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

Form 10-Q

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from _____ to _____

Commission File Number 001-11919

TeleTech Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

84-1291044

(I.R.S. Employer
Identification No.)

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

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

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

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

Large accelerated Accelerated filer Non-accelerated filer

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

As of October 19, 2006, there were 69,264,782 shares of the registrant's common stock outstanding.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
SEPTEMBER 30, 2006 FORM 10-Q
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Part I. FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements
TELETECH HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Amounts in thousands except per share amounts)

	(Unaudited) September 30, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,192	\$ 32,505
Accounts receivable, net	220,668	207,090
Prepaid and other assets	38,494	30,270
Deferred tax assets, net	11,960	12,990
Income tax receivable	16,146	16,298
Total current assets	342,460	299,153
Long-term assets		
Property and equipment, net	154,614	133,635
Goodwill	57,385	32,077
Contract acquisition costs, net	10,734	12,874
Deferred tax assets, net	38,563	30,621
Other assets	22,540	9,871
Total long-term assets	283,836	219,078
Total assets	<u>\$ 626,296</u>	<u>\$ 518,231</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 28,318	\$ 30,096
Accrued employee compensation and benefits	82,933	59,196
Other accrued expenses	36,632	40,422
Income tax payable	18,108	17,398
Deferred tax liabilities, net	1,542	2,556
Customer advances and deferred income	8,367	10,515
Total current liabilities	175,900	160,183
Long-term liabilities		
Capital lease obligations	680	976
Line of credit	77,750	26,700
Grant advances	7,163	6,476
Deferred tax liabilities	6,329	6,821
Other long-term liabilities	21,240	17,157
Total long-term liabilities	113,162	58,130
Total liabilities	<u>289,062</u>	<u>218,313</u>
Commitments and contingent liabilities	—	—
Minority interest	6,731	6,544
Stockholders' equity		
Common stock — \$.01 par value; 150,000,000 shares authorized; 69,333,375 and 69,162,448 shares outstanding as of September 30, 2006 and December 31, 2005, respectively	693	694
Additional paid-in capital	150,617	146,367
Accumulated other comprehensive income	6,167	3,698
Retained earnings	173,026	142,615
Total stockholders' equity	330,503	293,374
Total liabilities and stockholders' equity	<u>\$ 626,296</u>	<u>\$ 518,231</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue	\$303,804	\$274,259	\$874,560	\$782,518
Operating expenses				
Cost of services	220,702	202,492	649,718	580,663
Selling, general and administrative	49,271	46,642	145,132	136,728
Depreciation and amortization	12,929	12,659	36,705	40,650
Restructuring charges, net	515	537	1,455	1,480
Impairment losses	—	—	478	2,537
Total operating expenses	<u>283,417</u>	<u>262,330</u>	<u>833,488</u>	<u>762,058</u>
Income from operations	20,387	11,929	41,072	20,460
Other income (expense)				
Interest income	662	882	1,350	2,448
Interest expense	(2,410)	(727)	(4,491)	(1,931)
Other, net	1,151	369	2,028	1,013
Total other income (expense)	<u>(597)</u>	<u>524</u>	<u>(1,113)</u>	<u>1,530</u>
Income before income taxes and minority interest	19,790	12,453	39,959	21,990
Provision for income taxes	<u>6,428</u>	<u>432</u>	<u>7,889</u>	<u>3,204</u>
Income before minority interest	13,362	12,021	32,070	18,786
Minority interest	<u>(583)</u>	<u>(401)</u>	<u>(1,659)</u>	<u>(713)</u>
Net income	<u>\$ 12,779</u>	<u>\$ 11,620</u>	<u>\$ 30,411</u>	<u>\$ 18,073</u>
Other comprehensive income (loss)				
Foreign currency translation adjustments	\$ 1,206	\$ 5,755	\$ 4,487	\$ 5,032
Derivatives valuation, net of tax	<u>(86)</u>	<u>2,675</u>	<u>(2,018)</u>	<u>(1,397)</u>
Total other comprehensive income (loss)	<u>1,120</u>	<u>8,430</u>	<u>2,469</u>	<u>3,635</u>
Comprehensive income	<u>\$ 13,899</u>	<u>\$ 20,050</u>	<u>\$ 32,880</u>	<u>\$ 21,708</u>
Weighted average shares outstanding				
Basic	69,085	71,650	68,979	72,946
Diluted	70,366	72,591	70,228	74,604
Net income per share				
Basic	\$ 0.18	\$ 0.16	\$ 0.44	\$ 0.25
Diluted	\$ 0.18	\$ 0.16	\$ 0.43	\$ 0.24

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

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2005	69,162	\$694	\$146,367	\$ 3,698	\$142,615	\$293,374
Net income	—	—	—	—	30,411	30,411
Foreign currency translation adjustments	—	—	—	4,487	—	4,487
Derivatives valuation, net of tax	—	—	—	(2,018)	—	(2,018)
Exercise of stock options	1,335	11	10,821	—	—	10,832
Excess tax benefit from exercise of stock options	—	—	3,041	—	—	3,041
Compensation expense from stock options	—	—	5,024	—	—	5,024
Purchases of common stock	(1,164)	(12)	(14,636)	—	—	(14,648)
Balance as of September 30, 2006	69,333	\$693	\$150,617	\$ 6,167	\$173,026	\$330,503

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

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

	Nine Months Ended September 30,	
	2006	2005
Cash flows from operating activities		
Net income	\$ 30,411	\$ 18,073
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,705	40,650
Amortization of contract acquisition costs	2,327	2,942
Provision for doubtful accounts	1,714	378
Deferred income taxes	(5,810)	(17,763)
Minority interest	1,659	713
Impairment loss	478	2,537
Compensation expense from stock options	5,024	—
Tax benefit from exercise of stock options	—	1,544
Loss on disposal of assets	241	74
Changes in assets and liabilities:		
Accounts receivable	(1,404)	(35,848)
Prepays and other assets	(12,578)	(3,760)
Accounts payable and accrued expenses	13,534	39,089
Customer advances and deferred income	311	4,103
Net cash provided by operating activities	72,612	52,732
Cash flows from investing activities		
Acquisition of a business, net of cash acquired of \$0.5 million	(46,412)	—
Purchases of property and equipment	(51,219)	(26,763)
Purchases of intangible assets	(1,357)	(240)
Contract acquisition costs	(179)	(2,160)
Net cash used in investing activities	(99,167)	(29,163)
Cash flows from financing activities		
Proceeds from line of credit	380,700	243,100
Payments on line of credit	(329,650)	(243,100)
Debt refinancing fees	(811)	—
Payments on long-term debt and capital lease obligations	(286)	(532)
Payments to minority shareholder	(1,498)	(2,700)
Proceeds from employee stock purchase plan	—	476
Excess tax benefit from exercise of stock options	3,041	—
Proceeds from exercise of stock options	10,802	3,473
Purchases of treasury stock	(14,648)	(44,266)
Net cash provided by (used in) financing activities	47,650	(43,549)
Effect of exchange rate changes on cash and cash equivalents	1,592	377
Increase (decrease) in cash and cash equivalents	22,687	(19,603)
Cash and cash equivalents, beginning of period	32,505	75,066
Cash and cash equivalents, end of period	<u>\$ 55,192</u>	<u>\$ 55,463</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 2,862</u>	<u>\$ 788</u>
Cash paid for income taxes	<u>\$ 8,716</u>	<u>\$ 8,096</u>

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

(1) OVERVIEW AND BASIS OF PRESENTATION

Overview

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring entries) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of September 30, 2006, and the results of operations and cash flows of the Company and its subsidiaries for the three months and nine months ended September 30, 2006 and 2005. Operating results for the three months and nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Certain amounts in 2005 have been reclassified in the condensed consolidated financial statements to conform to the 2006 presentation.

Recently Issued Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123(R)", which replaces SFAS No. 123 "Accounting for Stock Issued to Employees" ("SFAS 123"). The Company adopted SFAS 123(R) on January 1, 2006. The impact of the adoption of SFAS 123(R) is discussed in Note 4.

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

The Company is currently studying the impact FIN 48 will have on its consolidated financial statements when adopted. In the course of reevaluating the Company's tax return filing positions in light of the new "more-likely-than-not" standard, it is likely that the Company will reduce its liability for previously unrecognized tax benefits at the date of adoption. Consistent with the new accounting standard, any change to adjust the Company's consolidated financial statements arising from adoption of the new "more-likely-than-not" standard will be recognized in beginning retained earnings in the period of adoption as a change in accounting method.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

(2) ACQUISITION

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

The preliminary total purchase price of \$46.4 million in cash was funded utilizing the Company's Credit Facility (see Note 7 to the Condensed Consolidated Financial Statements). The purchase agreement provides for the seller to (i) receive a future payment of up to \$11.0 million based upon the gross profit of DAC for 2006 exceeding specified amounts and (ii) pay the Company up to \$5.0 million in the event certain clients of DAC do not renew, on substantially similar terms, their service agreement with DAC as set forth in the purchase agreement.

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

Current assets	\$14,548
Property and equipment	4,410
Intangible assets	9,100
Goodwill	23,820
Total assets acquired	<u>\$51,878</u>
Current liabilities	<u>(5,505)</u>
Total liabilities assumed	<u>(5,505)</u>
Net assets acquired	<u>\$46,373</u>

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

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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

	Nine Months Ended September 30,	
	2006	2005
Revenue	\$908,655	\$839,184
Income from operations	\$ 43,678	\$ 26,627
Net income	\$ 31,001	\$ 20,303
Weighted average shares outstanding		
Basic	68,979	72,946
Diluted	70,228	74,604
Net income per share		
Basic	\$ 0.45	\$ 0.28
Diluted	\$ 0.44	\$ 0.27

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

(3) SEGMENT INFORMATION

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

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

North American BPO

United States
Canada
India
Philippines

International BPO

Argentina
Australia
Brazil
China
Germany
Malaysia
Mexico
New Zealand
Singapore
Spain
United Kingdom
Venezuela

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Database Marketing and Consulting segment, which consists of one subsidiary company, provides outsourced database management, direct marketing, and related customer acquisitions and retention services for automobile dealerships and manufacturers operating in North America.

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

It is a significant Company strategy to garner additional business through the lower cost opportunities offered by certain foreign countries. Accordingly, the Company provides services to certain U.S. clients from CMCs in Argentina, Canada, India, Mexico, and the Philippines. Under this arrangement, while the U.S. subsidiary invoices and collects from the client, the U.S. subsidiary enters into a contract with the foreign subsidiary to reimburse the foreign subsidiary for its costs plus a reasonable profit. This reimbursement is reflected as revenue by the foreign subsidiary. As a result, a portion of the revenue from these client contracts is recorded by the U.S. subsidiary, while a portion is recorded by the foreign subsidiary. For U.S. clients served from Canada, India, and the Philippines, which represents the majority of these arrangements, all the revenue remains within the North American BPO segment. For U.S. clients served from Argentina and Mexico, a portion of the revenue is reflected in the International BPO segment. For the three months ended September 30, 2006 and 2005, approximately \$1.5 million and \$0.7 million, respectively, of income from operations in the International BPO segment were generated from these arrangements. For the nine months ended September 30, 2006 and 2005, approximately \$4.1 million and \$2.2 million, respectively, of income from operations in the International BPO segment were generated from these arrangements.

The following table presents Revenue and Income (Loss) from Operations by segment (amounts in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue				
North American BPO	\$206,616	\$170,930	\$576,283	\$474,852
International BPO	90,336	82,596	264,277	244,157
Database Marketing and Consulting	6,852	20,733	34,000	63,509
Total	<u>\$303,804</u>	<u>\$274,259</u>	<u>\$874,560</u>	<u>\$782,518</u>
Income (Loss) from Operations				
North American BPO	\$ 25,194	\$ 15,654	\$ 55,995	\$ 40,752
International BPO	182	(1,871)	(3,731)	(12,188)
Database Marketing and Consulting	(4,989)	(1,854)	(11,192)	(8,104)
Total	<u>\$ 20,387</u>	<u>\$ 11,929</u>	<u>\$ 41,072</u>	<u>\$ 20,460</u>

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The following table presents Revenue based on the geographic location where the services are provided (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue				
United States	\$108,421	\$119,158	\$318,448	\$330,898
Asia Pacific	65,071	46,413	172,099	135,488
Canada	48,311	49,689	157,001	146,511
Europe	35,699	30,866	105,274	92,171
Latin America	46,302	28,133	121,738	77,450
Total	<u>\$303,804</u>	<u>\$274,259</u>	<u>\$874,560</u>	<u>\$782,518</u>

(4) EQUITY-BASED COMPENSATION

The Company maintains several equity compensation plans (the "Plans") for the benefit of certain of its directors, officers, and employees.

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

The fair values of the options granted to the Company's employees were estimated on the date of grant using the B-S-M Model. The following table provides the range of assumptions used for stock options granted during the three months ended September 30, 2006 and 2005:

	Three Months Ended September 30,	
	2006	2005
Risk-free interest rate	4.73% — 5.03%	3.75% — 4.17%
Expected life in years	3.8 — 4.8	4.4
Expected volatility	54.81%	75.53%
Dividend yield	0.00%	0.00%
Weighted-average volatility	54.81%	75.53%
Weighted-average fair value	\$ 5.85	\$ 5.09

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

A summary of option activity under the Plans as of September 30, 2006 and changes during the nine months then ended is presented below:

	Shares	Weighted Average Exercise Price	Weighted- Average Remaining Contractual Term Years	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2005	8,486,681	\$10.26		
Grants	1,414,950	\$12.52		
Exercises	(1,386,186)	\$ 7.58		
Cancellations/expirations	(511,966)	\$12.91		
Outstanding as of September 30, 2006	<u>8,003,479</u>	\$10.95	6.9	\$43,396
Vested and exercisable as of September 30, 2006	<u>3,690,697</u>	\$11.76	4.7	\$20,803

A summary of the status of the Company's unvested shares as of September 30, 2006, and changes during the nine months ended September 30, 2006, is presented below:

	Shares	Weighted- Average Grant- Date Fair Value
Unvested as of December 31, 2005	4,129,995	\$5.62
Granted	1,414,950	\$5.85
Vested	(914,655)	\$5.33
Forfeited	(317,508)	\$5.57
Unvested as of September 30, 2006	<u>4,312,782</u>	\$5.76

As of September 30, 2006, there was approximately \$19.8 million of total unrecognized compensation cost (including the impact of expected forfeitures as required under SFAS 123(R)) related to unvested share-based compensation arrangements granted under the Plans that the Company had not recorded. That cost is expected to be recognized over the weighted-average period of four years (the Company recognizes compensation expense straight-line over the vesting term of the option grant). The total fair value of shares vested (excluding expected forfeitures) during the nine month period ended September 30, 2006 was \$4.9 million.

Cash received from option exercises under all share-based payment arrangements for the three months ended September 30, 2006 and 2005 was \$6.0 million and \$1.1 million, respectively.

Cash received from option exercises under all share-based payment arrangements for the nine months ended September 30, 2006 and 2005 was \$10.8 million and \$3.5 million, respectively.

As a result of adopting SFAS 123(R) on January 1, 2006, the Company's income before income taxes and net income for the three months ended September 30, 2006 are \$1.7 million and \$1.0 million lower, respectively, than if it had continued to account for share-based compensation under Accounting Principles Board Opinion ("APB") No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). For the nine months ended September 30, 2006, the Company's income before income taxes and net income are \$5.0 million and \$3.0 million lower, respectively, than if it had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the three months ended September 30, 2006 are \$0.02 and \$0.01 lower, respectively, than if the Company had continued to account for share-based compensation under APB 25. Additionally, basic and diluted earnings per share for the nine months ended September 30, 2006 are \$0.04 and \$0.04 lower, respectively. The compensation cost that has been charged against income for the Plans is included in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The following table illustrates the effect on net income and earnings per share for the three months and nine months ended September 30, 2005, if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation (amounts in thousands except per share amounts):

	September 30, 2005	
	Three Months Ended	Nine Months Ended
Net income as reported	\$ 11,620	\$ 18,073
Add (deduct): Stock-based employee compensation expense included in reported net income, net of related tax effects	(1)	31
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(995)	(3,109)
Pro forma net income	<u>\$ 10,624</u>	<u>\$ 14,995</u>
Weighted average shares outstanding		
Basic	71,650	72,946
Diluted	72,591	74,604
Net income per share		
Basic — as reported	\$ 0.16	\$ 0.25
Diluted — as reported	\$ 0.16	\$ 0.24
Basic — pro forma	\$ 0.15	\$ 0.21
Diluted — pro forma	\$ 0.15	\$ 0.20

(5) SIGNIFICANT CLIENTS

The Company has one client (in the communications industry) that contributed in excess of 10% of the Company's revenue for the three months and nine months ended September 30, 2006 and two clients (both in the communications industry) that contributed in excess of 10% of the Company's revenue for the three months and nine months ended September 30, 2005. The revenue from these clients, as a percentage of total consolidated revenue, is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Client A	15.9%	17.1%	17.1%	17.8%
Client B	6.1%	9.9%	7.8%	10.6%

As of September 30, 2006 and December 31, 2005, accounts receivable from clients A and B were as follows (amounts in thousands):

	September 30, 2006	December 31, 2005
Client A	\$31,200	\$34,600
Client B	\$12,200	\$18,500

The loss of one or more of its significant clients could have a material adverse effect on the Company's business, operating results, or financial condition. The Company does not require collateral from its clients. To limit the Company's credit risk, management performs ongoing credit evaluations of its clients and maintains allowances for uncollectible accounts. Although the Company is impacted by economic conditions in certain industries including communications and media, automotive, financial services, healthcare, and government services, management does not believe significant credit risk exists as of September 30, 2006.

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(6) DERIVATIVES

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

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

As of September 30, 2006, the notional amount of these derivative instruments is summarized as follows (amounts in thousands):

	<u>Local Currency Amount</u>	<u>U.S. Dollar Amount</u>	<u>Dates Contracts are Through</u>
Canadian Dollar	178,068	\$159,471	June 2010
Argentine Peso	36,900	11,710	December 2007
Philippine Peso	2,120,000	40,837	December 2007
		<u>\$212,018</u>	

These derivatives, including option premiums, are classified as Prepaid and Other Assets of \$4.0 million and \$6.7 million; Other Assets of \$0.1 million and \$0.6 million; and Other Long-term Liabilities of \$1.4 million and \$0.0 million as of September 30, 2006 and December 31, 2005, respectively.

The Company recorded deferred tax liabilities of \$0.6 million and \$1.9 million related to these derivatives as of September 30, 2006 and December 31, 2005, respectively. A total of \$1.0 million and \$3.0 million of deferred gains, net of tax, on derivative instruments as of September 30, 2006 and December 31, 2005, respectively, were recorded in Accumulated Other Comprehensive Income.

During the three months ended September 30, 2006 and 2005, the Company recorded gains of \$1.4 million and \$1.1 million, respectively, for settled hedge contracts and the related premiums. During the nine months ended September 30, 2006 and 2005, the Company recorded gains of \$5.8 million and \$4.7 million, respectively, for settled hedge contracts and the related premiums. These are reflected in Revenue in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

The Company also entered into a foreign exchange forward contract to reduce the short-term effect of foreign currency fluctuations related to a \$19.2 million intercompany note payable from its Canadian subsidiary to a U.S. subsidiary. The gains and losses on this foreign exchange contract offset the transaction gains and losses on this foreign currency obligation. These gains and losses are recognized in earnings as the Company elected not to classify the hedge for hedge accounting treatment.

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(7) INDEBTEDNESS

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

Subsequent to the end of the third quarter 2006, the Company exercised its option to increase the borrowing limit of the Credit Facility to \$180 million.

The Credit Facility, which includes customary financial covenants, may be used for general corporate purposes, including working capital, purchases of treasury stock, and acquisition financing. The Credit Facility accrues interest at a rate based on either (1) the Prime Rate, defined as the higher of the lender's prime rate or the Federal Funds Rate plus 0.50%, or (2) the London Interbank Offered Rate ("LIBOR") plus an applicable credit spread, at the Company's option. The interest rate will vary based on the Company's leverage ratio as defined in the Credit Facility. As of September 30, 2006, interest accrued at the weighted-average rate of approximately 6%. As of September 30, 2006 and December 31, 2005, the Company had outstanding borrowings under the Credit Facility of \$77.8 million and \$26.7 million, respectively.

(8) INCOME TAXES

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes" ("SFAS 109"), which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Condensed Consolidated Financial Statements. 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. When circumstances warrant, the Company assesses the likelihood that its net deferred tax assets will more likely than not be recovered from future projected taxable income. Management judgment has been used in forecasting future taxable income.

As required by SFAS 109, the Company continually reviews the likelihood that deferred tax assets will be realized in future tax periods under the more likely than not criteria. In making this judgment, SFAS 109 requires that all available evidence, both positive and negative, should be considered to determine whether, based on the weight of that evidence, a valuation allowance is required. As of September 30, 2006, the Company has \$50.5 million of deferred tax assets (after a \$3.7 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of \$42.7 million, related to the U.S. and international tax jurisdictions whose recoverability is dependent upon future profitability.

The effective tax rate, after minority interest, for the three months ended September 30, 2006 was 33.5%. The effective tax rate, after minority interest, for the nine months ended September 30, 2006 was 20.6%. Excluding the \$5.2 million change to the deferred tax valuation allowance accounted for in the second quarter of 2006, the Company's effective tax rate for the nine months ended September 30, 2006 was 34.2%.

(9) RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

Restructuring Charges

Restructuring Charges, Net for the three months ended September 30, 2006 of \$0.5 million relates to severance in the International BPO and Database Marketing and Consulting segments.

Restructuring Charges, Net for the nine months ended September 30, 2006 of \$1.5 million includes approximately (i) \$0.7 million for the fair value of the liability for lease payments for a portion of a CMC that the Company ceased to use in the International BPO segment, and (ii) \$1.0 million in severance costs, less (iii) a \$0.2 million reversal of unused prior-period balances.

Restructuring Charges, Net for the three months ended September 30, 2005 of \$0.5 million related to the Company's decision to exercise an early lease termination.

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Restructuring Charges, Net for the nine months ended September 30, 2005 of \$1.5 million related to reductions in force across all three segments and the Company's decision to exercise an early lease termination.

A roll-forward of the activity in the restructuring reserve liability is as follows (amounts in thousands):

	Closure of CMCs	Reduction in Force	Total
Balance as of December 31, 2004	\$ 599	\$ 233	\$ 832
Expense	682	2,139	2,821
Payments	(193)	(1,145)	(1,338)
Reversal of unused balances	—	(148)	(148)
Balance as of December 31, 2005	1,088	1,079	2,167
Expense	724	935	1,659
Payments	(733)	(1,246)	(1,979)
Reversal of unused balances	(55)	(149)	(204)
Balance as of September 30, 2006	\$ 1,024	\$ 619	\$ 1,643

The restructuring reserve liability is included in Other Accrued Expenses in the accompanying Condensed Consolidated Balance Sheets.

Impairment Losses

Impairment Losses for the nine months ended September 30, 2006 of \$0.5 million includes approximately (i) \$0.3 million to reduce the net book value of long-lived assets in New Zealand and Malaysia to their then estimated fair value and (ii) \$0.2 million for the difference between assumed values to be received for assets in closed CMCs versus actual value received.

Impairment Losses for the nine months ended September 30, 2005 of \$2.5 million were to reduce the net book value of long-lived assets in the Glasgow, Scotland facility to its then estimated fair value.

