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EXHIBIT F

FORM OF GUARANTY

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EXHIBIT H

FORM OF INCREASE REQUEST

_____, 20__

Bank of America, N.A., as Administrative Agent under the Credit Agreement referred to below

Ladies/Gentlemen:

Please refer to the Credit Agreement dated as of October 29, 2002 among TeleTech Holdings, Inc. (the "Company"), various financial institutions and Bank of America, N.A., as Administrative Agent (as amended, modified, extended or restated from time to time, the "Credit Agreement"). Capitalized terms used but not defined herein have the respective meanings set forth in the Credit Agreement.

In accordance with Section 2.14 of the Credit Agreement, the Company hereby requests an increase in the Aggregate Commitments from \$_____ to \$_____. Such increase shall be made by [increasing the Commitment of _____ from \$_____ to \$_____] [adding _____ as a Lender under the Credit Agreement with a Commitment of \$_____] as set forth in the letter attached hereto. Such increase shall be effective three Business Days after the date that the Administrative Agent accepts the letter attached hereto or such other date as is agreed among the Company, the Administrative Agent and the [increasing] [new] Lender.

Very truly yours,
TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

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ANNEX I TO EXHIBIT H
[Date]

Bank of America, N.A., as Administrative Agent under the Credit Agreement referred to below

Ladies/Gentlemen:

Please refer to the letter dated _____, 20__ from TeleTech Holdings, Inc. (the "Company") requesting an increase in the Aggregate Commitments from \$_____ to \$_____ pursuant to Section 2.14 of the Credit Agreement dated as of October 29, 2002 among the Company, various financial institutions and Bank of America, N.A., as Administrative Agent (as amended, modified, extended or restated from time to time, the "Credit Agreement"). Capitalized terms used but not defined herein have the respective meanings set forth in the Credit Agreement.

The undersigned hereby confirms that it has agreed to increase its Commitment under the Credit Agreement from \$_____ to \$_____ effective on the date which is three Business Days after the acceptance hereof by the Administrative Agent or on such other date as may be agreed among the Company, the Administrative Agent and the undersigned.

Very truly yours,
[NAME OF INCREASING LENDER]

By: _____
Title: _____

Accepted as of

_____, ____

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name: _____
Title: _____

PROMISSORY NOTE

\$850,000.00

March 28, 2001

FOR VALUE RECEIVED, SEAN ERICKSON, an individual whose office address is 1700 Lincoln Street, 14th Floor, Denver, Colorado 80203 ("Maker"), PROMISES TO PAY TO THE ORDER OF TELETECH HOLDINGS, INC., a Delaware corporation ("Holder"), at Holder's office at 1700 Lincoln Street, 14th Floor, Denver, Colorado 80203 or at such other place as Holder may designate in writing, the principal sum of Eight Hundred Fifty Thousand and No/100 Dollars (\$850,000.00) or so much thereof as shall be advanced, with interest thereon at the rate or rates described below, as follows:

1. DEFINITIONS. When used herein, the following terms shall have the respective meanings assigned to them:

a. "EVENT OF DEFAULT" shall mean the occurrence or happening, at any time and from time to time, of any one or more of the following:

i. PAYMENT OF INDEBTEDNESS. If Maker shall fail to pay, in full, all of the indebtedness evidenced by this Note on the Maturity Date hereof or any installment or portion of the indebtedness evidenced by this Note as and when the same shall become due and payable, whether at the due date stipulated in this Note or at a date fixed for prepayment or by acceleration or otherwise and such failure continues for a period of five (5) days following written notice of such failure by Holder to Maker.

ii. PERFORMANCE OF OBLIGATIONS. If Maker shall fail, refuse or neglect to perform and discharge fully and timely any of the covenants and other obligations (other than to repay the indebtedness evidenced by this Note) made or undertaken by Maker as set forth in this Note or any of the other Security Instruments as and when required and such failure continues for a period of ten (10) days following notice of such failure by Holder to Maker.

iii. OTHER DEFAULTS. The occurrence of an Event of Default under the Loan Agreement.

b. "EXISTING NOTE" shall mean that certain Promissory Note dated November 28, 2000, in the original principal amount of \$150,000, executed by Maker and payable to the order of Holder.