(10) CONTINGENCIES

Legal Proceedings

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

Guarantees

The Company's Credit Facility is guaranteed by the majority of the Company's domestic accounts receivable and a pledge of 65% of the capital stock of specified material foreign subsidiaries.

Letters of Credit

As of September 30, 2006, outstanding letters of credit and other performance guarantees totaled approximately \$13.8 million, which primarily guarantee workers' compensation, other insurance related obligations, and facility leases.

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(11) EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Shares used in basic per share calculation	69,085	71,650	68,979	72,946
Effects of dilutive securities:				
Stock options	1,281	841	1,249	1,558
Restricted stock	—	100	—	100
Total effects of dilutive securities	<u>1,281</u>	<u>941</u>	<u>1,249</u>	<u>1,658</u>
Shares used in diluted per share calculation	<u>70,366</u>	<u>72,591</u>	<u>70,228</u>	<u>74,604</u>

For the three months ended September 30, 2006 and 2005, 0.5 million and 3.9 million, respectively, of options to purchase shares of common stock were outstanding but not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. For the nine months ended September 30, 2006 and 2005, 1.3 million and 2.6 million, respectively, of options to purchase shares of common stock were outstanding but not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. The Company has also excluded the impact of outstanding warrants, as the impact would be anti-dilutive for all periods presented.

(12) OTHER FINANCIAL INFORMATION

As of September 30, 2006, Accumulated Other Comprehensive Income included in the Company's Condensed Consolidated Balance Sheets consisted of \$5.1 million and \$1.0 million of foreign currency translation adjustments and derivatives valuation, net of tax, respectively. As of December 31, 2005, Accumulated Other Comprehensive Income consisted of \$0.7 million and \$3.0 million of foreign currency translation adjustments and derivatives valuation, net of tax, respectively.

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

Introduction

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

All statements not based on historical fact are forward-looking statements that involve substantial risks and uncertainties. In accordance with the Private Securities Litigation Reform Act of 1995, following are important factors that could cause our actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to the following: our belief that we are continuing to see strong demand for our services and that sales cycles are shortening; risks associated with successfully integrating Direct Alliance Corporation ("DAC") and achieving anticipated future revenue growth, profitability, and synergies; estimated revenue from new, renewed, and expanded client business as volumes may not materialize as forecasted or be sufficient to achieve our Business Outlook; achieving continued profit improvement in our International Business Process Outsourcing ("BPO") operations; the ability to close and ramp new business opportunities that are currently being pursued or that are in the final stages with existing and/or potential clients in order to achieve our Business Outlook; our ability to execute our growth plans, including sales of new products (such as TeleTech On Demand™); our ability to achieve our year-end 2006 and 2007 financial goals, including those set forth in our Business Outlook; the possibility of our Database Marketing and Consulting segment not increasing revenue, lowering costs, or returning to profitability resulting in an impairment of its \$13.4 million of Goodwill; the possibility of lower revenue or price pressure from our clients experiencing a business downturn or merger in their business; greater than anticipated competition in the BPO and customer management market, causing adverse pricing and more stringent contractual terms; risks associated with losing or not renewing client relationships, particularly large client agreements, or early termination of a client agreement; the risk of losing clients due to consolidation in the industries we serve; consumers' concerns or adverse publicity regarding our clients' products; our ability to find cost effective locations, obtain favorable lease terms, and build or retrofit facilities in a timely and economic manner; risks associated with business interruption due to weather, pandemic, or terrorist-related events; risks associated with attracting and retaining cost-effective labor at our customer management centers; the possibility of additional asset impairments and restructuring charges; risks associated with changes in foreign currency exchange rates; economic or political changes affecting the countries in which we operate; changes in accounting policies and practices promulgated by standard setting bodies; and new legislation or government regulation that impacts the BPO and customer management industry.

Executive Overview

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

North American BPO

United States
Canada
India
Philippines

International BPO

Argentina
Australia
Brazil
China
Germany
Malaysia
Mexico
New Zealand
Singapore
Spain
United Kingdom
Venezuela

On June 30, 2006, we acquired 100 percent of the outstanding common shares of DAC. DAC is a provider of outsourced direct marketing services to third parties in the U.S. and its acquisition is consistent with our strategy to grow and to focus on providing outsourced marketing, sales, and BPO solutions to large multinational clients. DAC is included in our North American BPO segment. We project the acquisition of DAC will contribute approximately \$35 million of revenue during the last six months of 2006 since acquisition and will be slightly accretive to earnings during the first twelve months of combined operations.

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

Segment accounting policies are the same as those used in the Company's Condensed Consolidated Financial Statements. See Note 3 to the Condensed Consolidated Financial Statements for additional discussion regarding our preparation of segment information.

BPO Services

The BPO Services business generates revenue based primarily on the amount of time our representatives devote to a client's program. We primarily focus on large global corporations in the following industries; automotive, communications and media, financial services, healthcare, government, logistics, retail, technology, and travel. Revenue is recognized as services are provided. The majority of our revenue is, and we anticipate that the majority of our future revenue will continue to be, from multi-year contracts. However, we do provide certain client programs on a short-term basis. We have historically experienced annual attrition of existing client programs of approximately 7% to 15% of our revenue. Attrition of existing client programs during the first nine months of 2006 was 8% (approximately the same rate during the first nine months of 2005), excluding the short-term contract with the U.S. Government during the third quarter 2005. However, during all of 2005, we experienced net attrition of existing client programs of 3% (attrition of existing client programs was greater than the expansion of existing client programs) whereas during the first nine months of 2006, excluding the short-term contract with the U.S. Government during the third quarter 2005, we experienced net growth of existing client programs of 4% as expansion of existing client programs exceeded attrition of existing client programs. We believe this trend is attributable to our investment in an account management and operations team focused on client service. Our invoice terms with clients range from 30 to 60 days, with longer terms in Europe.

The BPO Services industry is highly competitive. Our ability to sell our existing services or gain acceptance for new products or services is challenged by the competitive nature of the industry. There can be no assurance that we will be able to sell services to new clients, renew relationships with existing clients, or gain client acceptance of our new products.

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We compete primarily with the in-house BPO operations of our current and potential clients. We also compete with certain companies that provide BPO services on an outsourced basis. In general, during the last several years, the global economy has negatively impacted the BPO market. More specifically, sales cycles lengthened, competition increased, and contract values were reduced. However, we believe that sales cycles have recently begun shortening. Nonetheless, pricing pressures continue within our industry due to the rapid growth of offshore labor capabilities.

When renewing contracts, clients may request that all or a portion of the renewed work be located within offshore CMCs. These requests decrease our revenue as the billing rate we charge for offshore CMCs is lower than for our North American CMCs, and, in the short-term, increase our costs as we incur expenses related to relocating the work. For the three months and nine months ended September 30, 2006, we incurred contract relocation costs of approximately \$0.2 million and \$0.5 million, respectively. For the three months and nine months ended September 30, 2006, revenue was negatively impacted by \$0.0 million and \$2.6 million, respectively, as a result of relocating working from North American CMCs to International CMCs.

Quarterly, we review capacity utilization and projected demand for future capacity. In conjunction with these quarterly reviews, we may decide to consolidate or close under-performing CMCs, including those impacted by the loss of a major client program, in order to maintain or improve targeted utilization and margins.

Because clients may request that we serve their customers from International CMCs with lower prevailing labor rates, in the future we may decide to close one or more U.S.-based CMCs, even though it is generating positive cash flow, because we believe the future profits from conducting such work outside the U.S. may more than compensate for the one-time charges related to closing the facility.

The short-term focus of management is to increase revenue in both the North American and International BPO segments by:

- Selling new business to existing clients;
- Continuing to focus sales efforts on large, complex, multi-center opportunities;
- Differentiating our products and services by developing and offering new solutions to clients; and
- Exploring merger and acquisition possibilities.

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

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

As previously announced, we were recently awarded new business with new and existing clients. As a result, we are expanding our capacity in select International markets with the addition of an estimated 2,500 workstations in Argentina, Canada, Mexico, and the Philippines. We may have difficulties managing the timeliness of launching new or expanded client programs, and the associated internal allocation of personnel and resources. This could cause a decline or delay in recognition of revenues and an increase in costs, either of which could adversely affect our operating results. In the event we do not successfully expand our capacity or launch the new or expanded client programs, we may be unable to achieve the revenue and profitability targets set forth in the Business Outlook section below.

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Our profitability is significantly influenced by our ability to increase capacity utilization in our CMCs, the number of new or expanded programs during a period, and our success at managing personnel turnover and employee costs. Managing our costs is critical since we continue to see pricing pressure within our industry. These pricing pressures have been accentuated by the rapid growth in the availability of offshore labor.

We attempt to minimize the financial impact resulting from idle capacity when planning the development and opening of new CMCs or the expansion of existing CMCs. As such, management considers numerous factors that affect capacity utilization, including anticipated expirations, reductions, terminations, or expansions of existing programs, and the potential size and timing of new client contracts that we expect to obtain.

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

We internally target capacity utilization in our Centers at 85% to 90% of our available workstations. As of September 30, 2006, the overall capacity utilization in our multi-client Centers was 75% (see "Workstation Utilization" below for further details).

As mentioned above, our profitability is influenced by the number of new or expanded client programs. We defer revenue for the initial training that occurs upon commencement of a new client contract ("Start-Up Training") if that training is billed separately to the client. Accordingly, the corresponding training costs, consisting primarily of labor and related expenses, are also deferred. In these circumstances, both the training revenue and costs are amortized straight-line over the life of the client contract. In situations where Start-Up Training is not billed separately, but rather included in the hourly production rates paid by the client over the life of the contract, no deferral is necessary as the revenue is being recognized over the life of the contract, and the associated training expenses are expensed as incurred. For the three months and nine months ended September 30, 2006, we incurred \$0.8 million and \$2.3 million, respectively, of training expenses for client programs for which we did not separately bill Start-Up Training.

The following summarizes the impact of the deferred Start-Up Training on the three months and nine months ended September 30, 2006 (amounts in thousands):

	<u>Three Months Ended September 30, 2006</u>		<u>Nine Months Ended September 30, 2006</u>	
	<u>Revenue</u>	<u>Income from Operations</u>	<u>Revenue</u>	<u>Income from Operations</u>
Amounts deferred due to new business	<u>\$ (3,538)</u>	<u>\$ (2,214)</u>	<u>\$ (9,072)</u>	<u>\$ (5,336)</u>
Amortization of prior period deferrals	<u>1,542</u>	<u>610</u>	<u>3,581</u>	<u>1,784</u>
Net increase (decrease) for the period	<u>\$ (1,996)</u>	<u>\$ (1,604)</u>	<u>\$ (5,491)</u>	<u>\$ (3,552)</u>

As of September 30, 2006, we had \$8.2 million of net deferred Start-Up Training that will be amortized straight-line over the life of the corresponding client contracts (approximately 36 months).

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

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

Our success in improving our profitability will depend on successful execution of a comprehensive business plan, including the following broad steps:

- Increasing sales to absorb unused capacity in existing global CMCs;
- Reducing costs and continued focus on cost controls; and
- Managing the workforce in our CMCs in a cost-effective manner.

Database Marketing and Consulting

As of September 30, 2006, our Database Marketing and Consulting segment has relationships with more than 2,500 automobile dealers representing 27 different automotive brand names. These contracts generally have terms ranging from month-to-month to twenty-four months. For a few major automotive manufacturers, the automotive manufacturer collects from the individual automobile dealers on our behalf. Our average collection period is thirty to sixty days.

A majority of the revenue from this segment is generated utilizing a database and contact system to promote the service business of automobile dealership customers using targeted marketing solutions through the phone, mail, e-mail, and Web. A combination of factors contributed to this segment generating a loss from operations of approximately \$5.0 million and \$11.2 million, after corporate allocations, for the three months and nine months ended September 30, 2006. In our Quarterly Report on Form 10-Q for the three months ended June 30, 2006, we projected this segment would generate a loss from operations in the range of \$4.0 million to \$5.0 million. Excluding corporate allocations, this segment generated a loss from operations of \$4.5 million and \$9.3 million, respectively, for the three months and nine months ended September 30, 2006.

For 2006, we modified our agreement with Ford Motor Company ("Ford"; whose dealers represented approximately 32% of the revenue of our Database Marketing and Consulting segment for the third quarter of 2006), to provide services to Ford's automotive dealerships on a preferred basis, rather than on an exclusive basis as was the previous agreement, as Ford was to commence offering a competing product. The new agreement gives us flexibility to customize service offerings and the ability to contract directly with Ford's dealerships under our defined terms and conditions. Primarily due to Ford offering a competing product, our dealer attrition rate has exceeded our new account growth in 2006, resulting in a significant decrease in revenue from the prior year period. At the same time, we continue to focus on developing a field sales organization to approach dealers outside of the Ford family of automotive brands.

Due to the factors discussed above, we believe this segment will incur a loss from operations in the fourth quarter of 2006 in the range of \$3.5 million to \$4.5 million, as we work to implement the plans outlined below to return this segment to profitability.

We plan to continue our focus on the following during the fourth quarter 2006:

- Diversifying our client base by establishing relations with new automotive manufacturers and dealer groups;
- Reducing our client attrition rate by improving customer service and increasing customer contact;
- Continuing to manage costs through operational effectiveness; and
- Acquiring business platforms for similar and related services.

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

Overall

As shown in the "Financial Comparison" below (see "Net increase to income from BPO operations"), we believe that we have been successful in improving income from operations for our North American and International BPO segments. The increases are attributable to a variety of factors such as expansion of work on certain client programs, our multi-phased cost reduction plan, transitioning work on certain client programs to lower cost operating centers, and taking actions to improve individual client program profit margins and/or eliminate unprofitable client programs.

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

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

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

Income from operations for the three months ended September 30, 2006 was adversely affected by the impact of equity-based compensation due to the implementation of SFAS 123(R). For the three months and nine months ended September 30, 2006 we recorded \$1.7 million and \$5.0 million, respectively, for equity-based compensation. We expect that equity-based compensation expense for fiscal 2006 will be approximately \$6.9 million based on current outstanding awards and assumptions applied. However, any significant awards granted during the remainder of fiscal 2006, required changes in the estimated forfeiture rates or significant changes in the market price of our common stock may impact this estimate. Based on current outstanding awards, compensation expense related to equity-based payments to employees is expected to be \$6.7 million and \$5.8 million during fiscal years 2007 and 2008, respectively. See Note 4 to the Condensed Consolidated Financial Statements for additional information.

Critical Accounting Policies

We have identified the policies below as critical to our business and results of operations. For further discussion on the application of these and other accounting policies, see Note 1 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2005.

Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. Specific risks associated with these critical accounting policies are described in the following paragraphs.

For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely require adjustment. Descriptions of these critical accounting policies follow.

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Revenue Recognition

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

Our BPO segments recognize revenue under three models which are:

- Production Rate. Revenue is recognized based on the billable time or transactions of each customer service representative ("CSR"), as defined in the client contract. The rate per billable time or transaction is based on a predetermined contractual rate. This contractual rate can fluctuate based on our performance against certain pre-determined criteria related to quality and performance.
- Performance-based. Under performance-based arrangements, we are paid by our clients based on achievement of certain levels of sales or other client-determined criteria specified in the client contract. We recognize performance-based revenue by measuring our actual results against the performance criteria specified in the contracts. Amounts collected from clients prior to the performance of services are recorded as customer advances.
- Hybrid. Under hybrid models we are paid a fixed fee or production element as well as a performance-based element.

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

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

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

Income Taxes

We account for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes" ("SFAS 109"), which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Condensed Consolidated Financial Statements. 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. When circumstances warrant, we assess the likelihood that our net deferred tax assets will more likely than not be recovered from future projected taxable income.

As required by SFAS 109, the Company continually reviews the likelihood that deferred tax assets will be realized in future tax periods under the more likely than not criteria. In making this judgment SFAS 109 requires that all available evidence, both positive and negative, should be considered to determine whether, based on the weight of that evidence, a valuation allowance is required. As of September 30, 2006, the Company has \$50.5 million of deferred tax assets (after a \$3.7 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of \$42.7 million related to the U.S. and international tax jurisdictions whose recoverability is dependent upon future profitability.

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

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

Allowance for Doubtful Accounts

We have established an allowance for doubtful accounts to reserve for uncollectible accounts receivable. Each quarter, management reviews the receivables on an account-by-account basis and assigns a probability of collection. Management's judgment is used in assessing the probability of collection. Factors considered in making this judgment include, among other things, the age of the identified receivable, client financial wherewithal, previous client history, and any recent communications with the client.

Impairment of Long-Lived Assets

We evaluate the carrying value of our individual CMCs in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires that a long-lived asset group be reviewed for impairment only when events or changes in circumstances indicate that the carrying amount of the long-lived asset group may not be recoverable. When the operating results of a Center have deteriorated to the point it is likely that losses will continue for the foreseeable future, or we expect that a CMC will be closed or otherwise disposed of before the end of its estimated useful life, we select the CMC for further review.

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

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The following table presents a sensitivity analysis of the impairment evaluation assuming that the future results were 10% less than the two-year forecasted EBITDA for these CMC's (excluding Glasgow, which was impaired in 2005). As shown in the table below, the analysis indicates that an impairment of approximately \$3.0 million (a decrease of \$1.8 million from the second quarter of 2006) would arise. However, for the CMC's tested, the current probability-weighted projection scenarios indicated that impairment had not occurred as of September 30, 2006 (amounts in thousands, except number of CMCs):

	<u>Net Book Value</u>	<u>Number of CMCs</u>	<u>Additional Impairment Under Sensitivity Test</u>
Tested based on Two Year Rule			
Positive cash flow in period	\$58,978	53	\$ 419
Negative cash flow in period	<u>2,036</u>	<u>4</u>	<u>739</u>
Sub-total	61,014	57	1,158
Not tested based on Two Year Rule			
Positive cash flow in period	20,637	9	—
Negative cash flow in period	<u>6,865</u>	<u>5</u>	<u>1,806</u>
Sub-total	27,502	14	1,806
Total			
Positive cash flow in period	79,615	62	419
Negative cash flow in period	<u>8,901</u>	<u>9</u>	<u>2,545</u>
Grand total	<u>\$88,516</u>	<u>71</u>	<u>\$ 2,964</u>

We also assess the realizable value of capitalized software on a quarterly basis based upon current estimates of future cash flows from services utilizing the software (principally utilized by our Database Marketing and Consulting segment). No impairment had occurred as of September 30, 2006.

Goodwill

Goodwill is tested for impairment at least annually at the segment level for the Database Marketing and Consulting segment (which consists of one subsidiary company) and for reporting units one level below the segment level for the other two segments in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets." Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value. The impairment, if any, is measured based on the estimated fair value of the reporting unit. Fair value can be determined based on discounted cash flows, comparable sales, or valuations of other similar businesses. Our policy is to test goodwill for impairment in the fourth quarter of each year unless an indicator of impairment arises during an intervening period.

We have plans to improve the future profitability of our Database Marketing and Consulting segment. The goodwill for that segment is \$13.4 million as of September 30, 2006. As a result of this segment's financial performance in the third quarter of 2006, we updated our cash flow analyses (which assume annual revenue increases ranging from 10 percent to 13 percent per annum, calculated on a smaller revenue base than our historical revenue base and following our planned efforts to sell business to non-Ford dealers). Our analyses indicated that an impairment in goodwill had not occurred as of September 30, 2006. However, a sensitivity analysis of the forecast indicated that, without considering corresponding reductions in future operating expenses that we would implement in the event of a further revenue decline, it would not take a material change in the revenue forecast for an impairment to arise.

Restructuring Reserve Liability

We routinely assess the profitability and utilization of our CMCs. In some cases, we have chosen to close under-performing CMCs and complete reductions in workforce to enhance future profitability. We follow 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, rather than upon commitment to a plan.

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

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Contingencies

We record a liability for pending litigation and claims where losses are both probable and reasonably estimable. Each quarter, management, with the advice of legal counsel, reviews these matters on a case-by-case basis and assigns probability of loss and range of loss based upon the assessments of in-house counsel and outside counsel, as appropriate.

Explanation of Key Metrics and Other Items

Cost of Services

Cost of Services principally include costs incurred in connection with our BPO operations and database marketing services, including direct labor, telecommunications, printing, postage, sales and use tax, and certain fixed costs associated with CMCs.

Selling, General and Administrative

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

Restructuring Charges, Net

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

Interest Expense

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

Other Expenses

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

Other Income

The main components of Other Income are miscellaneous receipts not directly related to our operating activities, such as foreign exchange transaction gains and corporate legal settlements. In addition, Other Income includes income related to grants we may receive from time-to-time from local or state governments as an incentive to locate CMCs in their jurisdictions.

Free Cash Flow

We define Free Cash Flow as Net Cash Flows from Operating Activities less purchases of Property and Equipment, as shown in our Condensed Consolidated Statements of Cash Flows.

Quarterly Average Daily Revenue

We define Quarterly Average Daily Revenue as Revenue for the quarter divided by the calendar days during the quarter.

Days Sales Outstanding

We define days sales outstanding ("DSO") as Accounts Receivable divided by Quarterly Average Daily Revenue.

Presentation of Non-GAAP Measurements*Free Cash Flow*

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

The following table reconciles Free Cash Flow to Net cash provided by operating activities for our consolidated results (amounts in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Free cash flow	\$ 25,960	\$ 6,774	\$ 21,393	\$ 25,969
Add back:				
Purchases of Property and Equipment	<u>22,753</u>	<u>10,645</u>	<u>51,219</u>	<u>26,763</u>
Net cash provided by operating activities	<u>\$ 48,713</u>	<u>\$ 17,419</u>	<u>\$ 72,612</u>	<u>\$ 52,732</u>

We discuss factors affecting Free Cash Flow between periods in the Liquidity and Capital Resources section below.

The following table reconciles Free Cash Flow to Net cash provided by operating activities for our Database Marketing and Consulting segment (amounts in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Free cash flow	\$ (3,266)	\$ (332)	\$ (4,586)	\$ (571)
Add back:				
Purchases of Property and Equipment	<u>474</u>	<u>630</u>	<u>1,074</u>	<u>2,544</u>
Net cash provided by operating activities	<u>\$ (2,792)</u>	<u>\$ 298</u>	<u>\$ (3,512)</u>	<u>\$ 1,973</u>

Earnings Before Interest, Taxes, Depreciation, and Amortization

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") is a non-GAAP liquidity and profitability measurement. We use EBITDA to evaluate the profitability and cash flow of our CMCs when testing the impairment of long-lived assets. EBITDA is not a measure determined in accordance with GAAP and should not be considered a substitute for "Income from operations," "Net cash provided by operating activities," or any other measure determined in accordance with GAAP. As shown in the table below, EBITDA is calculated as earnings before interest, income taxes, depreciation, and amortization. Because not all companies calculate EBITDA identically, this presentation of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest expense, income taxes, or debt service payments.

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The following table reconciles Net Income to EBITDA for our consolidated results (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net Income	\$ 12,779	\$ 11,620	\$ 30,411	\$ 18,073
Add back:				
Provision for income taxes	6,428	432	7,889	3,204
Interest expense (income), net	1,748	(155)	3,141	(517)
Depreciation and amortization	12,929	12,659	36,705	40,650
EBITDA	<u>\$ 33,884</u>	<u>\$ 24,556</u>	<u>\$ 78,146</u>	<u>\$ 61,410</u>

Results of Operations

Operating Review

The following tables are presented to facilitate Management's Discussion and Analysis of Financial Condition and Results of Operations (amounts in thousands):

	Three Months Ended September 30,					
	2006	% of Revenue	2005	% of Revenue	\$ Change	% Change
Revenue						
North American BPO	\$ 206,616	68.0%	\$ 170,930	62.3%	\$ 35,686	20.9%
International BPO	90,336	29.7%	82,596	30.1%	7,740	9.4%
Database Marketing and Consulting	6,852	2.3%	20,733	7.6%	(13,881)	(67.0)%
	<u>\$ 303,804</u>	<u>100.0%</u>	<u>\$ 274,259</u>	<u>100.0%</u>	<u>\$ 29,545</u>	<u>10.8%</u>
Cost of Services						
North American BPO	\$ 146,537	70.9%	\$ 127,416	74.5%	\$ 19,121	15.0%
International BPO	69,671	77.1%	63,695	77.1%	5,976	9.4%
Database Marketing and Consulting	4,494	65.6%	11,381	54.9%	(6,887)	(60.5)%
	<u>\$ 220,702</u>	<u>72.6%</u>	<u>\$ 202,492</u>	<u>73.8%</u>	<u>\$ 18,210</u>	<u>9.0%</u>
Selling, General and Administrative						
North American BPO	\$ 27,716	13.4%	\$ 21,002	12.3%	\$ 6,714	32.0%
International BPO	16,070	17.8%	16,579	20.1%	(509)	(3.1)%
Database Marketing and Consulting	5,485	80.0%	9,061	43.7%	(3,576)	(39.5)%
	<u>\$ 49,271</u>	<u>16.2%</u>	<u>\$ 46,642</u>	<u>17.0%</u>	<u>\$ 2,629</u>	<u>5.6%</u>
Depreciation and Amortization						
North American BPO	\$ 7,169	3.5%	\$ 6,310	3.7%	\$ 859	13.6%
International BPO	4,005	4.4%	4,193	5.1%	(188)	(4.5)%
Database Marketing and Consulting	1,755	25.6%	2,156	10.4%	(401)	(18.6)%
	<u>\$ 12,929</u>	<u>4.3%</u>	<u>\$ 12,659</u>	<u>4.6%</u>	<u>\$ 270</u>	<u>2.1%</u>
Restructuring Charges, Net						
North American BPO	\$ —	0.0%	\$ 548	0.3%	\$ (548)	(100.0)%
International BPO	408	0.5%	—	0.0%	408	N/A
Database Marketing and Consulting	107	1.6%	(11)	(0.1)%	118	(1072.7)%
	<u>\$ 515</u>	<u>0.2%</u>	<u>\$ 537</u>	<u>0.2%</u>	<u>\$ (22)</u>	<u>(4.1)%</u>
Impairment Losses						
North American BPO	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
International BPO	—	0.0%	—	0.0%	—	0.0%
Database Marketing and Consulting	—	0.0%	—	0.0%	—	0.0%
	<u>\$ —</u>	<u>0.0%</u>	<u>\$ —</u>	<u>0.0%</u>	<u>\$ —</u>	<u>0.0%</u>
Income (Loss) from Operations						
North American BPO	\$ 25,194	12.2%	\$ 15,654	9.2%	\$ 9,540	60.9%
International BPO	182	0.2%	(1,871)	(2.3)%	2,053	(109.7)%
Database Marketing and Consulting	(4,989)	(72.8)%	(1,854)	(8.9)%	(3,135)	169.1%
	<u>\$ 20,387</u>	<u>6.7%</u>	<u>\$ 11,929</u>	<u>4.3%</u>	<u>\$ 8,458</u>	<u>70.9%</u>
Other Income (Expense)	\$ (597)	(0.2)%	\$ 524	0.2%	\$ (1,121)	(213.9)%
Provision for Income Taxes	\$ 6,428	2.1%	\$ 432	0.2%	\$ 5,996	1388.0%

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	Nine Months Ended September 30,					
	2006	% of Revenue	2005	% of Revenue	\$ Change	% Change
Revenue						
North American BPO	\$576,283	65.9%	\$474,852	60.7%	\$101,431	21.4%
International BPO	264,277	30.2%	244,157	31.2%	20,120	8.2%
Database Marketing and Consulting	34,000	3.9%	63,509	8.1%	(29,509)	(46.5)%
	<u>\$874,560</u>	<u>100.0%</u>	<u>\$782,518</u>	<u>100.0%</u>	<u>\$ 92,042</u>	<u>11.8%</u>
Cost of Services						
North American BPO	\$423,097	73.4%	\$352,360	74.2%	\$ 70,737	20.1%
International BPO	207,418	78.5%	194,415	79.6%	13,003	6.7%
Database Marketing and Consulting	19,203	56.5%	33,888	53.4%	(14,685)	(43.3)%
	<u>\$649,718</u>	<u>74.3%</u>	<u>\$580,663</u>	<u>74.2%</u>	<u>\$ 69,055</u>	<u>11.9%</u>
Selling, General and Administrative						
North American BPO	\$ 77,788	13.5%	\$ 60,064	12.6%	\$ 17,724	29.5%
International BPO	47,352	17.9%	46,511	19.0%	841	1.8%
Database Marketing and Consulting	19,992	58.8%	30,153	47.5%	(10,161)	(33.7)%
	<u>\$145,132</u>	<u>16.6%</u>	<u>\$136,728</u>	<u>17.5%</u>	<u>\$ 8,404</u>	<u>6.1%</u>
Depreciation and Amortization						
North American BPO	\$ 19,277	3.3%	\$ 20,582	4.3%	\$ (1,305)	(6.3)%
International BPO	11,538	4.4%	12,797	5.2%	(1,259)	(9.8)%
Database Marketing and Consulting	5,890	17.3%	7,271	11.4%	(1,381)	(19.0)%
	<u>\$ 36,705</u>	<u>4.2%</u>	<u>\$ 40,650</u>	<u>5.2%</u>	<u>\$ (3,945)</u>	<u>(9.7)%</u>
Restructuring Charges, Net						
North American BPO	\$ 126	0.0%	\$ 1,094	0.2%	\$ (968)	(88.5)%
International BPO	1,222	0.5%	85	0.0%	1,137	1337.6%
Database Marketing and Consulting	107	0.3%	301	0.5%	(194)	(64.5)%
	<u>\$ 1,455</u>	<u>0.2%</u>	<u>\$ 1,480</u>	<u>0.2%</u>	<u>\$ (25)</u>	<u>(1.7)%</u>
Impairment Losses						
North American BPO	\$ —	0.0%	\$ —	0.0%	\$ 0	0.0%
International BPO	478	0.2%	2,537	1.0%	(2,059)	(81.2)%
Database Marketing and Consulting	—	0.0%	—	0.0%	—	0.0%
	<u>\$ 478</u>	<u>0.1%</u>	<u>\$ 2,537</u>	<u>0.3%</u>	<u>\$ (2,059)</u>	<u>(0.0)%</u>
Income (Loss) from Operations						
North American BPO	\$ 55,995	9.7%	\$ 40,752	8.6%	\$ 15,243	37.4%
International BPO	(3,731)	(1.4)%	(12,188)	(5.0)%	8,457	(69.4)%
Database Marketing and Consulting	(11,192)	(32.9)%	(8,104)	(12.8)%	(3,088)	38.1%
	<u>\$ 41,072</u>	<u>4.7%</u>	<u>\$ 20,460</u>	<u>2.6%</u>	<u>\$ 20,612</u>	<u>100.7%</u>
Other Income (Expense)	\$ (1,113)	(0.1)%	\$ 1,530	0.2%	\$ (2,643)	(172.7)%
Provision for Income Taxes	\$ 7,889	0.9%	\$ 3,204	0.4%	\$ 4,685	146.2%

Financial Comparison

The following table is a condensed presentation of the components of the change in Net Income between the three months and nine months ended September 30, 2006 and 2005 and is designed to facilitate the discussion of results of operations in this Form 10-Q (amounts in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,
Current period (2006) reported net income	\$ 12,779	\$ 30,411
Prior period (2005) reported net income	11,620	18,073
Difference	<u>\$ 1,159</u>	<u>\$ 12,338</u>

Explanation

Net increase to income from BPO operations	\$ 11,593	\$ 23,700
Net increase to loss in Database Marketing and Consulting segment	(3,135)	(3,088)
Increase in interest expense	(1,683)	(2,560)
Decrease in interest income	(220)	(1,098)
Other	600	69
Increase in taxes	(5,996)	(4,685)
Total	<u>\$ 1,159</u>	<u>\$ 12,338</u>

Workstation Utilization

The table below presents workstation data for multi-client Centers as of September 30, 2006 and December 31, 2005. Workstations in Dedicated and Managed Centers of 11,219 and 11,081, respectively, for the same periods are excluded from the workstation data as unused seats in these facilities are not available for sale. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations.

	September 30, 2006			December 31, 2005		
	Total Production Workstations	In Use	% In Use	Total Production Workstations	In Use	% In Use
North American BPO	9,806	7,360	75%	6,514	4,834	74%
International BPO	10,572	7,904	75%	9,447	6,695	71%
Total	<u>20,378</u>	<u>15,264</u>	75%	<u>15,961</u>	<u>11,529</u>	72%

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

Three Months Ended September 30, 2006 Compared to September 30, 2005

Revenue

The increase in North American BPO between periods was due to new client programs, expansion of existing client programs, and the acquisition of DAC.

Revenue in the International BPO segment increased due to new client programs and expansion of existing client programs in Latin America and Europe.

Database Marketing and Consulting revenue decreased due to a net decrease in the customer base as discussed earlier.

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Cost of Services

Cost of Services as a percentage of revenue in North American BPO primarily decreased compared to the prior year due to the increase in revenue discussed above. In absolute dollars, the increase in Cost of Services corresponds to revenue growth from the implementation of new or expanded client programs and the acquisition of DAC.

Cost of Services, as a percentage of revenue, in International BPO remained constant as compared to the prior year. In absolute dollars, Cost of Services increased due to the implementation of new or expanded client programs.

Cost of Services for Database Marketing and Consulting decreased from the prior year primarily due to a decrease in revenue and our efforts to reduce costs.

Selling, General and Administrative

On a consolidated basis, Selling, General and Administrative increased by \$2.6 million, principally comprised of \$1.7 million of stock option expense required by the adoption of SFAS No. 123(R), additional incentive compensation related to increased earnings over the prior year period, and the acquisition of DAC.

Selling, General and Administrative expenses for North American BPO increased in both absolute dollars and as a percentage of revenue primarily due to increased salaries and related benefits resulting principally from the Company's expenditures to implement an eLearning strategy, compensation expense related to share-based payments (see Note 4 to the Condensed Consolidated Financial Statements), increased incentive compensation, and the acquisition of DAC.

Selling, General and Administrative expenses for International BPO decreased in both absolute dollars and as a percentage of revenue due primarily to decreased salaries and benefits expense resulting from headcount reductions in our European and Asia Pacific operations.

The decrease in Selling, General and Administrative expenses for Database Consulting and Marketing was primarily due to our efforts to reduce costs and a lower allocation of corporate-level operating expenses as discussed above.

Depreciation and Amortization

In absolute dollars, Depreciation and Amortization in our North American BPO segment increased due to the addition of new CMCs and the expansion of existing CMCs. In absolute dollars and as a percentage of revenue, Depreciation and Amortization in our International BPO segment decreased between periods due primarily to the closure of certain facilities. Depreciation and Amortization in our Database Marketing and Consulting segment decreased compared to the prior year primarily due to assets reaching the end of their depreciable lives.

Restructuring Charges, Net and Impairment Losses

Restructuring Charges, Net for the three months ended September 30, 2006 of \$0.5 million relates to severance resulting from a reduction in force in the International BPO and Database Marketing and Consulting segments.

Other Income (Expense)

During the three months ended September 30, 2006, Interest Expense increased by \$1.7 million due to increased borrowings compared to the prior year due primarily to the acquisition of DAC and the Company's share repurchase program. Interest Income decreased by \$0.2 million due to lower cash investment balances during the quarter.

Income Taxes

The effective tax rate, after minority interest, for the three months ended September 30, 2006 was 33.5%. The effective tax rate, after minority interest, for the three months ended September 30, 2005 was 3.6%. Excluding the \$9.9 million reversal of the U.S. deferred tax valuation allowance and \$3.9 million in taxes associated with our Dividend Repatriation Plan completed and accounted for in the third quarter of 2005, the effective tax rate would have been 53.3%. For succeeding quarters, our effective tax rate will be affected by many factors including (i) the amount and placement of new business into tax jurisdictions with valuation allowances and without valuation allowances, (ii) the recognition of tax benefits that may arise related to tax planning strategies not recorded in the financial statements as their benefit is currently uncertain, (iii) the impact of tax holidays in overseas tax jurisdictions, and (iv) adoption of the new accounting standard for tax uncertainties (see Note 1 to the Condensed Consolidated Financial Statements). We expect our effective tax rate for the year ending December 31, 2006 will be approximately 30% to 35%, excluding the \$5.2 million reversal of a portion of the deferred tax valuation allowance in the second quarter of 2006.

Nine Months Ended September 30, 2006 Compared to September 30, 2005

Revenue

The increase in North American BPO revenue between periods was due to new client programs, expansion of existing client programs, and the acquisition of DAC.

Revenue in the International BPO segment increased due to new client programs and expansion of existing client programs in Latin America and Europe.

Database Marketing and Consulting revenue decreased due to a net decrease in the customer base as discussed above.

Cost of Services

Cost of Services as a percentage of revenue in North American BPO remained relatively constant as compared to the prior year. In absolute dollars, Cost of Services increased due to the implementation of new client programs, the expansion of existing client programs, and the acquisition of DAC.

Cost of Services, as a percentage of revenue, in International BPO remained relatively constant as compared to the prior year. In absolute dollars, Cost of Services increased due to the implementation of new client programs and the expansion of existing client programs.

Cost of Services for Database Marketing and Consulting decreased from the prior year in absolute dollars primarily due to a decrease in revenue and our efforts to reduce costs.

Selling, General and Administrative

On a consolidated basis, the increase in Selling, General and Administrative expenses of \$8.4 million is related to stock option expense, increased incentive compensation related to the increase in earnings, and the acquisition of DAC.

Selling, General and Administrative expenses for North American BPO increased in absolute dollars due to increased salaries and related benefits resulting principally from the Company's expenditures in an eLearning strategy, compensation expense related to share-based payments (see Note 4 to the Condensed Consolidated Financial Statements), increased incentive compensation, and the acquisition of DAC.

Selling, General and Administrative expenses for International BPO increased in absolute dollars due primarily to increased technology-related expenses and the recording of compensation expense related to share-based payments (see Note 4 to the Condensed Consolidated Financial Statements).

The decrease in Selling, General and Administrative expenses for Database Consulting and Marketing was primarily due to our efforts to reduce costs and a lower allocation of corporate-level operating expenses as discussed above.

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Depreciation and Amortization

In absolute dollars, Depreciation and Amortization in our North American BPO and International BPO segments decreased between periods due primarily to the closure of certain facilities. Depreciation and Amortization in our Database Marketing and Consulting segment decreased compared to the prior year primarily due to assets reaching the end of their depreciable lives.

Restructuring Charges, Net and Impairment Losses

Restructuring Charges, Net for the nine months ended September 30, 2006 of \$1.5 million includes approximately (i) \$0.7 million for the fair value of the liability for lease payments for a portion of a CMC that the Company ceased to use in the International BPO segment, and (ii) \$1.0 million in severance costs, less (iii) a \$0.2 million reversal of unused prior-period balances.

Restructuring Charges, Net for the nine months ended September 30, 2005 of \$1.5 million related to termination benefits for administrative employees.

Impairment Losses for the nine months ended September 30, 2006 of \$0.5 million includes approximately (i) \$0.3 million to reduce the net book value of long-lived assets in New Zealand and Malaysia to their then estimated fair value and (ii) \$0.2 million for the difference between assumed values to be received for assets in closed CMCs versus actual value received.

Impairment Losses for the three months and nine months ended September 30, 2005 of \$2.5 million were to reduce the net book value of long-lived assets in our Glasgow, Scotland facility to their then estimated fair value.

Other Income (Expense)

During the nine months ended September 30, 2006, Interest Expense increased by \$2.6 million due to increased borrowings compared to the prior year and the acquisition of DAC. Interest Income decreased by \$1.1 million due to less cash investment balances during the quarter.

Income Taxes

The effective tax rate, after minority interest, for the nine months ended September 30, 2006 was 20.6%. Excluding the \$5.2 million change to the deferred tax valuation allowance accounted for in the second quarter of 2006, the Company's effective tax rate for the nine months ended September 30, 2006 was 34.2%. The effective tax rate, after minority interest, for the nine months ended September 30, 2005 was 15.1%. Excluding the \$9.9 million reversal of the U.S. deferred tax valuation allowance and \$3.9 million in taxes associated with our Dividend Repatriation Plan completed and accounted for in the third quarter of 2005, the effective tax rate would have been 43.3%. We expect our effective tax rate for the year ending December 31, 2006 will be approximately 30% to 35%, excluding the \$5.2 million reversal of a portion of the deferred tax valuation allowance in the second quarter of 2006.

Liquidity and Capital Resources

Our primary sources of liquidity during the nine months ended September 30, 2006 were existing cash balances, cash generated from operating activities, and borrowings under our revolving line of credit. We expect that our future working capital, capital expenditures, and debt service requirements will be satisfied primarily from existing cash balances and cash generated from operations. Our ability to generate positive future operating and net cash flows is dependent upon, among other things, our ability to (i) sell new business, (ii) expand existing client relationships, and (iii) efficiently manage our operating costs.

The amount of capital required in 2006 will also depend on our level of investment in infrastructure necessary to build new CMCs and maintain and upgrade existing CMCs. We currently expect that capital expenditures in 2006 will be higher than our 2005 capital expenditures resulting from our plans to expand our capacity in select markets with the addition of an estimated 2,500 workstations in Argentina, Canada, Mexico, and the Philippines.

The following discussion highlights our cash flow activities during the nine months ended September 30, 2006.

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Cash and Cash Equivalents

We consider all liquid investments purchased within 90 days of their maturity to be cash equivalents. Our Cash and Cash Equivalents totaled \$55.2 million as of September 30, 2006 compared to \$32.5 million as of December 31, 2005.

Cash Flows From Operating Activities

We reinvest the cash flows from operating activities in our business or in purchases of treasury stock. For the nine months ended September 30, 2006 and 2005, we reported net cash flows provided by operating activities of \$72.6 million and \$52.7 million, respectively. The increase for the nine months ended September 30, 2006 compared to the same period in 2005 is due primarily to higher net income and the recognition of a deferred tax benefit associated with changes in our deferred tax valuation allowance in the prior period.

Cash Flows From Investing Activities

We reinvest cash in our business primarily to grow our client base, expand our infrastructure, and complete select acquisitions. For the nine months ended September 30, 2006 and 2005, we reported net cash flows used in investing activities of \$99.2 million and \$29.2 million, respectively. The increase from 2005 to 2006 is due primarily to the expansion of CMCs in certain markets and the completion of the DAC acquisition in the second quarter of 2006.

Cash Flows from Financing Activities

For the nine months ended September 30, 2006 and 2005, we reported net cash flows provided by (used in) financing activities of \$47.7 million and \$(43.5) million, respectively. The change from 2005 to 2006 principally resulted from increased utilization of our Credit Facility, principally to finance the acquisition of DAC, offset by less repurchases of treasury stock compared to the prior year.

Free Cash Flow and EBITDA

Free Cash Flow (see "Presentation of Non-GAAP Measurements" for the definition of Free Cash Flow) was \$26.0 million and \$6.8 million for the three months ended September 30, 2006 and 2005, respectively, and \$21.4 million and \$26.0 million for the nine months ended September 30, 2006 and 2005, respectively. EBITDA (see "Presentation of Non-GAAP Measurements" for the definition of EBITDA), was \$33.9 million and \$24.6 million for the three months ended September 30, 2006 and 2005, respectively, and \$78.1 million and \$61.4 million for the nine months ended September 30, 2006 and 2005, respectively. The increase in EBITDA for the three months and nine months ended September 30, 2006, is primarily due to an increase in net income compared to the prior year periods.

Obligations and Future Capital Requirements

Future maturities of our outstanding debt and contractual obligations are summarized as follows (amounts in thousands):

	<u>Less than 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Line of credit ¹	\$ —	\$ —	\$ 77,750	\$ —	\$ 77,750
Capital lease obligations ¹	202	227	227	226	882
Grant advances ¹	—	—	—	7,163	7,163
Purchase obligations ²	18,003	10,239	6,613	785	35,640
Operating lease commitments ²	25,087	39,448	26,348	36,847	127,730
Total	<u>\$ 43,292</u>	<u>\$49,914</u>	<u>\$110,938</u>	<u>\$45,021</u>	<u>\$249,165</u>

1 Reflected in the accompanying Condensed Consolidated Balance Sheets

2 Not reflected in the accompanying Condensed Consolidated Balance Sheets

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Purchase Obligations

Occasionally, we contract with certain of our communication clients (which represent approximately one-third of our annual Revenue) to provide us with telecommunication services. We believe these contracts are negotiated on an arms-length basis and may be negotiated at different times and with different legal entities.

Future Capital Requirements

We expect total capital expenditures in 2006 to be approximately \$65 million, including capital expenditures for DAC. Expected capital expenditures in 2006 are related to the opening and/or expansion of CMCs as described above, which represents approximately 70% of expected capital expenditures, and maintenance capital for existing assets and internal technology projects, which represents the remaining 30%. The anticipated level of 2006 capital expenditures is primarily dependent upon new client contracts and the corresponding requirements for additional CMC capacity and enhancements to our technological infrastructure.

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

Debt Instruments and Related Covenants

We discuss debt instruments and related covenants in Note 7 to the Condensed Consolidated Financial Statements.

Client Concentration

Our five largest clients accounted for 40% and 47% of our revenue for the three months ended September 30, 2006 and 2005, respectively. The five largest clients accounted for 43% and 49% of our revenue for the nine months ended September 30, 2006 and 2005, respectively. In addition, these five clients accounted for an even greater proportional share of our consolidated earnings. The profitability of services provided to these clients varies greatly based upon the specific contract terms with any particular client. In addition, clients may adjust business volumes served by us based on their business requirements. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis. We believe the risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients. Although certain client contracts may be terminated for convenience by either party, this risk is mitigated, in part, by the service level disruptions that would arise for our clients.

The contracts with our five largest clients expire between 2007 and 2011. Additionally, a particular client can have multiple contracts with different expiration dates. We have historically renewed most of our contracts with our largest clients. However, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts.

Based upon recent discussions, Client B (see Note 5 to the Condensed Consolidated Financial Statements) plans to utilize its internal offshore centers to perform a portion of the BPO work that we previously performed on their behalf from a North American CMC. The North American CMC that previously served Client B, and the corresponding Customer Service Representatives, have been assigned to new client engagements. This information was considered in developing our Business Outlook below.

Recent Accounting Pronouncements

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

Business Outlook

For the full year 2006, we project revenue to grow approximately 11% to 12% over 2005. This projection includes a contribution of approximately \$35 million of revenue during the last six months of 2006 associated with the acquisition of DAC.

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We believe our fourth quarter 2006 EBITDA margin will approximate 11% to 12% and our operating margin will approximate 7% to 8% excluding unusual charges, if any.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our consolidated financial position, consolidated results of operations, or consolidated cash flows due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk in the areas of changes in U.S. interest rates, LIBOR, and foreign currency exchange rates as measured against the U.S. dollar. These exposures are directly related to our normal operating and funding activities. As of September 30, 2006, we had entered into financial hedge instruments with several financial institutions to manage and reduce the impact of changes, principally the U.S./Canadian dollar exchange rates.