c. "LOAN AGREEMENT" shall mean that certain Loan and Security Agreement dated of even date herewith by and between Maker, as Borrower, and Holder, as Lender, relating to the loan evidenced by this Note.

d. "MATURITY DATE" shall mean the first to occur of (i) March 27, 2002, or (ii) the date of any acceleration of payment permitted hereby.

e. "MAXIMUM RATE" shall mean the highest lawful rate of interest applicable to this Note. In determining the Maximum Rate, due regard shall be given to all payments, fees, charges, deposits, balances and agreements which may constitute interest or be deducted from principal when calculating interest.

f. "SECURITY INSTRUMENTS" shall mean this Note, the Existing Note and the Loan Agreement and all other instruments executed and delivered to Holder by Maker from time to time evidencing, securing or otherwise pertaining to the indebtedness evidenced by this Note or the Existing Note and secured by the Loan Agreement, as such instruments may from time to time be renewed, extended, amended or modified, in whole or in part.

g. "STATED RATE" shall mean the lesser of (i) the Maximum Rate or (ii) eight percent (8%) per annum.

2. PAYMENTS; PREPAYMENT.

a. INTEREST PAYMENTS. Interest at the Stated Rate on the outstanding principal balance of this Note shall be due and payable on the Maturity Date; PROVIDED, HOWEVER, that in the event Maker repays the entire principal balance of this Note, in full, prior to the Maturity Date, Holder shall forgive the payment of interest hereunder. Maker understands that the foregoing agreement to forgive accrued, unpaid interest will give rise to a tax withholding obligation on the part of Holder and as a result, Maker agrees to pay to Holder, on demand, the amount of Maker's share of such tax withholding. Maker's obligations with respect to such tax withholding shall survive repayment of the principal balance hereof.

b. PRINCIPAL PAYMENTS. The entire outstanding principal balance of this Note shall be due and payable on the Maturity Date.

c. OTHER REQUIRED PAYMENTS. In addition to and cumulative of any payments of interest and principal required to be made by Maker to Holder pursuant to the provisions of this Paragraph 2, Maker shall pay to Holder, as and when due and payable, all other sums required to be paid by Maker to Holder pursuant to any of the other terms and provisions of this Note or any of the other Security Instruments.

d. PREPAYMENT. Maker may prepay this Note in whole or in part at any time without penalty or premium. Any prepayment shall be applied first to accrued, unpaid interest and second, to reduce the outstanding principal balance of this Note.

e. DUE DATES. If any payment provided for in this Note shall become due and payable on a day other than a day when Holder is open for business, such payment may be made on the next succeeding day when Holder is open for business (unless the result of such extension of time would be to extend the date for such payment beyond the Maturity Date, in which event such payment shall be made on the first day immediately preceding the day on which such payment would otherwise have been due and on which Holder is open for business), and such extension of time shall in each such case be included in the computation of interest due on this Note.

3. COMPUTATION OF INTEREST. All interest on this Note shall be computed on the basis of the actual number of days elapsed in the applicable calendar year in which accrued.

4. DEFAULT; REMEDIES. If an Event of Default occurs, the entire outstanding principal balance of this Note, together with all accrued interest owing hereon, shall at once become due and payable without notice, at the option of Holder. Failure to exercise this option shall not constitute a waiver of the right to exercise the same upon the occurrence of any subsequent Event of Default.

5. INTEREST AFTER DEFAULT OR MATURITY. If an Event of Default occurs, or after the Maturity Date, all unpaid amounts of this Note, including principal and accrued, unpaid interest, shall bear interest at the Maximum Rate, or if no Maximum Rate is established by applicable law, then at the Stated Rate plus four percent (4%).

6. WAIVER. Maker and all other makers, signers, sureties, guarantors and endorsers of this Note waive demand, presentment, notice of dishonor, notice of intent to demand or accelerate payment hereof, diligence in the collecting, grace, notice and protest and agree to one or more extensions for any period or periods of time and partial payments, before or after maturity, without prejudice to the Holder.

7. COSTS OF COLLECTION AND ATTORNEY'S FEES. If collection procedures are ever commenced, by any means, including legal proceedings or through a bankruptcy or probate court, or if this Note is placed in the hands of an attorney for collection after default or maturity, Maker agrees to pay all costs of collection or attempted collection, including but not limited to attorneys' fees.

8. SECURITY. This Note is secured by the Loan Agreement and the other Security Instruments. Reference is hereby made to the Security Instruments for a description of the security for this Note and the rights of Maker and Holder with respect to such security.

9. CONTROLLING AGREEMENT. All agreements between Maker and Holder, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand or acceleration of the maturity hereof or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to Holder exceed interest computed at the Maximum Rate. If, from any circumstance whatsoever, interest would otherwise be payable to Holder in excess of interest computed at the Maximum Rate, the interest payable to Holder shall be reduced to interest computed at the Maximum Rate and if from any circumstance Holder shall ever receive anything of value deemed interest by applicable law in excess of interest computed at the Maximum Rate, an amount equal to any excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to Maker. All interest paid or agreed to be paid to Holder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period until

payment in full of the principal (including the period of any renewal or extension hereof) so that the interest hereon for such full period shall not exceed interest computed at the Maximum Rate. This paragraph shall control all agreements between Maker and Holder.

10. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF COLORADO WITHOUT REFERENCE TO THE CONFLICTS OF LAWS PROVISIONS THEREOF.

11. NO WAIVER BY HOLDER. No delay on the part of Holder in the exercise of any power or right under this Note or the other Security Instruments shall operate as a waiver thereof, nor shall a single or partial exercise of any power or right preclude other or further exercise thereof or exercise of any other power or right. Enforcement by Holder of any security for the payment hereof shall not constitute an election by Holder of remedies so as to preclude the exercise of any other remedy available to Holder.

12. SUCCESSORS AND ASSIGNS. The term "Holder" as used in this Note shall include not only the Holder named herein but also all of Holder's successors and assigns to whom the benefits of this Note shall inure.

13. NOTICES. All notices and other communications required or otherwise given hereunder shall be given in accordance with the provisions governing the giving of notices set forth in the Loan Agreement.

14. SEVERABILITY. Any provision in this Note that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability (but construed and given effect to the extent possible), without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction or the application thereof to any person or circumstance, and neither the remainder of this Note nor the application of such provision to other persons or circumstances shall be affected thereby, but rather, the same shall be enforced to the greatest extent permitted by law.

MAKER

SEAN ERICKSON

[QuickLinks](#) -- Click here to rapidly navigate through this document

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement File Nos. 333-17569, 333-60001, 333-64575, 333-78477, 333-82405, 333-47142, 333-48190, 333-51550, 333-52352 of our report dated February 7, 2003, with respect to the consolidated financial statements of TeleTech Holdings, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ ERNST & YOUNG LLP

Denver, Colorado
March 27, 2003

QuickLinks

[Exhibit 23.1](#)

INFORMATION REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if part of a registration statement at the time it becomes effective contains an untrue statement of material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is provided that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, an accountant who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement.

On May 10, 2002, Arthur Andersen LLP ("Andersen") was dismissed as the Company's independent accountant effective upon completion of its review of the Company's financial statements for the quarter ended March 31, 2002. For additional information, see the Company's Current Report on Form 8-K dated May 16, 2002. Representatives of Andersen are not available to provide Andersen's written consent to the incorporation by reference into the Company's effective registration statements (the "Registration Statements") of Andersen's audit report with respect to the Company's consolidated financial statements as of December 31, 2001 and for each of the three years then ended. Under these circumstances, Rule 437a under the Securities Act permits the Company to file this Annual Report on Form 10-K, which is incorporated by reference into the Registration Statements, without a written consent from Andersen. As a result, with respect to transactions in the Company's securities pursuant to the Registration Statements that occur subsequent to the date this Annual Report on Form 10-K is filed with the Securities and Exchange Commission, Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Andersen under Section 11(a) of the Securities Act.

QuickLinks

[Exhibit 23.2](#)

**Written Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

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

- (a) the Form 10-K of the Company for the year ended December 31, 2002 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENNETH D. TUCHMAN

Kenneth D. Tuchman
Chief Executive Officer
March 27, 2003

/s/ MARGOT M. O'DELL

Margot M. O'Dell
Chief Financial Officer
March 27, 2003

QuickLinks

[Exhibit 99.1](#)