Interest Rate Risk

The interest rate on our Credit Facility is variable based upon the Prime Rate and LIBOR and, therefore, is affected by changes in market interest rates. As of September 30, 2006, there was a \$77.8 million outstanding balance under the Credit Facility. If the Prime Rate increased 100 basis points, there would not be a material impact to the Company.

Foreign Currency Risk

We have operations in Argentina, Australia, Brazil, Canada, China, Germany, India, Malaysia, Mexico, New Zealand, the Philippines, Singapore, Spain, the United Kingdom, and Venezuela. The expenses from these operations, and in some cases the revenue, are denominated in local currency, thereby creating exposures to changes in exchange rates. As a result, we may experience substantial foreign currency translation gains or losses due to the volatility of other currencies compared to the U.S. dollar, which may positively or negatively affect our revenue and net income attributed to these subsidiaries. For the three months ended September 30, 2006 and 2005, revenue from non-U.S. countries represented 64% and 57% of consolidated revenue, respectively. For the nine months ended September 30, 2006 and 2005, revenue from non-U.S. countries represented 64% and 58% of consolidated revenue, respectively.

A business strategy for our North American BPO segment is to serve certain U.S.-based clients from CMCs located in foreign countries, including Argentina, Canada, India, Mexico, and the Philippines, in order to leverage lower operating costs in these foreign countries. In order to mitigate the risk of these foreign currencies strengthening against the U.S. dollar, which thereby decreases the economic benefit of performing work in these countries, we may hedge a portion, but not 100%, of the foreign currency exposure related to client programs served from these foreign countries. While our hedging strategy can protect us from changes in the U.S./foreign currency exchange rates in the short-term, an overall strengthening of the foreign currencies would adversely impact margins in the North American BPO segment over the long-term.

The majority of this exposure is related to work performed from CMCs located in Canada. During the three months ended September 30, 2006 and 2005, the Canadian dollar weakened against the U.S. dollar by 0.3% and strengthened against the U.S. dollar by 5.3%, respectively. During the nine months ended September 30, 2006 and 2005, the Canadian dollar strengthened against the U.S. dollar by 4.3% and 3.7%, respectively. We have contracted with several financial institutions on behalf of our Canadian subsidiary to acquire a total of \$178.1 million Canadian dollars through June 2010 at a fixed price in U.S. dollars of \$159.5 million.

As of September 30, 2006, we had total derivative assets and liabilities associated with foreign exchange contracts of \$4.1 million and \$1.4 million, respectively, of which Canadian dollar derivative assets and liabilities represented \$2.7 million and \$1.4 million, respectively. 100% of the asset value and none of the liability balance settle within the next twelve months. If the U.S./Canadian dollar exchange rate were to increase or decrease 10% from period-end levels, we would incur a material gain or loss on the contracts. However, any gain or loss would be mitigated by corresponding gains or losses in the underlying exposures.

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Other than the transactions hedged as discussed above and in Note 6 to the Condensed Consolidated Financial Statements, the majority of the transactions of our U.S. and foreign operations are denominated in the respective local currency while some transactions are denominated in other currencies. For example, the intercompany transactions that are expected to be settled are denominated in the local currency of the billing company. Since the accounting records of our foreign operations are kept in the respective local currency, any transactions denominated in other currencies are accounted for in the respective local currency at the time of the transaction. Upon settlement of such a transaction, any foreign currency gain or loss results in an adjustment to income. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant as we endeavor to settle these accounts on a timely basis.

Fair Value of Debt and Equity Securities

We did not have any investments in debt or equity securities as of September 30, 2006.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of September 30, 2006, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

The following is in addition to the risk factors titled "*Our business may be affected by risks associated with international operations and expansion*," "*Our financial results may be impacted by our ability to find new locations*," "*Our financial results depend on our ability to manage capacity utilization*," "*Our future success requires continued growth*," and "*Our success depends on key personnel*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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Our financial results may be adversely affected if we are unsuccessful in launching new client programs. As previously announced, we were recently awarded new business with new and existing clients. As a result, we are expanding our capacity in select markets with the addition of an estimated 2,500 workstations in Argentina, Canada, Mexico, and the Philippines. We may have difficulties finding cost effective locations; obtaining favorable lease terms; building or retrofitting facilities in a timely and economic manner; launching new or expanded client programs; and successfully managing the associated internal allocation of personnel and resources. This could cause a decline in or delay in recognition of revenues and an increase in costs, either of which could adversely affect our operating results. In the event we do not successfully expand our capacity or launch the new or expanded client programs, we may be unable to achieve the revenue and profitability expectations outlined in the Business Outlook section.

The following restates the risk factor titled "*Our success may be affected by our ability to complete and integrate acquisitions and joint ventures*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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

Further, it is possible that the contemplated benefits of acquisitions, including the acquisition of DAC in the second quarter of 2006, may not materialize within the expected time periods or to the extent anticipated. Critical to the success of our acquisition strategy in the future is the orderly, effective integration of acquired businesses into our organization. If this integration is unsuccessful, our business may be adversely impacted. There is also the risk that our valuation assumptions and models for an acquisition may be overly optimistic or incorrect. The acquisition model for DAC assumed revenue growth of \$18 million in 2007, including revenue growth within the existing client base. In the event we are not successful in growing DAC's revenue by \$18 million in 2007, or achieving revenue growth within the existing client base, we may not achieve the profitability expectations outlined in the DAC acquisition model, which could adversely affect our consolidated operating results.

The following restates the risk factor titled, "*Our financial results may be adversely impacted by our Database Marketing and Consulting segment*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Our financial results may be adversely impacted by our Database Marketing and Consulting segment. Prior to 2005, our Database Marketing and Consulting segment historically experienced high levels of profitability. During 2005 and the nine months ended September 30, 2006, this segment reported an operating loss. We are taking steps to return this segment to profitability. There can be no assurance that we will be successful in executing our plans to return this segment to prior levels of profitability. In the event we are not successful in executing our plans, all or a portion of this segment's recorded goodwill of \$13.4 million would be impaired, with a corresponding adverse impact on our financial results in the period of impairment. Our current sensitivity testing of the fair value of this segment is such that it would not take a material change to the forecasted results used for estimating the fair value of this segment for an impairment to arise and, accordingly, our success at implementing our plans, as discussed above, during the remainder of 2006 will determine whether our assumptions used for evaluating the fair market value of this segment were sufficient. We plan to evaluate this matter again for the quarter ended December 31, 2006.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In November 2001, the Board of Directors ("Board") authorized a stock repurchase program to repurchase up to \$5 million of our common stock. That plan was subsequently amended by the Board resulting in the authorized repurchase amount increasing to \$165 million. During the three months ended September 30, 2006, we purchased 0.3 million shares for \$4.0 million. During the nine months ended September 30, 2006, we purchased 1.2 million shares for \$14.6 million. From inception of the program through September 30, 2006, we have purchased 13.1 million shares for \$113.7 million, leaving \$51.3 million remaining under the repurchase program as of September 30, 2006. The program does not have an expiration date.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (000's)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (000's)
July 1, 2006 — July 31, 2006	45,000	\$11.52	45,000	\$54,723
August 1, 2006 — August 31, 2006	52,000	\$13.04	52,000	\$54,045
Sept. 1, 2006 — Sept. 30, 2006	184,400	\$15.06	184,400	\$51,268
Total	<u>281,400</u>	\$14.12	<u>281,400</u>	

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.42	Amended and Restated Credit Agreement among TeleTech Holdings, Inc., as borrower, The Lenders named herein, as Lenders, and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent dated as of September 28, 2006.
10.43	First Amendment to the Amended and Restated Credit Agreement among TeleTech Holdings, Inc., as borrower, The Lenders named herein, as Lenders, and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent dated as of October 24, 2006.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
31.2	Certification of Acting Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2	Certification of Acting Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TELETECH HOLDINGS, INC.
(Registrant)

Date: October 25, 2006

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

Date: October 25, 2006

By: /s/ JOHN R. TROKA
John R. Troka
Vice President and
Acting Chief Financial Officer

EXHIBIT INDEX

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AMENDED AND RESTATED CREDIT AGREEMENT

among

TELETECH HOLDINGS, INC.,
as Borrower,

THE LENDERS NAMED HEREIN,
as Lenders,

and

KEYBANK NATIONAL ASSOCIATION,
as Lead Arranger, Sole Book Runner and Administrative Agent

dated as of
September 28, 2006

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This AMENDED AND RESTATED CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this "Agreement") is made effective as of the 28th day of September, 2006 among:

(a) TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower");

(b) the lenders listed on Schedule 1 hereto and each other Eligible Transferee, as hereinafter defined, that from time to time becomes a party hereto pursuant to Section 2.9(b) or 10.10 hereof (collectively, the "Lenders" and, individually, each a "Lender"); and

(c) KEYBANK NATIONAL ASSOCIATION, as lead arranger, sole book runner and administrative agent for the Lenders under this Agreement ("Agent").

WITNESSETH:

WHEREAS, Borrower, Agent and the Lenders entered into that certain Credit Agreement, dated as of May 5, 2004 (as amended, the "Original Credit Agreement");

WHEREAS, this Agreement amends and restates in its entirety the Original Credit Agreement and, upon the effectiveness of this Agreement, on the Closing Date, the terms and provisions of the Original Credit Agreement shall be superseded hereby. All references to "Credit Agreement" contained in the Loan Documents, as defined in the Original Credit Agreement, delivered in connection with the Original Credit Agreement shall be deemed to refer to this Agreement. Notwithstanding the amendment and restatement of the Original Credit Agreement by this Agreement, the Obligations outstanding under the Original Credit Agreement as of the Closing Date shall remain outstanding and constitute Obligations hereunder. Such outstanding Obligations and the guaranties of payment thereof shall in all respects be continuing, and this Agreement shall not be deemed to evidence or result in a novation or repayment and re-borrowing of such Obligations. In furtherance of and, without limiting the foregoing, from and after the Closing Date and except as expressly specified herein, the terms, conditions, and covenants governing the Indebtedness outstanding under the Original Credit Agreement shall be solely as set forth in this Agreement, which shall supersede the Original Credit Agreement in its entirety; and

WHEREAS, Borrower, Agent and the Lenders desire to contract for the establishment of credits in the aggregate principal amounts hereinafter set forth, to be made available to Borrower upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I. DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisition" shall mean any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any Person (other than a Company), or any business or division of any Person (other than a Company), (b) the acquisition of in excess of fifty percent (50%) of the outstanding capital stock (or other equity interest) of any Person (other than a Company), or (c) the acquisition of another Person (other than a Company) by a merger, amalgamation or consolidation or any other combination with such Person.

"Additional Commitment" shall mean that term as defined in Section 2.9(b) hereof.

"Additional Lender" shall mean an Eligible Transferee that shall become a Lender during the Commitment Increase Period pursuant to Section 2.9(b) hereof.

“Additional Lender Assumption Agreement” shall mean an additional lender assumption agreement, in form and substance satisfactory to Agent, wherein an Additional Lender shall become a Lender.

“Additional Lender Assumption Effective Date” shall mean that term as defined in Section 2.9(b) hereof.

“Advantage” shall mean any payment (whether made voluntarily or involuntarily, by offset of any deposit or other indebtedness or otherwise) received by any Lender in respect of the Obligations, if such payment results in that Lender having less than its pro rata share of the Obligations then outstanding.

“Affiliate” shall mean any Person, directly or indirectly, controlling, controlled by or under common control with a Company and “control” (including the correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) shall mean the power, directly or indirectly, to direct or cause the direction of the management and policies of a Company, whether through the ownership of voting securities, by contract or otherwise.

“Agent” shall mean that term as defined in the first paragraph hereof.

“Agreement” shall mean that term as defined in the first paragraph hereof.

“Amended and Restated Agent Fee Letter” shall mean the Agent Fee Letter between Borrower and Agent, dated as of the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

“Applicable Commitment Fee Rate” shall mean:

(a) for the period from the Closing Date through November 30, 2006, twelve and one-half (12.50) basis points; and

(b) commencing with the Consolidated financial statements of Borrower for the fiscal quarter ending September 30, 2006, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on December 1, 2006 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Commitment Fee Rate</u>
Greater than or equal to 2.00 to 1.00	20.00 basis points
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	17.50 basis points
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	15.00 basis points
Less than 1.00 to 1.00	12.50 basis points

After December 1, 2006, changes thereafter to the Applicable Commitment Fee Rate shall be effective on the first day of each month following the date upon which Agent should have received, pursuant to Section 5.3(a) and (b) hereof, the Consolidated financial statements of Borrower. The above matrix does not modify or waive, in any respect, the requirements of Section 5.7 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof. Notwithstanding anything herein to the contrary, during any period when Borrower shall have failed to timely deliver the Consolidated financial statements pursuant to Section 5.3(a) or (b) hereof, or the Compliance Certificate pursuant to Section 5.3(c) hereof, until such time as the appropriate Consolidated financial statements and Compliance Certificate are delivered, the Applicable Commitment Fee Rate shall be the highest rate per annum indicated in the above pricing grid regardless of the Leverage Ratio at such time.

“Applicable Margin” shall mean:

(a) for the period from the Closing Date through November 30, 2006, fifty-five (55) basis points for Eurodollar Loans, zero (0) basis points for Base Rate Loans, and negative forty-five (-45) basis points for Swing Loans; and

(b) commencing with the Consolidated financial statements of Borrower for the fiscal quarter ending September 30, 2006, the number of basis points (depending upon whether Loans are Eurodollar Loans or Base Rate Loans) set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on December 1, 2006 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points for Eurodollar Loans</u>	<u>Applicable Basis Points for Base Rate Loans</u>	<u>Applicable Basis Points for Swing Loans</u>
Greater than or equal to 2.5 to 1.00	125.00	0.00	0.00
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	100.00	0.00	0.00
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	87.50	0.00	0.00
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	75.00	0.00	-25.00
Less than 1.00 to 1.00	55.00	0.00	-45.00

After December 1, 2006, changes thereafter to the Applicable Margin shall be effective on the first day of each month following the date upon which Agent should have received, pursuant to Section 5.3(a) and (b) hereof, the Consolidated financial statements of Borrower. The above matrix does not modify or waive, in any respect, the requirements of Section 5.7 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof. Notwithstanding anything herein to the contrary, during any period when Borrower shall have failed to timely deliver the Consolidated financial statements pursuant to Section 5.3(a) or (b) hereof, or the Compliance Certificate pursuant to Section 5.3(c) hereof, until such time as the appropriate Consolidated financial statements and Compliance Certificate are delivered, the Applicable Margin shall be the highest rate per annum indicated in the above pricing grid regardless of the Leverage Ratio at such time.

“Assignment Agreement” shall mean an Assignment and Acceptance Agreement in the form of the attached Exhibit E.

“Authorized Officer” shall mean a Financial Officer or other individual authorized by a Financial Officer in writing (with a copy to Agent) to handle certain administrative matters in connection with this Agreement.

“Base Rate” shall mean a rate per annum equal to the greater of (a) the Prime Rate or (b) one-half of one percent (0.50%) in excess of the Federal Funds Effective Rate. Any change in the Base Rate shall be effective immediately from and after such change in the Base Rate.

“Base Rate Loan” shall mean a Revolving Loan described in Section 2.2(a) hereof on which Borrower shall pay interest at a rate based on the Derived Base Rate.

“Borrower” shall mean that term as defined in the first paragraph hereof.

“Borrower Investment Policy” shall mean the investment policy of Borrower in effect as of the Closing Date, together with such modifications as approved from time to time by the Board of Directors of Borrower.

“Business Day” shall mean any day that is not a Saturday, a Sunday or another day of the year on which national banks are authorized or required to close, and, if the applicable Business Day relates to a Eurodollar Loan, a day of the year on which dealings in deposits are carried on in the London interbank Eurodollar market.

“Capital Distribution” shall mean a payment made, liability incurred or other consideration given by a Company to any Person that is not a Company, for the purchase, acquisition, redemption, repurchase or retirement

of any capital stock or other equity interest of such Company or as a dividend, return of capital or other distribution (other than any stock dividend, stock split or other equity distribution payable only in capital stock or other equity of such Company) in respect of such Company's capital stock or other equity interest.

"Capitalized Lease Obligations" shall mean obligations of the Companies for the payment of rent for any real or personal property under leases or agreements to lease that, in accordance with GAAP, have been or should be capitalized on the books of the lessee and, for purposes hereof, the amount of any such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Equivalents" shall mean those securities and other investments described in the Borrower Investment Policy.

"Change in Control" shall mean (a) the acquisition of, or, if earlier, the shareholder or director approval of the acquisition of, ownership or voting control, directly or indirectly, beneficially or of record, on or after the Closing Date, by any Person (other than Kenneth D. Tuchman, his spouse, any of his lineal descendants or any trustees or trusts established for his benefit or the benefit of his spouse or any of his lineal descendants) or group (within the meaning of Rule 13d-3 of the SEC under the Securities Exchange Act of 1934, as then in effect) of shares representing more than thirty-five percent (35%) of the aggregate ordinary Voting Power represented by the issued and outstanding capital stock of Borrower; (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors or other governing body of Borrower by Persons who were neither (i) nominated by the board of directors or other governing body of Borrower nor (ii) appointed by directors so nominated; or (c) the occurrence of a change in control, or other similar provision, as defined in any Material Indebtedness Agreement.

"Closing Commitment Amount" shall mean One Hundred Fifty Million Dollars (\$150,000,000).

"Closing Date" shall mean the effective date of this Agreement as set forth in the first paragraph of this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

"Collateral" shall mean the Collateral, as defined in the Security Documents.

"Commitment" shall mean the obligation hereunder of the Lenders, during the Commitment Period, to make Loans, to issue Letters of Credit and to participate in Swing Loans and Letters of Credit pursuant to the Revolving Credit Commitment, up to the Total Commitment Amount.

"Commitment Increase Period" shall mean the period from the Closing Date to the date that is three months prior to the last day of the Commitment Period, or such later date (prior to the last day of the Commitment Period) as shall be agreed to in writing by Agent.

"Commitment Percentage" shall mean, for each Lender, the percentage set forth opposite such Lender's name under the column headed "Commitment Percentage", as listed in Schedule 1 hereto.

"Commitment Period" shall mean the period from the Closing Date to September 27, 2011, or such earlier date on which the Commitment shall have been terminated pursuant to Article VIII hereof.

"Companies" shall mean Borrower and all Subsidiaries.

"Company" shall mean Borrower or a Subsidiary.

"Compliance Certificate" shall mean a certificate in the form of the attached Exhibit D.

"Confirmation of Security Documents" shall mean each Confirmation of Security Documents, relating to Security Documents delivered by the Credit Parties prior to the Closing Date, executed and delivered by a Credit Party as of the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

“Consideration” shall mean, in connection with an Acquisition, the aggregate consideration paid, including borrowed funds, cash, the issuance of securities or notes, the assumption or incurring of liabilities (direct or contingent), the payment of consulting fees or fees for a covenant not to compete and any other consideration paid for such Acquisition, but in all cases excluding earn-outs in respect of such Acquisition, so long as such cash earn-outs (which may be roughly quantified) are not in excess of twenty percent (20%) of the purchase price.

“Consolidated” shall mean the resultant consolidation of the financial statements of Borrower and its Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the consolidated financial statements referred to in Section 6.14 hereof.

“Consolidated Capital Expenditures” shall mean, for any period, the amount of capital expenditures of Borrower, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Depreciation and Amortization Charges” shall mean, for any period, the aggregate of all depreciation and amortization charges for fixed assets, leasehold improvements and general intangibles (specifically including goodwill) of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated EBITDA” shall mean, for any period, on a Consolidated basis and in accordance with GAAP, Consolidated Net Earnings for such period plus, without duplication, the aggregate amounts deducted in determining such Consolidated Net Earnings in respect of (a) Consolidated Interest Expense, (b) Consolidated Income Tax Expense, (c) Consolidated Depreciation and Amortization Charges (and, in addition, current and future amortization charges relating to the capitalized costs incurred by the Companies in connection with the execution and closing of this Agreement and the other Loan Documents (and future costs directly related to the amendment, from time to time, of the foregoing documents)), and (d) (i) non-cash charges incurred in accordance with GAAP (but excluding any non-cash charges related to receivables impairment), minus (ii) extraordinary or unusual non-cash gains not incurred in the ordinary course of business but that were included in the calculation of Consolidated Net Earnings for such period; provided that, for purposes of calculating the Leverage Ratio and the Interest Coverage Ratio, (1) a pro forma calculation of Consolidated EBITDA shall be made for Significant Positive EBITDA Dispositions for any fiscal year of Borrower if Significant Positive EBITDA Dispositions are made, during such fiscal year, in excess of the aggregate amount of Twenty Million Dollars (\$20,000,000), and (2) a pro forma calculation of Consolidated EBITDA shall be made for Significant Positive EBITDA Acquisitions made during such period.

“Consolidated Funded Indebtedness” shall mean, at any date, solely with respect to Indebtedness and other obligations owing by the Companies to Persons other than the Companies and without duplication, the sum of (a) all Indebtedness for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all guaranties of Indebtedness of the type described in this definition, (d) all obligations created under any conditional sale or other title retention agreements, (e) all Capitalized Lease Obligations, synthetic lease and asset securitization obligations (provided that the Companies may exclude synthetic leases of aircraft up to the aggregate amount of Ten Million Dollars (\$10,000,000)), (f) all obligations (contingent or otherwise) with respect to letters of credit, and (g) all obligations for the deferred purchase price of capital assets; as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Income Tax Expense” shall mean, for any period, all provisions for taxes based on the gross or net income of Borrower (including, without limitation, any additions to such taxes, and any penalties and interest with respect thereto), and all franchise taxes of Borrower, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Interest Expense” shall mean, for any period, the interest expense of Borrower, paid in cash, on Consolidated Funded Indebtedness for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Net Earnings” shall mean, for any period, the net income (loss) of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Net Worth” shall mean, at any date, the stockholders’ equity of Borrower, determined as of such date on a Consolidated basis and in accordance with GAAP.

“Controlled Group” shall mean a Company and each Person required to be aggregated with a Company under Code Section 414(b), (c), (m) or (o).

“Credit Event” shall mean the making by the Lenders of a Loan, the conversion by the Lenders of a Base Rate Loan to a Eurodollar Loan, the continuation by the Lenders of a Eurodollar Loan after the end of the applicable Interest Period, the making by the Swing Line Lender of a Swing Loan, or the issuance by the Fronting Lender of a Letter of Credit.

“Credit Party” shall mean Borrower and any Subsidiary or other Affiliate that is a Guarantor of Payment.

“Default” shall mean an event or condition that constitutes, or with the lapse of any applicable grace period or the giving of notice or both would constitute, an Event of Default, and that has not been waived by the Required Lenders (or, if applicable, all of the Lenders) in writing.

“Default Rate” shall mean (a) with respect to any Loan, a rate per annum equal to two percent (2%) in excess of the rate otherwise applicable thereto, and (b) with respect to any other amount, if no rate is specified or available, a rate per annum equal to two percent (2%) in excess of the Derived Base Rate from time to time in effect.

“Derived Base Rate” shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Base Rate Loans plus the Base Rate.

“Derived Eurodollar Rate” shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Eurodollar Loans plus the Eurodollar Rate.

“Derived Swing Loan Rate” shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Swing Loans plus the Base Rate.

“Disposition” shall mean the lease, transfer or other disposition of assets (whether in one or more than one transaction) by a Company, other than a sale, lease, transfer or other disposition made by a Company pursuant to Section 5.12(b), (c), (e) or (f) hereof or in the ordinary course of business.

“Dollar” or the sign \$ shall mean lawful money of the United States of America.

“Domestic Subsidiary” shall mean a Subsidiary that is not a Foreign Subsidiary.

“Dormant Subsidiary” shall mean a Company that (a) has aggregate assets of less than Five Million Dollars (\$5,000,000), and (b) has no direct or indirect Subsidiaries with aggregate assets for all such Subsidiaries of more than Five Million Dollars (\$5,000,000).

“EBITDA” shall mean, for any period, in accordance with GAAP, the net earnings of a Company (without giving effect to extraordinary losses or gains) for such period plus the aggregate amounts deducted in determining such net earnings in respect of (a) interest expense of such Company, (b) income taxes of such Company and (c) the aggregate of all depreciation and amortization charges of such Company for fixed assets, leasehold improvements and general intangibles (specifically including goodwill).

“Eligible Transferee” shall mean a commercial bank, financial institution or other “accredited investor” (as defined in SEC Regulation D) that is not Borrower, a Subsidiary or an Affiliate and that may receive interest payments hereunder or in connection herewith free of U.S. withholding taxes.

“Environmental Laws” shall mean all provisions of law (including the common law), statutes, ordinances, codes, rules, guidelines, policies, procedures, orders in council, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by a Governmental Authority or by any court,

agency, instrumentality, regulatory authority or commission of any of the foregoing concerning environmental health or safety and protection of, or regulation of the discharge of substances into, the environment.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated pursuant thereto.

“ERISA Event” shall mean (a) the existence of a condition or event with respect to an ERISA Plan that is reasonably likely to result in the imposition of a material excise tax or any other material liability on a Company or of the imposition of a Lien on the assets of a Company; (b) the engagement by a Controlled Group member in a non-exempt “prohibited transaction” (as defined under ERISA Section 406 or Code Section 4975) or a breach of a fiduciary duty under ERISA that is reasonably likely to result in a material liability to a Company; (c) the application by a Controlled Group member for a waiver from the minimum funding requirements of Code Section 412 or ERISA Section 302 or a Controlled Group member is required to provide security under Code Section 401(a)(29) or ERISA Section 307; (d) the occurrence of a Reportable Event with respect to any Pension Plan that is reasonably likely to result in a material liability to a Company; (e) the withdrawal by a Controlled Group member from a Multiemployer Plan in a “complete withdrawal” or a “partial withdrawal” (as such terms are defined in ERISA Sections 4203 and 4205, respectively) which is reasonably likely to result in a material liability to a Company; (f) the involvement of, or occurrence or existence of any event or condition that makes likely the involvement of, a Multiemployer Plan in any reorganization under ERISA Section 4241 which is reasonably likely to result in a material liability to a Company; (g) the failure of an ERISA Plan (and any related trust) that is intended to be qualified under Code Sections 401 and 501 to be so qualified or the failure of any “cash or deferred arrangement” under any such ERISA Plan to meet the requirements of Code Section 401(k); (h) the taking by the PBGC of any steps to terminate a Pension Plan or appoint a trustee to administer a Pension Plan, or the taking by a Controlled Group member of any steps to terminate a Pension Plan in a distress termination under ERISA Section 4041(c); (i) the failure by a Controlled Group member or an ERISA Plan to satisfy any requirements of law applicable to an ERISA Plan which is reasonably likely to result in a material liability to one of the Companies; (j) the commencement, existence or threatening of a claim, action, suit, audit or investigation with respect to an ERISA Plan (other than a routine claim for benefits) which is reasonably likely to result in a material liability to a Company; or (k) any incurrence by or any expectation of the incurrence by a Controlled Group member of a material increase in the liability for post-retirement benefits under any Welfare Plan, other than as required by ERISA Section 601, et. seq., or Code Section 4980B.

“ERISA Plan” shall mean an “employee benefit plan” (within the meaning of ERISA Section 3(3)) that a Controlled Group member at any time sponsors, maintains, contributes to, has liability with respect to or has an obligation to contribute to, and which is not excluded from the coverage of ERISA pursuant to Section 4(b)(4) of ERISA.

“Eurocurrency Liabilities” shall have the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“Eurodollar” shall mean a Dollar denominated deposit in a bank or branch outside of the United States.

“Eurodollar Loan” shall mean a Revolving Loan described in Section 2.2(a) hereof, that shall be denominated in Dollars and on which Borrower shall pay interest at a rate based upon the Derived Eurodollar Rate.

“Eurodollar Rate” shall mean, with respect to a Eurodollar Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest 1/16th of 1%) by dividing (a) the rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Eurodollar Loan, as listed on British Bankers Association Interest Rate LIBOR 01 or 02 as provided by Reuters (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London interbank market for Dollar deposits in immediately available funds with a maturity comparable to such Interest Period, provided that, in the event that such rate quotation is not available for any reason, then the Eurodollar Rate shall be the average (rounded upward to the nearest 1/16th of 1%) of the per annum rates at which deposits in immediately available funds in Dollars for the relevant Interest Period and in the amount of the

Eurodollar Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent's discretion) by prime banks in any Eurodollar market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Eurodollar Loan; by (b) 1.00 minus the Reserve Percentage.

"Event of Default" shall mean an event or condition that shall constitute an event of default as defined in Article VII hereof.

"Excluded Taxes" shall mean net income taxes (and franchise taxes imposed in lieu of net income taxes) imposed on Agent or any Lender by the Governmental Authority located in the jurisdiction where Agent or such Lender is organized (other than any such taxes arising solely from Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document).

"Existing Letter of Credit" shall mean that term as defined in Section 2.2(b)(vi) hereof.

"Federal Funds Effective Rate" shall mean, for any day, the rate per annum (rounded upward to the nearest one one-hundredth of one percent (1/100 of 1%)) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the Closing Date.

"Financial Officer" shall mean any of the following officers: chief executive officer, president, chief financial officer, treasurer or assistant treasurer. Unless otherwise qualified, all references to a Financial Officer in this Agreement shall refer to a Financial Officer of Borrower.

"First-Tier Material Foreign Subsidiary" shall mean a Foreign Subsidiary of Borrower (with assets (consolidated for the foreign jurisdiction) in excess of five percent (5%) of Consolidated total assets of Borrower); provided, however, that, if Agent, in its reasonable discretion after consultation with Borrower, determines that the cost of perfecting, in a foreign jurisdiction, the security interest of Agent, for the benefit of the Lenders, in the Pledged Securities relating to any First-Tier Material Foreign Subsidiary (other than those in Canada), is impractical or cost-prohibitive, then Agent may agree to forego the foreign perfection of such security interest.

"Foreign Employee Benefit Plan" shall mean an "employee benefit plan" (within the meaning of ERISA Section 3(3)) that a Controlled Group member or a Foreign Subsidiary at any time sponsors, maintains, contributes to, has liability with respect to or has an obligation to contribute to and which is not covered by ERISA pursuant to ERISA Section 4(b)(4).

"Foreign Subsidiary" shall mean a Subsidiary that is organized under the laws of any jurisdiction other than the United States, any State thereof or the District of Columbia.

"Fronting Lender" shall mean, as to any Letter of Credit transaction hereunder, Agent as issuer of the Letter of Credit, or, in the event that Agent either shall be unable to issue or shall agree that another Lender may issue, a Letter of Credit, such other Lender as shall agree to issue the Letter of Credit in its own name, but on behalf of the Lenders hereunder.

"GAAP" shall mean generally accepted accounting principles in the United States as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, applied on a basis consistent with the past accounting practices and procedures of Borrower.

"Global" shall mean Global One Colorado, Inc. and Global One Insurance Company (f/k/a Global One Captive Insurance Company), together with their respective successors and assigns (other than a Credit Party).

“Governmental Authority” shall mean any nation or government, any state, province or territory or other political subdivision thereof, any governmental agency, authority, instrumentality, regulatory body, court, central bank or other governmental entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

“Guarantor” shall mean a Person that shall have pledged its credit or property in any manner for the payment or other performance of the indebtedness, contract or other obligation of another and includes (without limitation) any guarantor (whether of payment or of collection), surety, co-maker, endorser or Person that shall have agreed conditionally or otherwise to make any purchase, loan or investment in order thereby to enable another to prevent or correct a default of any kind.

“Guarantor of Payment” shall mean each of the Companies set forth on Schedule 2 hereto, each of which is executing and delivering a Guaranty of Payment, and any other Domestic Subsidiary that shall deliver a Guaranty of Payment to Agent subsequent to the Closing Date; provided, however, that (a) none of Percepta or Global shall at any time constitute a Guarantor of Payment, (b) no Foreign Subsidiary or Dormant Subsidiary shall be required to be a Guarantor of Payment, and (c) no joint venture, partnership, limited liability company or captive insurance company in which Borrower or any other Company holds an interest shall be required to be a Guarantor of Payment if such Person’s charter documents or applicable statutes or regulations prohibit such a guaranty.

“Guaranty of Payment” shall mean each Guaranty of Payment and each Amended and Restated Guaranty of Payment, executed and delivered on or after the Closing Date in connection with this Agreement by the Guarantors of Payment, as the same may from time to time be amended, restated or otherwise modified.

“Hedge Agreement” shall mean any (a) hedge agreement, interest rate swap, basis swap agreement, cap, collar or floor agreement, or other interest rate management device (including forward rate agreements) entered into by a Company with any Person, or (b) currency swap agreement, forward currency purchase agreement or similar arrangement or agreement designed to protect against fluctuations in currency exchange rates entered into by a Company with any Person.

“Indebtedness” shall mean, for any Company (excluding in all cases trade payables and guaranties of performance by a Subsidiary payable in the ordinary course of business by such Company), without duplication, (a) all obligations to repay borrowed money, direct or indirect, incurred, assumed, or guaranteed, (b) all obligations for the deferred purchase price of capital assets, (c) all obligations under conditional sales or other title retention agreements, (d) all obligations (contingent or otherwise) under any letter of credit or banker’s acceptance, (e) all net obligations under any currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device or any Hedge Agreement, (f) all synthetic leases, (g) all lease obligations that have been or should be capitalized on the books of such Company in accordance with GAAP (and specifically excluding operating leases that are not required under GAAP to be capitalized on the books of such Company), (h) all obligations of such Company with respect to asset securitization financing programs that are required to be reported as a liability in accordance with GAAP, (i) all obligations to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such Person, (j) any other transaction (including forward sale or purchase agreements) having the commercial effect of a borrowing of money entered into by such Company to finance its operations or capital requirements, and (k) any guaranty of any obligation described in subparts (a) through (j) hereof.

“Interest Adjustment Date” shall mean the last day of each Interest Period.

“Interest Coverage Ratio” shall mean, as determined for the most recently completed four fiscal quarters of Borrower, on a Consolidated basis and in accordance with GAAP, the ratio of (a) (i) Consolidated EBITDA minus (ii) Twenty Million Dollars (\$20,000,000), to (b) Consolidated Interest Expense.

“Interest Period” shall mean, with respect to a Eurodollar Loan, the period commencing on the date such Eurodollar Loan is made and ending on the last day of such period, as selected by Borrower pursuant to the provisions hereof, and, thereafter (unless such Eurodollar Loan is converted to a Base Rate Loan), each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of such period, as selected by Borrower pursuant to the provisions hereof. The duration of each Interest Period for a

Eurodollar Loan shall be one month, two months, three months or six months, in each case as Borrower may select upon notice, as set forth in Section 2.5 hereof; provided that, if Borrower shall fail to so select the duration of any Interest Period at least three Business Days prior to the Interest Adjustment Date applicable to such Eurodollar Loan, Borrower shall be deemed to have converted such Eurodollar Loan to a Base Rate Loan at the end of the then current Interest Period.

“Lender” shall mean that term as defined in the first paragraph hereof and, as the context requires, shall include the Fronting Lender and the Swing Line Lender.

“Letter of Credit” shall mean a standby letter of credit that shall be issued by the Fronting Lender for the account of Borrower or a Guarantor of Payment, including amendments thereto, if any, and shall have an expiration date no later than the earlier of (a) one year after its date of issuance or (b) one year after the last day of the Commitment Period.

“Letter of Credit Commitment” shall mean the commitment of the Fronting Lender, on behalf of the Lenders, to issue Letters of Credit in an aggregate face amount of up to Thirty-Five Million Dollars (\$35,000,000).

“Letter of Credit Exposure” shall mean, at any time, the sum of (a) the aggregate undrawn amount of all issued and outstanding Letters of Credit, and (b) the aggregate of the draws made on Letters of Credit that have not been reimbursed by Borrower or converted to a Revolving Loan pursuant to Section 2.2(b)(iv) hereof.

“Leverage Ratio” shall mean as determined on a Consolidated basis and in accordance with GAAP, the ratio of (a) Consolidated Funded Indebtedness (as of the end of the most recently completed fiscal quarter of Borrower) to (b) Consolidated EBITDA (for the most recently completed four fiscal quarters of Borrower).

“Lien” shall mean any mortgage, deed of trust, security interest, lien (statutory or other), charge, assignment, hypothecation, encumbrance on, pledge or deposit of, or conditional sale, leasing (other than operating leases), sale with a right of redemption or other title retention agreement and any capitalized lease with respect to any property (real or personal) or asset.

“Liquidity Amount” shall mean, at any date, an amount equal to the sum of (a) cash, (b) Cash Equivalents having maturities of not more than one year from the date of acquisition; and (c) the Revolving Credit Availability.

“Loan” shall mean a Revolving Loan or a Swing Loan granted to Borrower by the Lenders in accordance with Section 2.2(a) or 2.2(c) hereof.

“Loan Documents” shall mean, collectively, this Agreement, each Note, each Guaranty of Payment, all documentation relating to each Letter of Credit, each Security Document and the Amended and Restated Agent Fee Letter, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced, and any other document delivered pursuant thereto.

“Material Adverse Effect” shall mean a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of Borrower, (b) the business, operations, property or condition (financial or otherwise) of the Companies taken as a whole, or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of Agent or the Lenders hereunder or thereunder.

“Material Indebtedness Agreement” shall mean any debt instrument, lease (capital, operating or otherwise), guaranty, contract, commitment, agreement or other arrangement evidencing any Indebtedness of any Company or the Companies then in excess of the amount of Twenty Million Dollars (\$20,000,000).

“Maximum Amount” shall mean, for each Lender, the amount set forth opposite such Lender’s name under the column headed “Maximum Amount” as set forth on Schedule 1 hereto, subject to decreases determined pursuant to Section 2.9(a) hereof, increases pursuant to Section 2.9(b) hereof and assignments of interests pursuant to Section 10.10 hereof; provided, however, that the Maximum Amount for the Swing Line Lender shall exclude the Swing Line Commitment (other than its pro rata share), and the Maximum Amount of the Fronting Lender shall exclude the Letter of Credit Commitment (other than its pro rata share).

“Maximum Commitment Amount” shall mean Two Hundred Twenty-Five Million Dollars (\$225,000,000).

“Multiemployer Plan” shall mean a Pension Plan that is subject to the requirements of Subtitle E of Title IV of ERISA.

“Newgen” shall mean Newgen Results Corporation, a Delaware corporation.

“Newgen Companies” shall mean Newgen and Subsidiaries of Newgen.

“Newgen Lease” shall mean that lease made by and between Kilroy Realty, L.P. and Newgen, dated March 27, 2000, and all amendments thereto.

“Newgen Opt-In Date” shall mean the date that is fifteen (15) days after the date that Borrower notifies Agent in writing that the Newgen Companies are no longer to be treated under the Credit Agreement any differently than any other Domestic Subsidiary that is a Credit Party.

“Newgen Permitted Amount” shall mean, prior to the Newgen Opt-In Date, an aggregate net amount of investments and loans by the Companies (other than the Newgen Companies) in and to the Newgen Companies, of (a) up to Thirty Million Dollars (\$30,000,000) during each fiscal year of Borrower, plus (b) the amount for the buyout of certain Newgen contractual obligations as approved in writing on the Closing Date by Agent and the Required Lenders.

“Note” shall mean a Revolving Credit Note or the Swing Line Note, or any other promissory note delivered pursuant to this Agreement.

“Notice of Loan” shall mean a Notice of Loan in the form of the attached Exhibit C.

“Obligations” shall mean, collectively, (a) all Indebtedness and other obligations incurred by Borrower or any Guarantor of Payment to Agent, the Fronting Lender, the Swing Line Lender or any Lender pursuant to this Agreement and the other Loan Documents, and includes the principal of and interest on all Loans and all obligations pursuant to Letters of Credit, (b) each extension, renewal or refinancing of the foregoing, in whole or in part, (c) the commitment and other fees and any prepayment fees payable hereunder, (d) all fees and charges in connection with Letters of Credit, and (e) all Related Expenses.

“Organizational Documents” shall mean, with respect to any Person (other than an individual), such Person’s Articles (Certificate) of Incorporation, operating agreement or equivalent formation documents, and Regulations (Bylaws), or equivalent governing documents, and any amendments to any of the foregoing.

“Other Taxes” shall mean any and all present or future stamp or documentary taxes or any other excise, ad valorem or property taxes, goods and services taxes, harmonized sales taxes and other sales taxes, use taxes, value added taxes, charges or similar taxes or levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participant” shall mean that term as defined in Section 10.11 hereof.

“Patriot Act” shall mean Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001, as amended from time to time.

“PBGC” shall mean the Pension Benefit Guaranty Corporation, and its successor.

“Pension Plan” shall mean an ERISA Plan that is a “pension plan” (within the meaning of ERISA Section 3(2)).

“Percepta” shall mean Percepta, LLC and each of its Subsidiaries.

“Person” shall mean any individual, sole proprietorship, partnership, joint venture, unincorporated organization, corporation, limited liability company, unlimited liability company, institution, trust, estate, Governmental Authority or any other entity.

“Pledge Agreement” shall mean each Pledge Agreement and each Amended and Restated Pledge Agreement, relating to the Pledged Securities, executed and delivered in connection with the Original Credit Agreement and this Agreement by Borrower and each Domestic Subsidiary, as applicable, in favor of Agent, for the benefit of the Lenders, and any other Pledge Agreement executed by any other Domestic Subsidiary after the Closing Date, as any of the foregoing may from time to time be amended, restated or otherwise modified.

“Pledged Securities” shall mean sixty-five percent (65%) of the shares of capital stock or other equity interest of a First-Tier Material Foreign Subsidiary (other than the capital stock of TT International CV, a Netherlands CV, TeleTech International Pty Ltd., an Australian company, and TeleTech Mexico, S.A. de C.V., a Mexican company; provided that, to the extent any of the foregoing Subsidiaries shall be a First-Tier Material Foreign Subsidiary on the first anniversary of the Closing Date, then sixty-five percent (65%) of the capital stock and equity interests of such Subsidiary shall constitute Pledged Securities and Borrower, or the appropriate Credit Party, shall execute documentation satisfactory to Agent evidencing such pledge), whether now owned or hereafter acquired or created, and all proceeds thereof (Schedule 3 hereto lists, as of the Closing Date, all of the Pledged Securities).

“Prime Rate” shall mean the interest rate established from time to time by Agent as Agent’s prime rate, whether or not such rate shall be publicly announced; the Prime Rate may not be the lowest interest rate charged by Agent for commercial or other extensions of credit. Each change in the Prime Rate shall be effective immediately from and after such change.

“Register” shall mean that term as described in Section 10.10(i) hereof.

“Regularly Scheduled Payment Date” shall mean the last day of each March, June, September and December of each year.

“Related Expenses” shall mean any and all reasonable costs, liabilities and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorneys’ fees, reasonable legal expenses, judgments, suits and disbursements) (a) incurred by Agent, or imposed upon or asserted against Agent or any Lender in any attempt by Agent and the Lenders to (i) obtain, preserve, perfect or enforce any Loan Document or any security interest evidenced by any Loan Document; (ii) obtain payment, performance or observance of any and all of the Obligations; or (iii) maintain, insure, audit, collect, preserve, repossess or dispose of any of the collateral securing the Obligations or any part thereof, including, without limitation, reasonable costs and expenses for appraisals, assessments and audits of any Company or any such collateral; or (b) incidental or related to (a) above, including, without limitation, interest thereupon from the date incurred, imposed or asserted until paid at the Default Rate.

“Related Writing” shall mean each Loan Document and any other assignment, mortgage, security agreement, guaranty agreement, subordination agreement, financial statement, audit report or other writing furnished by any Credit Party, or any of its officers, to Agent or the Lenders pursuant to or otherwise in connection with this Agreement.

“Reportable Event” shall mean any of the events described in Section 4043 of ERISA.

“Request for Extension” shall mean a notice, substantially in the form of the attached Exhibit E.

“Required Lenders” shall mean the holders of at least fifty-one percent (51%) of the Total Commitment Amount, or, if there is any borrowing hereunder, the holders of at least fifty-one percent (51%) of the Revolving Credit Exposure; provided that, if the Total Commitment Amount shall be increased pursuant to Section 2.9(b) hereof, Required Lenders shall constitute at least two Lenders.

“Requirement of Law” shall mean, as to any Person, any law, treaty, rule or regulation or determination or policy statement or interpretation of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property.

“Reserve Percentage” shall mean for any day that percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for a member bank of the Federal Reserve System in Cleveland, Ohio, in respect of Eurocurrency Liabilities. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage.

“Restricted Payment” shall mean, with respect to any Company, (a) any Capital Distribution, (b) any amount paid by such Company in repayment, redemption, retirement or repurchase, directly or indirectly, of any Subordinated Indebtedness, or (c) any amount paid by such Company in respect of any management, consulting or other similar arrangement with any director, officer or shareholder of a Company or an Affiliate, in excess of the aggregate amount of One Hundred Thousand Dollars (\$100,000) in any fiscal year.

“Revolving Credit Availability” shall mean, at any time, the amount equal to the Total Commitment Amount minus the Revolving Credit Exposure.

“Revolving Credit Commitment” shall mean the obligation hereunder, during the Commitment Period, of (a) each Lender to make Revolving Loans, (b) the Fronting Lender to issue and each Lender to participate in, Letters of Credit pursuant to the Letter of Credit Commitment, and (c) the Swing Line Lender to make, and each Lender to participate in, Swing Loans pursuant to the Swing Line Commitment.

“Revolving Credit Exposure” shall mean, at any time, the sum of (a) the aggregate principal amount of all Revolving Loans outstanding, (b) the Swing Line Exposure, and (c) the Letter of Credit Exposure.

“Revolving Credit Note” shall mean a Revolving Credit Note executed and delivered pursuant to Section 2.4(a) hereof.

“Revolving Loan” shall mean a Loan that shall be denominated in Dollars granted to Borrower by the Lenders under the Revolving Credit Commitment in accordance with Section 2.2(a) hereof.

“SEC” shall mean the United States Securities and Exchange Commission, or any governmental body or agency succeeding to any of its principal functions.

“Secured Obligations” shall mean, collectively, (a) the Obligations, and (b) all obligations and liabilities of the Companies owing to Lenders under Hedge Agreements.

“Security Agreement” shall mean each Security Agreement executed and delivered in connection with the Original Credit Agreement and this Agreement by a Credit Party in favor of Agent, for the benefit of the Lenders, and any other Security Agreement executed on or after the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

“Security Documents” shall mean each Security Agreement, each Pledge Agreement, each Confirmation of Security Documents, each U.C.C. Financing Statement filed in connection herewith or perfecting any interest created in any of the foregoing documents, and any other document pursuant to which any Lien is granted by a Credit Party to Agent, for the benefit of the Lenders, as security for the Secured Obligations, or any part thereof, and each other agreement executed in connection with any of the foregoing, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced.

“Significant Positive EBITDA Acquisition” shall mean an Acquisition that, as measured for the four fiscal quarters then most recently ended, generated positive EBITDA in excess of Five Million Dollars (\$5,000,000) for the Person being acquired.

“Significant Positive EBITDA Disposition” shall mean a Disposition that, as measured for the four fiscal quarters then most recently ended, generated positive EBITDA for the Company effecting such Disposition in excess of Five Million Dollars (\$5,000,000).

“Subordinated” shall mean, as applied to Indebtedness, Indebtedness that shall have been subordinated (by written terms or written agreement being, in either case, in form and substance satisfactory to Agent and the Required Lenders) in favor of the prior payment in full of the Obligations.

“Subsidiary” shall mean (a) a corporation more than fifty percent (50%) of the Voting Power of which is owned, directly or indirectly, by Borrower or by one or more other subsidiaries of Borrower or by Borrower and one or more subsidiaries of Borrower, (b) a partnership, limited liability company or unlimited liability company of which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, is a general partner or managing member, as the case may be, or otherwise has an ownership interest greater than fifty percent (50%) of all of the ownership interests in such partnership, limited liability company, or unlimited liability company, or (c) any other Person (other than a corporation, partnership, limited liability company or unlimited liability company) in which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, has at least a majority interest in the Voting Power or the power to elect or direct the election of a majority of directors or other governing body of such Person.

“Supporting Letter of Credit” shall mean a standby letter of credit, in form and substance satisfactory to Agent and the Fronting Lender, issued by an issuer satisfactory to Agent and the Fronting Lender.

“Swing Line Commitment” shall mean the commitment of the Swing Line Lender to make Swing Loans to Borrower up to the aggregate amount at any time outstanding of Twenty-Five Million Dollars (\$25,000,000).

“Swing Line Exposure” shall mean, at any time, the aggregate principal amount of all Swing Loans outstanding.

“Swing Line Lender” shall mean KeyBank National Association, as holder of the Swing Line Commitment.

“Swing Line Note” shall mean the Swing Line Note, in the form of the attached Exhibit B, executed and delivered pursuant to Section 2.4(b) hereof.

“Swing Loan” shall mean a Loan that shall be denominated in Dollars granted to Borrower by the Swing Line Lender under the Swing Line Commitment, in accordance with Section 2.2(c) hereof.

“Swing Loan Maturity Date” shall mean, with respect to any Swing Loan, the earlier of (a) twenty (20) days after the date such Swing Loan is made, or (b) the last day of the Commitment Period.

“Taxes” shall mean any and all present or future taxes of any kind, including but not limited to, levies, imposts, duties, surtaxes, charges, fees, deductions or withholdings now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (together with any interest, penalties, fines, additions to taxes or similar liabilities with respect thereto) other than Excluded Taxes.

“Total Commitment Amount” shall mean the Closing Commitment Amount, as such amount may be increased up to the Maximum Commitment Amount pursuant to Section 2.9(b) hereof, or decreased pursuant to Section 2.9(a) hereof.

“U.C.C.” shall mean the Uniform Commercial Code, as in effect from time to time in Ohio.

“U.C.C. Financing Statement” shall mean a financing statement filed or to be filed in accordance with the Uniform Commercial Code, as in effect from time to time, in the relevant state or states.

“Voting Power” shall mean, with respect to any Person, the exclusive ability to control, through the ownership of shares of capital stock, partnership interests, membership interests or otherwise, the election of members of the board of directors or other similar governing body of such Person. The holding of a designated percentage of Voting Power of a Person means the ownership of shares of capital stock, partnership interests, membership interests or other interests of such Person sufficient to control exclusively the election of that percentage of the members of the board of directors or similar governing body of such Person.

“Welfare Plan” shall mean an ERISA Plan that is a “welfare plan” within the meaning of ERISA Section 3(l).

Section 1.2. Accounting Terms. Any accounting term not specifically defined in this Article I shall have the meaning ascribed thereto by GAAP.

Section 1.3. Terms Generally. The foregoing definitions shall be applicable to the singular and plural forms of the foregoing defined terms. Unless otherwise defined in this Article I, terms that are defined in the U.C.C. are used herein as so defined.

ARTICLE II. AMOUNT AND TERMS OF CREDIT

Section 2.1. Amount and Nature of Credit.

(a) Subject to the terms and conditions of this Agreement, the Lenders, during the Commitment Period and to the extent hereinafter provided, shall make Loans to Borrower, participate in Swing Loans made by the Swing Line Lender to Borrower, and issue or participate in Letters of Credit at the request of Borrower, in such aggregate amount as Borrower shall request pursuant to the Commitment; provided, however, that in no event shall the Revolving Credit Exposure be in excess of the Total Commitment Amount.

(b) Each Lender, for itself and not one for any other, agrees to make Loans, participate in Swing Loans, and issue or participate in Letters of Credit, during the Commitment Period, on such basis that, immediately after the completion of any borrowing by Borrower or the issuance of a Letter of Credit:

(i) the aggregate outstanding principal amount of Loans made by such Lender (other than Swing Loans made by the Swing Line Lender), when combined with such Lender’s pro rata share, if any, of the Letter of Credit Exposure and the Swing Line Exposure, shall not be in excess of the Maximum Amount for such Lender; and

(ii) the aggregate outstanding principal amount of Loans (other than Swing Loans) made by such Lender shall represent that percentage of the aggregate principal amount then outstanding on all Loans (other than Swing Loans) that shall be such Lender’s Commitment Percentage. Each borrowing (other than Swing Loans) from the Lenders shall be made pro rata according to the respective Commitment Percentages of the Lenders.

(c) The Loans may be made as Revolving Loans as described in Section 2.2(a) hereof and Swing Loans as described in Section 2.2(c) hereof, and Letters of Credit may be issued in accordance with Section 2.2(b) hereof.

Section 2.2. Revolving Credit.

(a) Revolving Loans. Subject to the terms and conditions of this Agreement, during the Commitment Period, the Lenders shall make a Revolving Loan or Revolving Loans to Borrower in such amount or amounts as Borrower, through an Authorized Officer, may from time to time request, but not exceeding in aggregate principal amount at any time outstanding hereunder the Total Commitment Amount, when such Revolving Loans are combined with the Letter of Credit Exposure and the Swing Line Exposure. Borrower shall have the option, subject to the terms and conditions set forth herein, to borrow Revolving Loans, maturing on the last day of the Commitment Period, by means of any combination of Base Rate Loans or Eurodollar Loans. Subject to the

provisions of this Agreement, Borrower shall be entitled under this Section 2.2(a) to borrow funds, repay the same in whole or in part and re-borrow hereunder at any time and from time to time during the Commitment Period.

(b) Letters of Credit.

(i) Generally. Subject to the terms and conditions of this Agreement, during the Commitment Period, the Fronting Lender shall, in its own name, on behalf of the Lenders, issue such Letters of Credit for the account of a Company, as Borrower may from time to time request. Borrower shall not request any Letter of Credit (and the Fronting Lender shall not be obligated to issue any Letter of Credit) if, after giving effect thereto, (A) the Letter of Credit Exposure would exceed the Letter of Credit Commitment or (B) the Revolving Credit Exposure would exceed the Total Commitment Amount. The issuance of each Letter of Credit shall confer upon each Lender the benefits and liabilities of a participation consisting of an undivided pro rata interest in the Letter of Credit to the extent of such Lender's Commitment Percentage.

(ii) Request for Letter of Credit. Each request for a Letter of Credit shall be delivered to Agent (and to the Fronting Lender, if the Fronting Lender is a Lender other than Agent) by an Authorized Officer not later than 10:00 A.M. (Mountain time) three Business Days prior to the date of the proposed issuance of the Letter of Credit. Each such request shall be in a form acceptable to Agent (and the Fronting Lender, if the Fronting Lender is a Lender other than Agent) and shall specify the face amount thereof, the account party, the beneficiary, the requested date of issuance, amendment, renewal or extension, the expiry date thereof, and the nature of the transaction or obligation to be supported thereby. Concurrently with each such request, Borrower, and any Company for whose account the Letter of Credit is to be issued, shall execute and deliver to the Fronting Lender an appropriate application and agreement, being in the standard form of the Fronting Lender for such letters of credit, as amended to conform to the provisions of this Agreement if required by Agent. Agent shall give the Fronting Lender and each Lender notice of each such request for a Letter of Credit.

(iii) Standby Letters of Credit. With respect to each Letter of Credit and the drafts thereunder, if any, whether issued for the account of Borrower or any other Company, Borrower agrees to (A) pay to Agent, for the pro rata benefit of the Lenders, a non-refundable commission based upon the face amount of such Letter of Credit, which shall be paid quarterly in arrears, on each Regularly Scheduled Payment Date, at the rate of the Applicable Margin for Eurodollar Loans (in effect on the date such payment is to be made) multiplied by the undrawn face amount of such Letter of Credit; (B) pay to Agent, for the sole benefit of the Fronting Lender, an additional Letter of Credit fee, which shall be paid on each date that such Letter of Credit shall be issued or renewed at the rate of one-eighth percent (1/8%) of the face amount of such Letter of Credit; and (C) pay to Agent, for the sole benefit of the Fronting Lender, such other issuance, amendment, negotiation, draw, acceptance, telex, courier, postage and similar transactional fees as are customarily charged by the Fronting Lender in respect of the issuance and administration of similar letters of credit under its fee schedule as in effect from time to time.

(iv) Refunding of Letters of Credit with Revolving Loans. Whenever a Letter of Credit shall be drawn, Borrower shall immediately reimburse the Fronting Lender for the amount drawn. In the event that the amount drawn shall not have been reimbursed by Borrower on the date of the drawing of such Letter of Credit, at the sole option of Agent (and the Fronting Lender, if the Fronting Lender is a Lender other than Agent), Borrower shall be deemed to have requested a Revolving Loan, subject to the provisions of Sections 2.2(a) and 2.5 hereof (other than the requirement set forth in Section 2.5(d) hereof), in the amount drawn. Such Revolving Loan shall be evidenced by the Revolving Credit Notes (or, if a Lender has not requested a Revolving Credit Note, by the records of Agent and such Lender). Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that its obligation to make a Revolving Loan pursuant to Section 2.2(a) hereof when required by this subsection (iv) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of the Fronting Lender, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment

shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this subsection (iv) to reimburse, in full (other than the Fronting Lender's pro rata share of such borrowing), the Fronting Lender for the amount drawn on such Letter of Credit. Each such Revolving Loan shall be deemed to be a Base Rate Loan unless otherwise requested by and available to Borrower hereunder. Each Lender is hereby authorized to record on its records relating to its Revolving Credit Note (or, if such Lender has not requested a Revolving Credit Note, its records relating to Revolving Loans) such Lender's pro rata share of the amounts paid and not reimbursed on the Letters of Credit.

(v) Participation in Letters of Credit. If, for any reason, Agent (and the Fronting Lender if the Fronting Lender is a Lender other than Agent) shall be unable to or, in the opinion of Agent, it shall be impracticable to, convert any Letter of Credit to a Revolving Loan pursuant to the preceding subsection, Agent (and the Fronting Lender if the Fronting Lender is a Lender other than Agent) shall have the right to request that each Lender purchase a participation in the amount due with respect to such Letter of Credit, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, the Fronting Lender hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from the Fronting Lender, an undivided participation interest in the amount due with respect to such Letter of Credit in an amount equal to such Lender's Commitment Percentage of the principal amount due with respect to such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for the account of the Fronting Lender, such Lender's ratable share of the amount due with respect to such Letter of Credit (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in the amount due under any Letter of Credit that is drawn but not reimbursed by Borrower pursuant to this subsection (v) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this subsection (v) by wire transfer of immediately available funds, in the same manner as provided in Section 2.5 hereof with respect to Revolving Loans. Each Lender is hereby authorized to record on its records such Lender's pro rata share of the amounts paid and not reimbursed on the Letters of Credit. In addition, each Lender agrees to risk participate in the Existing Letters of Credit as provided in subsection (vi) below.

(vi) Existing Letters of Credit. Schedule 2.2 hereto contains a description of all letters of credit outstanding on, and to continue in effect after, the Closing Date. Each such letter of credit issued by a bank that is or becomes a Lender under this Agreement on the Closing Date (each, an "Existing Letter of Credit") shall constitute a "Letter of Credit" for all purposes of this Agreement, issued, for purposes of subsection (v) above, on the Closing Date. Borrower, Agent and the Lenders hereby agree that, from and after such date, the terms of this Agreement shall apply to the Existing Letters of Credit, superseding any other agreement theretofore applicable to them to the extent inconsistent with the terms hereof. Notwithstanding anything to the contrary in any reimbursement agreement applicable to the Existing Letters of Credit, the fees payable in connection with each Existing Letter of Credit to be shared with the Lenders shall accrue from the Closing Date at the rate provided in this subsection (vi).

(vii) Letters of Credit Outstanding Beyond the Commitment Period. If any Letter of Credit is outstanding upon the termination of the Commitment, then, upon such termination, Borrower shall deposit with Agent, for the benefit of the Fronting Lender, with respect to all outstanding Letters of Credit, either cash or a Supporting Letter of Credit, which, in each case, is (A) in an amount equal to one hundred five percent (105%) of the undrawn amount of the outstanding Letters of Credit, and (B) free and clear of all rights and claims of third parties. The cash shall be deposited in an escrow account at a financial institution designated by the Fronting Lender. The Fronting Lender shall be entitled to withdraw (with respect to the cash) or draw (with respect to the Supporting Letter of Credit) amounts necessary to reimburse the Fronting Lender for payments to be made under the Letters of Credit and any fees and expenses associated with such Letters of Credit, or incurred pursuant to the reimbursement agreements with respect to such Letters of

Credit. Borrower shall also execute such documentation as Agent or the Fronting Lender may reasonably require in connection with the survival of the Letters of Credit beyond the Commitment or this Agreement. After expiration of all undrawn Letters of Credit, the Supporting Letter of Credit or the remainder of the cash, as the case may be, shall promptly be returned to Borrower.

(c) Swing Loans.

(i) Generally. Subject to the terms and conditions of this Agreement, during the Commitment Period, the Swing Line Lender shall make a Swing Loan or Swing Loans to Borrower in such amount or amounts as Borrower, through an Authorized Officer, may from time to time request; provided that Borrower shall not request any Swing Loan if, after giving effect thereto, (A) the Revolving Credit Exposure would exceed the Total Commitment Amount, or (B) the Swing Line Exposure would exceed the Swing Line Commitment. Each Swing Loan shall be due and payable on the Swing Loan Maturity Date applicable thereto. Borrower may prepay Swing Loans in accordance with Section 2.7 hereof.

(ii) Refunding of Swing Loans. If the Swing Line Lender so elects, by giving notice to Borrower and the Lenders, Borrower agrees that the Swing Line Lender shall have the right, in its sole discretion, to require that any Swing Loan be refinanced as a Revolving Loan. Such Revolving Loan shall be a Base Rate Loan unless otherwise requested by and available to Borrower hereunder. Upon receipt of such notice by Borrower and the Lenders, Borrower shall be deemed, on such day, to have requested a Revolving Loan in the principal amount of the Swing Loan in accordance with Sections 2.2(a) and 2.5 hereof (other than the requirement set forth in Section 2.5(d) hereof). Such Revolving Loan shall be evidenced by the Revolving Credit Notes (or, if a Lender has not requested a Revolving Credit Note, by the records of Agent and such Lender). Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that such Lender's obligation to make a Revolving Loan pursuant to Section 2.2(a) hereof when required by this subsection (ii) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of the Swing Line Lender, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this subsection (ii) to repay in full such Swing Loan. Each Lender is hereby authorized to record on its records relating to its Revolving Credit Note (or, if such Lender has not requested a Revolving Credit Note, its records relating to Revolving Loans) such Lender's pro rata share of the amounts paid to refund such Swing Loan.

(iii) Participation in Swing Loans. If, for any reason, Agent is unable to or, in the opinion of Agent, it is impracticable to, convert any Swing Loan to a Revolving Loan pursuant to the preceding subsection (ii), then on any day that a Swing Loan is outstanding (whether before or after the maturity thereof), Agent shall have the right to request that each Lender purchase a participation in such Swing Loan, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, the Swing Line Lender hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from the Swing Line Lender, an undivided participation interest in such Swing Loan in an amount equal to such Lender's Commitment Percentage of the principal amount of such Swing Loan. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for the benefit of the Swing Line Lender, such Lender's ratable share of such Swing Loan (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in Swing Loans pursuant to this subsection (iii) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this subsection (iii) by wire transfer of

immediately available funds, in the same manner as provided in Section 2.5 hereof with respect to Revolving Loans to be made by such Lender.

Section 2.3. Interest.

(a) Revolving Loans.

(i) Base Rate Loan. Borrower shall pay interest on the unpaid principal amount of a Base Rate Loan outstanding from time to time from the date thereof until paid at the Derived Base Rate from time to time in effect. Interest on such Base Rate Loan shall be payable, commencing September 30, 2006, and on each Regularly Scheduled Payment Date thereafter and at the maturity thereof.

(ii) Eurodollar Loans. Borrower shall pay interest on the unpaid principal amount of each Eurodollar Loan outstanding from time to time, fixed in advance on the first day of the Interest Period applicable thereto through the last day of the Interest Period applicable thereto (but subject to changes in the Applicable Margin), at the Derived Eurodollar Rate. Interest on such Eurodollar Loan shall be payable on each Interest Adjustment Date with respect to an Interest Period (provided that if an Interest Period shall exceed three months, the interest must be paid every three months, commencing three months from the beginning of such Interest Period).

(b) Swing Loans. Borrower shall pay interest to Agent, for the sole benefit of the Swing Line Lender (and any Lender that shall have purchased a participation in such Swing Loan), on the unpaid principal amount of each Swing Loan outstanding from time to time from the date thereof until paid at the Derived Swing Loan Rate applicable to such Swing Loan. Interest on each Swing Loan shall be payable on the Swing Loan Maturity Date applicable thereto. Each Swing Loan shall bear interest for a minimum of one day.

(c) Default Rate. Anything herein to the contrary notwithstanding, if an Event of Default shall occur, (i) the principal of each Loan and the unpaid interest thereon shall bear interest, until paid, at the Default Rate, (ii) the fee for the aggregate undrawn amount of all issued and outstanding Letters of Credit shall be increased by two percent (2%) in excess of the rate otherwise applicable thereto, and (iii) in the case of any other amount not paid when due from Borrower hereunder or under any other Loan Document, such amount shall bear interest at the Default Rate.

(d) Limitation on Interest. In no event shall the rate of interest hereunder exceed the maximum rate allowable by law.

Section 2.4. Evidence of Indebtedness.

(a) Revolving Loans. Upon the request of a Lender, to evidence the obligation of Borrower to repay the Revolving Loans made by each such Lender and to pay interest thereon, Borrower shall execute a Revolving Credit Note, payable to the order of such Lender in the principal amount of its Revolving Credit Commitment, or, if less, the aggregate unpaid principal amount of Revolving Loans made by such Lender; provided, however, that the failure of a Lender to request a Revolving Credit Note shall in no way detract from Borrower's obligations to such Lender hereunder.

(b) Swing Loan. Upon the request of the Swing Line Lender, to evidence the obligation of Borrower to repay the Swing Loans and to pay interest thereon, Borrower shall execute a Swing Line Note, and payable to the order of the Swing Line Lender in the principal amount of the Swing Line Commitment, or, if less, the aggregate unpaid principal amount of Swing Loans made by the Swing Line Lender; provided, however, that the failure of the Swing Line Lender to request a Swing Line Note shall in no way detract from Borrower's obligations to the Swing Line Lender hereunder.

Section 2.5. Notice of Credit Event; Funding of Loans.

(a) Notice of Credit Event. Borrower, through an Authorized Officer, shall provide to Agent a Notice of Loan prior to (i) 10:00 A.M. (Mountain time) on the proposed date of borrowing or conversion of any Base Rate

Loan, (ii) 10:00 A.M. (Mountain time) three Business Days prior to the proposed date of borrowing, conversion or continuation of any Eurodollar Loan, and (iii) 12:00 Noon (Mountain time) on the proposed date of borrowing of any Swing Loan. Borrower shall comply with the notice provisions set forth in Section 2.2(b) hereof with respect to Letters of Credit.

(b) Funding of Loans. Agent shall notify each Lender of the date, amount and Interest Period (if applicable) promptly upon the receipt of a Notice of Loan, and, in any event, by 12:00 Noon. (Mountain time) on the date such Notice of Loan is received. On the date that the Credit Event set forth in Notice of Loan is to occur, each such Lender shall provide to Agent, not later than 1:00 P.M. (Mountain time), the amount in Dollars, in federal or other immediately available funds, required of it. If Agent shall elect to advance the proceeds of such Loan prior to receiving funds from such Lender, Agent shall have the right, upon prior notice to Borrower, to debit any account of Borrower or otherwise receive such amount from Borrower, on demand, in the event that such Lender shall fail to reimburse Agent in accordance with this subsection. Agent shall also have the right to receive interest from such Lender at the Federal Funds Effective Rate in the event that such Lender shall fail to provide its portion of the Loan on the date requested and Agent shall elect to provide such funds.

(c) Conversion of Loans. At the request of Borrower to Agent, subject to the notice and other provisions of this Section 2.5, the Lenders shall convert a Base Rate Loan to one or more Eurodollar Loans at any time and shall convert a Eurodollar Loan to a Base Rate Loan on any Interest Adjustment Date applicable thereto. Swing Loans may be converted by the Swing Line Lender to Revolving Loans in accordance with Section 2.2(c)(ii) hereof.

(d) Minimum Amount. Each request for:

(i) a Base Rate Loan shall be in an amount of not less than Five Hundred Thousand Dollars (\$500,000), increased by increments of One Hundred Thousand Dollars (\$100,000);

(ii) a Eurodollar Loan shall be in an amount of not less than Two Million Dollars (\$2,000,000), increased by increments of One Million Dollars (\$1,000,000); and

(iii) a Swing Loan shall be in an amount not less than Two Hundred Fifty Thousand Dollars (\$250,000).

(e) Interest Periods. Borrower shall not request that Eurodollar Loans be outstanding for more than ten different Interest Periods, and, if a Base Rate Loan is outstanding, then Eurodollar Loans shall be limited to nine different Interest Periods at the same time.

Section 2.6. Payment on Loans and Other Obligations.

(a) Payments Generally. Each payment made hereunder by a Credit Party shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever.

(b) Payments from Borrower. All payments (including prepayments) to Agent of the principal of or interest on any Loan or other payment, including but not limited to principal, interest or fees, or any other amount owed by Borrower under this Agreement, shall be made in Dollars. All payments described in this subsection (b) shall be remitted to Agent, at the address of Agent for notices referred to in Section 10.4 hereof, for the account of the Lenders (or the Fronting Lender or the Swing Line Lender, as appropriate) not later than 10:00 A.M. (Mountain time) on the due date thereof in immediately available funds. Other than with respect to payments made by wire transfer that are released by Borrower by 10:00 A.M. (Mountain time), any such payments received by Agent after 10:00 A.M. (Mountain time) shall be deemed to have been made and received on the next Business Day.

(c) Payments to Lenders. Upon Agent's receipt of payments hereunder, Agent shall immediately distribute to each Lender (except with respect to Swing Loans, which shall be paid to the Swing Line Lender) its ratable share, if any, of the amount of principal, interest, and commitment and other fees received by Agent for the account of such Lender. Each Lender shall record any principal, interest or other payment, the principal amounts of Base Rate Loans, Eurodollar Loans and Swing Loans, prepayments, and the applicable dates, including Interest

Periods, with respect to the Loans made, and payments received by such Lender, by such method as such Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligations of Borrower under this Agreement or any Note. The aggregate unpaid amount of Loans, types of Loans, Interest Periods and similar information with respect to the Loans and Letters of Credit set forth on the records of Agent shall be rebuttably presumptive evidence with respect to such information, including the amounts of principal and interest owing to each Lender.

(d) Timing of Payments. Whenever any payment to be made hereunder, including, without limitation, any payment to be made on any Loan, shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next Business Day and such extension of time shall in each case be included in the computation of the interest payable on such Loan; provided, however, that, with respect to a Eurodollar Loan, if the next Business Day shall fall in the succeeding calendar month, such payment shall be made on the preceding Business Day and the relevant Interest Period shall be adjusted accordingly.

Section 2.7. Prepayment.

(a) Right to Prepay. Borrower shall have the right at any time or from time to time to prepay, on a pro rata basis for all of the Lenders (except with respect to Swing Loans, which shall be paid to the Swing Line Lender), all or any part of the principal amount of the Loans, as designated by Borrower. Such payment shall include interest accrued on the amount so prepaid to the date of such prepayment and any amount payable under Article III hereof with respect to the amount being prepaid. Borrower shall have the right, at any time or from time to time, to prepay, for the benefit of the Swing Line Lender (and any Lender that has purchased a participation in such Swing Loan), all or any part of the principal amount of the Swing Loans then outstanding, as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment.

(b) Notice of Prepayment. Borrower shall give Agent notice of prepayment of a Base Rate Loan or Swing Loan by no later than 11:00 A.M. (Mountain time) one Business Day before the Business Day on which such prepayment is to be made and written notice of the prepayment of any Eurodollar Loan not later than 11:00 A.M. (Mountain time) three Business Days before the Business Day on which such prepayment is to be made.

(c) Minimum Amount. Each prepayment of a Eurodollar Loan by Borrower shall be in the principal amount of not less than the lesser of One Million Dollars (\$1,000,000) or the principal amount of such Loan or, with respect to a Swing Loan, the principal balance of such Swing Loan, except in the case of a mandatory payment pursuant to Section 2.11 hereof or Article III hereof.

Section 2.8. Commitment and Other Fees.

(a) Commitment Fee. Borrower shall pay to Agent, for the ratable account of the Lenders, as a consideration for the Commitment, a commitment fee from the Closing Date to and including the last day of the Commitment Period, payable quarterly, at a rate per annum equal to (i) the Applicable Commitment Fee Rate in effect on the payment date, multiplied by (ii) (A) the average daily Total Commitment Amount in effect during such quarter, minus (B) the average daily Revolving Credit Exposure (exclusive of the Swing Line Exposure) during such quarter. The commitment fee shall be payable in arrears, on December 31, 2006 and on each Regularly Scheduled Payment Date thereafter, and on the last day of the Commitment Period.

(b) Agent Fee. Borrower shall pay to Agent, for its sole benefit, the fees set forth in the Amended and Restated Agent Fee Letter.

Section 2.9. Modification of Commitment.

(a) Optional Reduction of Commitment. Borrower may at any time and from time to time permanently reduce in whole or ratably in part the Total Commitment Amount to an amount not less than the then existing Revolving Credit Exposure, by giving Agent not fewer than three Business Days' written notice of such reduction, provided that any such partial reduction shall be in an aggregate amount, for all of the Lenders, of not less than Five Million Dollars (\$5,000,000), increased by increments of One Million Dollars (\$1,000,000). Agent shall promptly notify each Lender of the date of each such reduction and such Lender's proportionate share thereof. After

each such reduction, the commitment fees payable hereunder shall be calculated upon the Total Commitment Amount as so reduced. If Borrower reduces in whole the Commitment, on the effective date of such reduction (Borrower having prepaid in full the unpaid principal balance, if any, of the Loans, together with all interest and commitment and other fees accrued and unpaid, and provided that no Letter of Credit Exposure or Swing Line Exposure shall exist), all of the Notes shall be delivered to Agent marked "Canceled" and Agent shall redeliver such Notes to Borrower. Any partial reduction in the Total Commitment Amount shall be effective during the remainder of the Commitment Period.

(b) Increase in Commitment. At any time during the Commitment Increase Period, Borrower may request that Agent increase the Total Commitment Amount from the Closing Commitment Amount up to an amount that shall not exceed the Maximum Commitment Amount. Each such increase shall be in an amount of at least Ten Million Dollars (\$10,000,000), increased by increments of One Million Dollar (\$1,000,000), and may be made by either (i) increasing, for one or more Lenders, with their prior written consent, their respective Revolving Credit Commitments, or (ii) including one or more Additional Lenders, each with a new Revolving Credit Commitment, as a party to this Agreement (collectively, the "Additional Commitment"); provided, however, that existing Lenders shall be given the first opportunity to provide Additional Commitments. During the Commitment Increase Period, the Lenders agree that Agent, in its sole discretion, may permit one or more Additional Commitments upon satisfaction of the following requirements: (A) each Additional Lender, if any, shall execute an Additional Lender Assumption Agreement, (B) Agent shall provide to Borrower and each Lender a revised Schedule 1 to this Agreement, including revised Commitment Percentages for each of the Lenders, if appropriate, at least three Business Days prior to the date of the effectiveness of such Additional Commitments (each an "Additional Lender Assumption Effective Date"), and (C) Borrower shall execute and deliver to Agent and the Lenders such replacement or additional Revolving Credit Notes as shall be required by Agent (and requested by the Lenders). The Lenders hereby authorize Agent to execute each Additional Lender Assumption Agreement on behalf of the Lenders. On each Additional Lender Assumption Effective Date, the Lenders shall make adjustments among themselves with respect to the Revolving Loans then outstanding and amounts of principal, interest, commitment fees and other amounts paid or payable with respect thereto as shall be necessary, in the opinion of Agent, in order to reallocate among such Lenders such outstanding amounts, based on the revised Commitment Percentages and to otherwise carry out fully the intent and terms of this Section 2.9(b). Borrower shall not request any increase in the Commitment pursuant to this Section 2.9(b) if a Default or an Event of Default shall then exist, or immediately after giving effect to any such increase would exist.

Section 2.10. Computation of Interest and Fees. With the exception of Base Rate Loans, interest on Loans and commitment and other fees and charges hereunder shall be computed on the basis of a year having three hundred sixty (360) days and calculated for the actual number of days elapsed. With respect to Base Rate Loans, interest shall be computed on the basis of a year having three hundred sixty-five (365) days or three hundred sixty-six (366) days, as the case may be, and calculated for the actual number of days elapsed.

Section 2.11. Mandatory Payments.

(a) If, at any time, the Revolving Credit Exposure shall exceed the Total Commitment Amount as then in effect, Borrower shall, as promptly as practicable, but in no event later than the next Business Day, pay an aggregate principal amount of the Revolving Loans sufficient to bring the Revolving Credit Exposure within the Total Commitment Amount.

(b) If, at any time, the Swing Line Exposure shall exceed the Swing Line Commitment, Borrower shall, as promptly as practicable, but in no event later than the next Business Day, prepay an aggregate principal amount of the Swing Loans sufficient to bring the Swing Line Exposure within the Swing Line Commitment.

(c) Unless otherwise designated by Borrower, each prepayment pursuant to Section 2.11(a) or (b) hereof shall be applied in the following order (i) first, on a pro rata basis for the Lenders, to outstanding Base Rate Loans, and (ii) second, on a pro rata basis for the Lenders, to outstanding Eurodollar Loans, provided that, if the outstanding principal amount of any Eurodollar Loan shall be reduced to an amount less than the minimum amount set forth in Section 2.5(d) hereof as a result of such prepayment, then such Eurodollar Loan shall be converted into a Base Rate Loan on the date of such prepayment. Any prepayment of a Eurodollar Loan pursuant to this Section 2.11 shall be subject to the prepayment provisions set forth in Article III hereof.

Section 2.12. Extension of Commitment. Contemporaneously with the delivery of the financial statements required pursuant to Section 5.3(b) hereof (beginning with the financial statements for the fiscal year of Borrower ending December 31, 2006), Borrower may deliver a Request for Extension, requesting that the Lenders extend the Commitment Period for an additional year. Each such extension shall require the unanimous written consent of all of the Lenders and shall be upon such terms and conditions as may be agreed to by Agent, Borrower and the Lenders. Borrower shall pay any reasonable attorneys' fees or other reasonable expenses of Agent in connection with the documentation of any such extension, as well as such other fees as may be agreed upon between Borrower and Agent.

ARTICLE III. ADDITIONAL PROVISIONS RELATING TO
EURODOLLAR LOANS; INCREASED CAPITAL; TAXES

Section 3.1. Requirements of Law.

(a) If, after the Closing Date (i) the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by a Governmental Authority or (ii) the compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority:

(A) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Taxes and Excluded Taxes which are governed by Section 3.2 hereof);

(B) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate; or

(C) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, Borrower shall pay to such Lender, promptly after receipt of a written request therefor, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection (a), such Lender shall promptly notify Borrower (with a copy to Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that, after the Closing Date, the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof by a Governmental Authority or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder, or under or in respect of any Letter of Credit, to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Lender or corporation with respect to capital adequacy), then from time to time, upon submission by such Lender to Borrower (with a copy to Agent) of a written request therefor (which shall include the method for calculating such amount), Borrower shall promptly pay or cause to be paid to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section 3.1 submitted by any Lender to Borrower (with a copy to Agent) shall be conclusive absent manifest error. In determining any such additional amounts, such Lender may use any method of averaging and attribution that it (in its reasonable

discretion) shall deem applicable. The obligations of Borrower pursuant to this Section 3.1 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder; provided that Borrower shall not be required to make any payments pursuant to this Section 3.1 to a Lender for any increased costs incurred or reductions suffered more than ninety (90) days prior to the date that such Lender notifies Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the circumstances giving rise to such increased costs or reductions are retroactive, then the ninety (90) day period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.2. Taxes.

(a) All payments made by any Credit Party under any Loan Document shall be made free and clear of, and without deduction or withholding for or on account of any Taxes or Other Taxes. If any Taxes or Other Taxes are required to be deducted or withheld from any amounts payable to Agent or any Lender hereunder, the amounts so payable to Agent or such Lender shall be increased to the extent necessary to yield to Agent or such Lender (after deducting, withholding and payment of all Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in the Loan Documents.

(b) In addition, the Credit Parties shall pay Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Taxes or Other Taxes are required to be withheld and paid by a Credit Party, such Credit Party shall timely withhold and pay such taxes to the relevant Governmental Authorities. As promptly as possible thereafter, Borrower shall send to Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by such Credit Party showing payment thereof or other evidence of payment reasonably acceptable to Agent or such Lender. If such Credit Party shall fail to pay any Taxes or Other Taxes when due to the appropriate Governmental Authority or fails to remit to Agent the required receipts or other required documentary evidence, such Credit Party and Borrower shall indemnify Agent and the appropriate Lenders on demand for any incremental taxes, interest or penalties that may become payable by Agent or such Lender as a result of any such failure.

(d) If any Lender shall be so indemnified by a Credit Party, such Lender shall use reasonable efforts to obtain the benefits of any refund, deduction or credit for any taxes or other amounts with respect to the amount paid by such Credit Party and shall reimburse such Credit Party to the extent, but only to the extent, that such Lender shall receive a refund with respect to the amount paid by such Credit Party or an effective net reduction in taxes or other governmental charges (including any taxes imposed on or measured by the total net income of such Lender) of the United States or any state or subdivision or any other Governmental Authority thereof by virtue of any such deduction or credit, after first giving effect to all other deductions and credits otherwise available to such Lender. If, at the time any audit of such Lender's income tax return is completed, such Lender determines, based on such audit, that it shall not have been entitled to the full amount of any refund reimbursed to such Credit Party as aforesaid or that its net income taxes shall not have been reduced by a credit or deduction for the full amount reimbursed to such Credit Party as aforesaid, such Credit Party, upon request of such Lender, shall promptly pay to such Lender the amount so refunded to which such Lender shall not have been so entitled, or the amount by which the net income taxes of such Lender shall not have been so reduced, as the case may be.

(e) Each Lender that is not (i) a citizen or resident of the United States of America, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or (iii) an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income (any such Person, a "Non-U.S. Lender") shall deliver to Borrower and Agent two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECL, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement with respect to such interest and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by Credit Parties under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement or such other Loan Document. In addition, each Non-U.S. Lender shall

deliver such forms or appropriate replacements promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify Borrower at any time it determines that such Lender is no longer in a position to provide any previously delivered certificate to Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this subsection (e), a Non-U.S. Lender shall not be required to deliver any form pursuant to this subsection (e) that such Non-U.S. Lender is not legally able to deliver.

(f) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which a Credit Party is located, or any treaty to which such jurisdiction is a party, with respect to payments under any Loan Document shall use reasonable efforts to deliver to Borrower (with a copy to the Agent), at the time or times prescribed by applicable law or reasonably requested by Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate; provided, that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(g) The agreements in this Section 3.2 shall survive the termination of the Loan Documents and the payment of the Loans and all other amounts payable hereunder.

Section 3.3. Funding Losses. Borrower agrees to indemnify each Lender, promptly after receipt of a written request therefor, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by Borrower in making any prepayment of or conversion from Eurodollar Loans after Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of a prepayment of a Eurodollar Loan on a day that is not the last day of an Interest Period applicable thereto, or (d) any conversion of a Eurodollar Loan to a Base Rate Loan on a day that is not the last day of an Interest Period applicable thereto. Such indemnification shall be in an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amounts so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the appropriate London interbank market, along with any administration fee charged by such Lender. A certificate as to any amounts payable pursuant to this Section 3.3 submitted to Borrower (with a copy to Agent) by any Lender shall be conclusive absent manifest error. The obligations of Borrower pursuant to this Section 3.3 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

Section 3.4. Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 3.1 or 3.2(a) hereof with respect to such Lender, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office (or an affiliate of such Lender, if practical for such Lender) for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage; and provided, further, that nothing in this Section shall affect or postpone any of the obligations of Borrower or the rights of any Lender pursuant to Section 3.1 or 3.2(a) hereof.

Section 3.5. Eurodollar Rate Lending Unlawful; Inability to Determine Rate.

(a) If any Lender shall determine (which determination shall, upon notice thereof to Borrower and Agent, be conclusive and binding on Borrower) that, after the Closing Date, (i) the introduction of or any change in or in the interpretation of any law makes it unlawful, or (ii) any Governmental Authority asserts that it is unlawful, for such Lender to make or continue any Loan as, or to convert (if permitted pursuant to this Agreement) any Loan into, a Eurodollar Loan, the obligations of such Lender to make, continue or convert any such Eurodollar Loan shall,

upon such determination, be suspended until such Lender shall notify Agent that the circumstances causing such suspension no longer exist, and all outstanding Eurodollar Loans payable to such Lender shall automatically convert (if conversion is permitted under this Agreement) into a Base Rate Loan, or be repaid (if no conversion is permitted) at the end of the then current Interest Periods with respect thereto or sooner, if required by law or such assertion.

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

Section 3.6. Replacement of Lenders. Borrower shall be permitted to replace any Lender that requests reimbursement for amounts owing pursuant to Section 3.1 or 3.2(a) hereof, or asserts its inability to make a Eurodollar Loan pursuant to Section 3.5 hereof; provided that (a) such replacement does not conflict with any Requirement of Law, (b) no Default or Event of Default shall have occurred and be continuing at the time of such replacement, (c) prior to any such replacement, such Lender shall have taken no action under Section 3.4 hereof so as to eliminate the continued need for payment of amounts owing pursuant to Section 3.1 or 3.2(a) hereof or, if it has taken any action, such request has still been made, (d) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement and assume all commitments and obligations of such replaced Lender, (e) Borrower shall be liable to such replaced Lender under Section 3.3 hereof if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (f) the replacement financial institution, if not already a Lender, shall be satisfactory to the Agent, (g) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.10 hereof (provided that Borrower (or the succeeding Lender, if such Lender is willing) shall be obligated to pay the assignment fee referred to therein), and (h) until such time as such replacement shall be consummated, Borrower shall pay all additional amounts (if any) required pursuant to Section 3.1 or 3.2(a) hereof, as the case may be.

ARTICLE IV. CONDITIONS PRECEDENT

Section 4.1. Conditions to Each Credit Event. The obligation of the Lenders, the Fronting Lender and the Swing Line Lender to participate in any Credit Event shall be conditioned, in the case of each Credit Event, upon the following:

(a) all conditions precedent as listed in Section 4.2 hereof required to be satisfied prior to the first Credit Event shall have been satisfied prior to or as of the first Credit Event;

(b) Borrower shall have submitted a Notice of Loan (or with respect to a Letter of Credit, complied with the provisions of Section 2.2(b) hereof) and otherwise complied with Section 2.5 hereof;

(c) no Default or Event of Default shall then exist or immediately after such Credit Event would exist; and

(d) each of the representations and warranties contained in Article VI hereof shall be true in all material respects as if made on and as of the date of such Credit Event, except to the extent that any thereof expressly relate to an earlier date.

Each request by Borrower for a Credit Event shall be deemed to be a representation and warranty by Borrower as of the date of such request as to the satisfaction of the conditions precedent specified in subsections (c) and (d) above.

Section 4.2. Conditions to the First Credit Event. Borrower shall cause the following conditions to be satisfied on or prior to the Closing Date. The obligation of the Lenders, the Fronting Lender and the Swing Line Lender to participate in the first Credit Event is subject to Borrower satisfying each of the following conditions prior to or concurrently with such Credit Event:

(a) Notes. Borrower shall have executed and delivered to (i) each Lender requesting a Revolving Credit Note such Lender's Revolving Credit Note, and (ii) the Swing Line Lender the Swing Line Note, if requested by the Swing Line Lender.

(b) Guaranties of Payment. Each Guarantor of Payment shall have executed and delivered to Agent a Guaranty of Payment.

(c) Confirmation of Security Documents and Security Agreements. Each (i) Credit Party that was a Credit Party prior to the Closing Date shall have executed and delivered to Agent, for the benefit of the Lenders, a Confirmation of Security Documents, and (ii) Credit Party that was not a Credit Party prior to the Closing Date, shall have executed and delivered to Agent, for the benefit of the Lenders, a Security Agreement; and such other documents or instruments, as may be reasonably required by Agent to create or perfect the Liens of Agent, for the benefit of the Lenders, in the assets of such Credit Party, all to be in form and substance reasonably satisfactory to Agent and the Lenders.

(d) Pledge Agreements. Borrower and each Domestic Subsidiary that owns Pledged Securities shall have executed and delivered to Agent, for the benefit of the Lenders, a Pledge Agreement, in form and substance satisfactory to Agent, with respect to the Pledged Securities, together with the Pledged Securities referenced therein and appropriate stock powers.

(e) Officer's Certificate, Resolutions, Organizational Documents. Each Credit Party shall have delivered to Agent an officer's certificate (or comparable domestic or foreign documents) certifying the names of the officers of such Credit Party authorized to sign the Loan Documents, together with the true signatures of such officers and certified copies of (i) the resolutions of the board of directors (or comparable domestic or foreign documents) of such Credit Party evidencing approval of the execution and delivery of the Loan Documents and the execution of other Related Writings to which such Credit Party is a party, and (ii) the Organizational Documents of such Credit Party.

(f) Good Standing and Full Force and Effect Certificates. Borrower shall have delivered to Agent a good standing certificate or comparable certificate, as the case may be, for each Credit Party, issued on or about the Closing Date by the Secretary of State or comparable entity in the state or states where such Credit Party is incorporated or formed.

(g) Lien Searches. With respect to the property owned or leased by Borrower and each Guarantor of Payment, Borrower and each Guarantor of Payment, if applicable, shall have caused to be delivered to Agent (i) the results of Uniform Commercial Code lien searches, satisfactory to Agent and the Lenders, (ii) the results of federal and state tax lien and judicial lien searches, satisfactory to Agent and the Lenders (but only with respect to Domestic Subsidiaries created or acquired after the date of the Original Credit Agreement), and (iii) Uniform Commercial Code termination statements reflecting termination of all financing statements previously filed by any Person and not expressly permitted pursuant to Section 5.9 hereof.

(h) Legal Opinion. Borrower shall have delivered to Agent an opinion of counsel for each Credit Party, in form and substance reasonably satisfactory to Agent and the Lenders.

(i) Borrower Investment Policy. Borrower shall have delivered to Agent a copy of the Borrower Investment Policy.

(j) Amended and Restated Agent Fee Letter and Other Fees. Borrower shall have (i) executed and delivered to Agent the Amended and Restated Agent Fee Letter and paid to Agent, for its sole account, the fees stated therein, and (ii) paid all legal fees and expenses of Agent in connection with the preparation and negotiation of the Loan Documents.

(k) Closing Certificate. Borrower shall have delivered to Agent and the Lenders an officer's certificate certifying that, as of the Closing Date, (i) all conditions precedent set forth in this Article IV have been satisfied, (ii) no Default or Event of Default exists nor immediately after the first Credit Event will exist, and (iii) each of the representations and warranties contained in Article VI hereof are true and correct as of the Closing Date.

(l) Letter of Direction. Borrower shall have delivered to Agent a letter of direction authorizing Agent, on behalf of the Lenders, to disburse the proceeds of the Loans, which letter of direction includes the authorization to transfer funds under this Agreement and the wire instructions setting forth the locations to which such funds shall be sent.

(m) No Material Adverse Change. No material adverse change, in the opinion of Agent, shall have occurred in the financial condition or operations of the Companies since June 30, 2006.

(n) Miscellaneous. Borrower shall have provided to Agent and the Lenders such other items and shall have satisfied such other conditions as may be reasonably required by Agent or the Lenders.

ARTICLE V. COVENANTS

Section 5.1. Insurance. Each Company shall (a) maintain insurance to such extent and against such hazards and liabilities as is commonly maintained by Persons similarly situated; and (b) within ten days of Agent's written request, furnish to Agent such information about such Company's insurance as Agent may from time to time reasonably request, which information shall be prepared in form and detail reasonably satisfactory to Agent and certified by a Financial Officer of such Company.

Section 5.2. Money Obligations. Each Company shall pay in full (a) prior in each case to the date when material penalties would attach, all material taxes, assessments and governmental charges and levies (except only those so long as and to the extent that the same shall be contested in good faith by appropriate and timely proceedings and for which adequate provisions have been established in accordance with GAAP) for which it may be or become liable or to which any or all of its properties may be or become subject; (b) all of its material wage obligations to its employees in compliance with the Fair Labor Standards Act (29 U.S.C. §§ 206-207) or any comparable provisions; and (c) all of its other material obligations calling for the payment of money (except only those so long as and to the extent that the same shall be contested in good faith and for which adequate provisions have been established in accordance with GAAP) before such payment becomes overdue.

Section 5.3. Financial Statements and Information.

(a) Quarterly Financials. Borrower shall deliver to Agent, within forty-five (45) days after the end of each of the first three quarter-annual periods of each fiscal year of Borrower, balance sheets of the Companies as of the end of such period and statements of income (loss), stockholders' equity and cash flow for the quarter and fiscal year to date periods, all prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and certified by a Financial Officer of Borrower.

(b) Annual Audit Report. Borrower shall deliver to Agent, within ninety (90) days after the end of each fiscal year of Borrower, an annual audit report of the Companies for that year prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and certified by an independent public accountant satisfactory to Agent, which report shall include balance sheets and statements of income (loss), stockholders' equity and cash-flow for that period.

(c) Compliance Certificate. Borrower shall deliver to Agent, concurrently with the delivery of the financial statements set forth in subsections (a) and (b) above, a Compliance Certificate.

(d) Pro-Forma Projections. Borrower shall deliver to Agent, within ninety (90) days after the end of each fiscal year of Borrower, annual pro-forma projections of the Companies for the then current fiscal year, to be in form acceptable to Agent.

(e) Shareholder and SEC Documents. Borrower shall deliver to Agent, as soon as available, copies of all notices, reports, definitive proxy or other statements and other documents sent by Borrower to its shareholders, to the holders of any of its debentures or bonds or the trustee of any indenture securing the same or pursuant to which they are issued, or sent by Borrower (in final form) to any securities exchange or over the counter authority or system, or to the SEC or any similar federal agency having regulatory jurisdiction over the issuance of Borrower's securities.

(f) Financial Information of Companies. Borrower shall deliver to Agent, within fifteen (15) Business Days of the written request of Agent, or as soon thereafter as is reasonably practicable, such other information about the financial condition, properties and operations of any Company as Agent may from time to time reasonably request, which information shall be submitted in form and detail satisfactory to Agent and certified by a Financial Officer of the Company or Companies in question.

Section 5.4. Financial Records. Each Company shall at all times maintain true and complete records and books of account, including, without limiting the generality of the foregoing, appropriate provisions for possible losses and liabilities, all in accordance with GAAP, and at all reasonable times (during normal business hours and upon reasonable notice to such Company) permit Agent, or any representative of Agent, to examine such Company's books and records and to make excerpts therefrom and transcripts thereof.

Section 5.5. Franchises; Change in Business.

(a) Each Company (other than a Dormant Subsidiary) shall preserve and maintain at all times its existence, and its rights and franchises necessary for its business, in each case except as otherwise permitted pursuant to Section 5.12 hereof.

(b) No Company shall engage in any business if, as a result thereof, the general nature of the business of the Companies taken as a whole would be substantially changed from the general nature of the business the Companies are engaged in on the Closing Date.

Section 5.6. ERISA Pension and Benefit Plan Compliance. No Company shall incur any material accumulated funding deficiency within the meaning of ERISA, or any material liability to the PBGC, established thereunder in connection with any ERISA Plan. Borrower shall furnish to the Lenders (a) as soon as possible and in any event within thirty (30) days after any Company knows or has reason to know that any Reportable Event with respect to any ERISA Plan has occurred, a statement of a Financial Officer of such Company, setting forth details as to such Reportable Event and the action that such Company proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if a copy of such notice is available to such Company, and (b) promptly after receipt thereof a copy of any notice such Company, or any member of the Controlled Group may receive from the PBGC or the Internal Revenue Service with respect to any ERISA Plan administered by such Company; provided, that this latter clause shall not apply to notices of general application promulgated by the PBGC or the Internal Revenue Service. Borrower shall promptly notify the Lenders of any material taxes assessed, proposed to be assessed or that Borrower has reason to believe is reasonably likely to be assessed against a Company by the Internal Revenue Service with respect to any ERISA Plan. As used in this Section 5.6, "material" means the measure of a matter of significance that shall be determined as being an amount equal to five percent (5%) of Consolidated Net Worth. As soon as practicable, and in any event within twenty (20) days, after any Company shall become aware that an ERISA Event shall have occurred, such Company shall provide Agent with notice of such ERISA Event with a certificate by a Financial Officer of such Company setting forth the details of the event and the action such Company or another Controlled Group member proposes to take with respect thereto. Borrower shall, at the request of Agent, deliver or cause to be delivered to Agent, as the case may be, true and correct copies of any documents relating to the ERISA Plan of any Company.

Section 5.7. Financial Covenants.

(a) Leverage Ratio. Borrower shall not suffer or permit at any time the Leverage Ratio to exceed 3.00 to 1.00.

(b) Interest Coverage Ratio. Borrower shall not suffer or permit at any time the Interest Coverage Ratio to be less than 2.50 to 1.00.

(c) Capital Expenditures. The Companies may make Consolidated Capital Expenditures so long as no Default or Event of Default shall then exist or immediately thereafter shall begin to exist.

Section 5.8. Borrowing. No Company shall create, incur or have outstanding any Indebtedness of any kind; provided, that this Section 5.8 shall not apply to the following:

(a) the Loans, the Letters of Credit and any other Indebtedness under this Agreement;

(b) any loans granted to or Capitalized Lease Obligations entered into by any Company for the purchase or lease of fixed assets (and refinancings of such loans or Capitalized Lease Obligations), which loans and Capitalized Lease Obligations shall only be secured by the fixed assets being purchased or leased ;

(c) the Indebtedness existing on the Closing Date, in addition to the other Indebtedness permitted to be incurred pursuant to this Section 5.8, as set forth in Schedule 5.8 hereto (and any extension, renewal or refinancing thereof but only to the extent that the principal amount thereof does not increase after the Closing Date);

(d) Indebtedness under any Hedge Agreement, so long as such Hedge Agreement shall have been entered into in the ordinary course of business and not for speculative purposes;

(e) Indebtedness incurred by Foreign Subsidiaries in an aggregate amount not to exceed, for all such Indebtedness of all Foreign Subsidiaries, the greater of (i) seven and one-half percent (7.5%) of Consolidated total assets of Borrower, or (ii) Twenty-Five Million Dollars (\$25,000,000) at any time outstanding;

(f) any loans from a Company to a Company permitted under Section 5.11 hereof;

(g) Indebtedness of a Foreign Subsidiary under an accounts receivable facility whereby no portion of the Indebtedness or any other obligation (contingent or otherwise) under such facility is guaranteed by any other Company (subject to the proviso in subsection (e) hereof) and no Company (other than such Foreign Subsidiary) provides, either directly or indirectly, any credit support of any kind (other than a guaranty permitted under subsection (e) hereof) in connection with such facility;

(h) Subordinated Indebtedness with terms and documentation in form and substance acceptable to Agent;

(i) loans to Percepta and its Subsidiaries in an aggregate amount at any time outstanding of up to ten percent (10%) of revenues of Percepta and its Subsidiaries for the most recently completed four fiscal quarters;

(j) loans to a joint venture (in which a Company holds an equity interest) in an aggregate amount at any time outstanding of up to ten percent (10%) of revenues of such joint venture for the most recently completed four fiscal quarters;

(k) Indebtedness of a Company that has been acquired by the Companies pursuant to Section 5.13 hereof, which Indebtedness (i) is not secured, except by a security interest permitted under Section 5.9(h) hereof, and (ii) was not incurred in anticipation of such Acquisition;

(l) Indebtedness of a Company incurred pursuant to synthetic leases;

(m) Indebtedness of a Company that is owing to any governmental entity, including, without limitation, industrial revenue bonds and grants issued by any governmental entity to such Company which may constitute Indebtedness until the completion of the tasks related to such grants; provided, however, that all such Indebtedness must be either (i) unsecured, (ii) only secured by the fixed assets purchased with proceeds from such Indebtedness, or (iii) secured with assets (other than fixed assets) that are specifically related to the "project" that is

the subject of the grant or financing, securing no more than the aggregate amount, for all such Indebtedness of all Companies, of Five Million Dollars (\$5,000,000) at any time outstanding;

(n) Indebtedness not otherwise described in or subject to subparts (a) through (k) hereof in an aggregate principal amount not to exceed the greater of (i) two percent (2%) of Consolidated total assets of Borrower, or (ii) Five Million Dollars (\$5,000,000) at any time outstanding; and

(o) other unsecured Indebtedness, in addition to the Indebtedness listed above, so long as (i) the maturity date (and earliest possible put date) of such Indebtedness is at least thirty (30) days after the last day of the Commitment Period, and (ii) the Companies are in compliance (and in pro forma compliance after giving effect to such Indebtedness) with the provisions of Section 5.7 hereof.

Section 5.9. Liens. No Company shall create, assume or suffer to exist (or enter into a contract that creates a consensual Lien upon the happening of a contingency or otherwise) any Lien upon any of its property or assets, whether now owned or hereafter acquired; provided that this Section 5.9 shall not apply to the following:

(a) Liens for taxes not yet due or that are being actively contested in good faith by appropriate proceedings and for which adequate reserves shall have been established in accordance with GAAP;

(b) other statutory Liens incidental to the conduct of its business or the ownership of its property and assets that (i) were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and (ii) do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(c) Liens on property or assets of a Subsidiary to secure obligations of such Subsidiary to a Credit Party (other than any of the Newgen Companies prior to the Newgen Opt-In Date);

(d) purchase money Liens on fixed assets securing the loans and Capitalized Lease Obligations pursuant to Section 5.8(b) hereof, provided that such Lien is limited to the purchase price and only attaches to the property being acquired;

(e) the Liens existing on the Closing Date as set forth in Schedule 5.9 hereto and replacements, extensions, renewals, refundings or refinancings thereof, but only to the extent that the amount of debt secured thereby shall not be increased;

(f) easements or other minor defects or irregularities in title of real property not interfering in any material respect with the use of such property in the business of any Company;

(g) any Lien granted to Agent, for the benefit of the Lenders;

(h) any Lien on fixed assets owned by a Company as a result of an Acquisition permitted pursuant to Section 5.13 hereof;

(i) any Lien on assets of Foreign Subsidiaries to secure the Indebtedness described in Section 5.8(e) hereof;

(j) any Lien on assets of Percepta and its Subsidiaries securing Indebtedness described in Section 5.8(i) hereof in an aggregate principal amount, for Percepta and all of its Subsidiaries, not to exceed Five Million Dollars (\$5,000,000);

(k) any Lien on assets of a joint venture (that is not a Subsidiary) securing Indebtedness described in Section 5.8(j) hereof in an aggregate principal amount, for all such joint ventures, not to exceed Two Million Dollars (\$2,000,000);

(l) any U.C.C. Financing Statement filed to provide notice of (i) an operating lease entered into in the ordinary course of business, or (ii) a synthetic lease permitted under Section 5.8(l) hereof;

(m) the Liens described in Section 5.8(m) hereof; and

(n) any Lien (on assets that do not constitute Collateral) not otherwise described in or subject to subparts (a) through (k) hereof securing Indebtedness (other than Indebtedness for borrowed money) in an aggregate principal amount not to exceed the greater of (i) two percent (2%) of Consolidated total assets of Borrower, or (ii) Five Million Dollars (\$5,000,000) at any time outstanding.

No Company shall enter into any contract or agreement (other than a contract or agreement entered into in connection with (A) the purchase or lease of fixed assets that prohibits Liens on such fixed assets, or (B) the incurrence of Indebtedness permitted pursuant to Section 5.8(i) hereof that prohibits Liens on the assets of Percepta) that would prohibit Agent or the Lenders from acquiring a security interest, mortgage or other Lien on, or a collateral assignment of, any of the property or assets of such Company.

Section 5.10. Regulations T, U and X. No Company shall take any action that would result in any non-compliance of the Loans or Letters of Credit with Regulations T, U or X, or any other applicable regulation, of the Board of Governors of the Federal Reserve System.

Section 5.11. Investments, Loans and Guaranties. No Company shall, without the prior written consent of Agent and the Required Lenders, (a) create, acquire or hold any Subsidiary, (b) make or hold any investment in any stocks, bonds or securities of any kind, (c) be or become a party to any joint venture or other partnership, (d) make or keep outstanding any advance or loan to any Person, or (e) be or become a Guarantor of any kind (other than a Guaranty of Payment under the Loan Documents); provided that this Section 5.11 shall not apply to the following:

(i) investments made in accordance with the Borrower Investment Policy;

(ii) the holding of each of the Subsidiaries listed on Schedule 6.1 hereto, and the creation, acquisition and holding of any new Subsidiary after the Closing Date so long as such new Subsidiary shall have been created, acquired or held in accordance with the terms and conditions of this Agreement;

(iii) any investment in, loan to or guaranty of the Indebtedness of, Borrower or a Domestic Subsidiary (other than any of the Newgen Companies prior to the Newgen Opt-In Date);

(iv) any investment in, loan to or guaranty of the Indebtedness of a Foreign Subsidiary so long as the Companies are in compliance (and in pro forma compliance after giving effect to such loan, investment or guaranty) with the provisions of Section 5.7 hereof;

(v) any investment in a joint venture of a Company so long as the Companies are in compliance (and in pro forma compliance after giving effect to such investment) with the provisions of Section 5.7 hereof;

(vi) any advance or loan to an officer or employee of a Company, so long as all such advances and loans from all Companies (specifically excluding any advance or loan assumed through an Acquisition) aggregate not more than the principal sum of Five Million Dollars (\$5,000,000) at any time outstanding;

(vii) the holding of any stock that has been acquired pursuant to an Acquisition permitted under Section 5.13 hereof;

(viii) prior to the Newgen Opt-In Date, investments of, loans from or guaranties by, the Companies to the Newgen Companies in an aggregate amount not to exceed the Newgen Permitted Amount (provided that client-related performance guaranties shall not be included in the calculation of the Newgen Permitted Amount); or

(ix) other investments of, loans from or guaranties by, the Companies in an aggregate amount not to exceed, for all Companies, the greater of (i) two percent (2%) of Consolidated total assets of

Borrower, or (ii) Five Million Dollars (\$5,000,000); provided that (A) client-related performance guaranties shall not be included in the calculation of the foregoing amounts, and (B) no such investments, loans and guaranties shall be in, to or for the benefit of, any of the Newgen Companies.

Section 5.12. Merger and Sale of Assets. No Company shall merge, amalgamate or consolidate with any other Person, or sell, lease or transfer or otherwise dispose of any assets to any Person other than in the ordinary course of business, except that, if no Default or Event of Default shall then exist or immediately thereafter shall begin to exist:

(a) any Domestic Subsidiary may merge with (i) Borrower (provided that Borrower shall be the continuing or surviving Person) or (ii) any one or more Guarantors of Payment (other than any of the Newgen Companies prior to the Newgen Opt-In Date);

(b) any Domestic Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to (i) Borrower or (ii) any Guarantor of Payment (other than any of the Newgen Companies in excess of the Newgen Permitted Amount prior to the Newgen Opt-In Date);

(c) any Domestic Subsidiary (other than a Credit Party) may merge with or sell, lease, transfer or otherwise dispose of any of its assets to any other Domestic Subsidiary (other than any of the Newgen Companies in excess of the Newgen Permitted Amount prior to the Newgen Opt-In Date);

(d) any Foreign Subsidiary may merge with another Foreign Subsidiary or with a Credit Party (other than any of the Newgen Companies prior to the Newgen Opt-In Date), provided that a Credit Party shall be the continuing or surviving Person;

(e) any Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to a Credit Party (other than any of the Newgen Companies in excess of the Newgen Permitted Amount prior to the Newgen Opt-In Date) or any other Foreign Subsidiary;

(f) Borrower may sell its corporate headquarters located at 9197 South Peoria Street, Englewood, Colorado 80112-5833;

(g) Borrower, any Domestic Subsidiary and any Foreign Subsidiary organized under the laws of Canada may sell, lease, transfer or otherwise dispose of any assets to a Person that is not a Credit Party (other than the accounts (and general intangibles relating thereto and proceeds thereof) pledged to Agent, for the benefit of the Lenders, pursuant to the Security Agreement) so long as, after giving pro forma effect to any Disposition with net proceeds in excess of Fifteen Million Dollars (\$15,000,000), the Companies are in pro forma compliance with the provisions of Section 5.7 hereof;

(h) any Foreign Subsidiary (other than a Foreign Subsidiary organized under the laws of Canada) may sell, lease, transfer or otherwise dispose of any assets;

(i) Acquisitions may be effected in accordance with the provisions of Section 5.13 hereof; and

(j) prior to the Newgen Opt-In Date, Borrower may sell the Newgen Companies.

Section 5.13. Acquisitions. No Company shall effect an Acquisition; provided, however, that a Credit Party (other than any of the Newgen Companies prior to the Newgen Opt-In Date) may effect an Acquisition so long as:

(a) the business to be acquired shall be similar to the lines of business of the Companies;

(b) the Companies shall be in full compliance with the Loan Documents both prior to and subsequent to such Acquisition;

(c) no Default or Event of Default shall exist prior to or after giving effect to such Acquisition;

(d) such Acquisition is not actively opposed by the board of directors (or similar governing body) of the selling Persons or by a majority of the Persons whose equity interests are to be acquired;

(e) with respect to any Acquisition the Consideration for which is in excess of Twenty-Five Million Dollars (\$25,000,000), Borrower shall have provided to Agent and the Lenders, at least ten (10) Business Days prior to such Acquisition, historical financial statements of the target entity and a pro forma financial statement of the Companies accompanied by a certificate of a Financial Officer of Borrower showing pro forma compliance with Section 5.7 hereof, both before and after the proposed Acquisition; and

(f) Borrower shall have a Liquidity Amount of no less than Twenty-Five Million Dollars (\$25,000,000) after giving effect to such Acquisition.

Section 5.14. Notice. Borrower shall cause a Financial Officer of Borrower to promptly notify Agent and the Lenders whenever any Default or Event of Default may occur hereunder or any representation or warranty made in Article VI hereof or elsewhere in this Agreement or in any Related Writing may for any reason cease in any material respect to be true and complete.

Section 5.15. Restricted Payments. No Company shall pay or commit itself to pay any Restricted Payment at any time, except that (a) any Subsidiary may make Capital Distributions to Borrower or any other Subsidiary of Borrower, and (b) so long as no Default or Event of Default shall then exist or immediately thereafter shall begin to exist, Borrower may make Restricted Payments (other than with respect to any of the Newgen Companies prior to the Newgen Opt-In Date).

Section 5.16. Environmental Compliance. Each Company shall comply in all material respects with any and all Environmental Laws including, without limitation, all Environmental Laws in jurisdictions in which such Company owns or operates a facility or site, arranges for disposal or treatment of hazardous substances, solid waste or other wastes, accepts for transport any hazardous substances, solid waste or other wastes or holds any interest in real property or otherwise. Borrower shall furnish to the Lenders, promptly after receipt thereof, a copy of any notice such Company may receive from any Governmental Authority or private Person or otherwise that any material litigation or proceeding pertaining to any environmental, health or safety matter has been filed or is threatened against such Company, any real property in which such Company holds any interest or any past or present operation of such Company. No Company shall allow the material release or disposal of hazardous waste, solid waste or other wastes on, under or to any real property in which any Company holds any ownership interest or performs any of its operations, in violation of any Environmental Law. As used in this Section 5.16, "litigation or proceeding" means any demand, claim, notice, suit, suit in equity action, administrative action, investigation or inquiry whether brought by any Governmental Authority or private Person, or otherwise. Borrower shall defend, indemnify and hold Agent and the Lenders harmless against all costs, expenses, claims, damages, penalties and liabilities of every kind or nature whatsoever (including attorneys' fees) arising out of or resulting from the noncompliance of any Company with any Environmental Law. Such indemnification shall survive any termination of this Agreement.

Section 5.17. Affiliate Transactions. No Company shall, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate (other than a Company that is a Credit Party) on terms that shall be less favorable to such Company than those that might be obtained at the time in a transaction with a non-Affiliate; provided, however, that the foregoing shall not prohibit the payment of customary and reasonable directors' fees to directors who are not employees of a Company or an Affiliate.

Section 5.18. Use of Proceeds. Borrower's use of the proceeds of the Loans shall be solely for working capital and other general corporate purposes of the Companies, for capital expenditures, for Restricted Payments and for Acquisitions.

Section 5.19. Corporate Names. No Credit Party shall change its corporate name, unless, in each case, such Credit Party shall provide Agent with at least thirty (30) days prior written notice thereof. Borrower shall also provide Agent with at least thirty (30) days prior written notification of (a) any change in the location of the office

where any Credit Party's records pertaining to the Collateral are kept; and (b) any change in any Credit Party's chief executive office. In the event of any of the foregoing or as a result of any change of applicable law with respect to the taking of security interests, or if determined by Agent to be necessary, Agent is hereby authorized to file new Uniform Commercial Code financing statements describing the Collateral and otherwise in form and substance sufficient for recordation wherever necessary or appropriate, as determined in Agent's reasonable discretion, to perfect or continue perfected the security interest of Agent, for the benefit of the Lenders, in the Collateral, based upon such new places of business or names or such change in applicable law, and Borrower shall pay all filing and recording fees and taxes in connection with the filing or recordation of such financing statements and shall promptly reimburse Agent therefor if Agent pays the same. Such amounts shall be Related Expenses hereunder.

Section 5.20. Lease Rentals. The Companies may enter into operating leases in the ordinary course of business.

Section 5.21. Subsidiary Guaranties, Security Documents and Pledge of Stock or Other Ownership Interest.

(a) Guaranties and Security Documents. Each Domestic Subsidiary (that is not a Dormant Subsidiary) created, acquired or held subsequent to the Closing Date, shall immediately execute and deliver to Agent, for the benefit of the Lenders, a Guaranty of Payment of all of the Obligations and a Security Agreement, such agreements to be in form and substance acceptable to Agent, along with any such other supporting documentation, Security Documents, corporate governance and authorization documents, and an opinion of counsel as may be deemed necessary or advisable by Agent.

(b) Pledge of Stock. With respect to the creation or acquisition of a First-Tier Material Foreign Subsidiary, Borrower shall (i) pledge to Agent, for the benefit of the Lenders, sixty-five percent (65%) of the ownership interest owned by a Credit Party pursuant to the terms of a Pledge Agreement executed by the appropriate Credit Party, and (ii) deliver to Agent, for the benefit of the Lenders, the outstanding shares certificates (or other evidence of equity) evidencing such pledged ownership interest.

(c) Perfection or Registration of Interest in Foreign Shares. With respect to any foreign shares pledged to Agent, for the benefit of the Lenders, on or after the Closing Date, Agent shall at all times, in the discretion of Agent or the Required Lenders, have the right to perfect, at Borrower's cost, payable upon request therefor (including, without limitation, any foreign counsel, or foreign notary, filing, registration or similar, fees, costs or expenses), its security interest in such shares in the respective foreign jurisdiction (subject to the proviso in the definition of First-Tier Material Foreign Subsidiary).

Section 5.22. Restrictive Agreements. Except as set forth in this Agreement, Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) make, directly or indirectly, any Capital Distribution to Borrower, (b) make, directly or indirectly, loans or advances or capital contributions to Borrower or (c) transfer, directly or indirectly, any of the properties or assets of such Subsidiary to Borrower; except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) customary non-assignment provisions in leases or other agreements entered in the ordinary course of business and consistent with past practices, or (iii) customary restrictions in security agreements or mortgages securing Indebtedness or capital leases, of a Company to the extent such restrictions shall only restrict the transfer of the property subject to such security agreement, mortgage or lease.

Section 5.23. Guaranty Under Material Indebtedness Agreement. No Company shall be or become a Guarantor of the Indebtedness incurred pursuant to any Material Indebtedness Agreement unless such Company shall also be Borrower or a Guarantor of Payment under this Agreement prior to or concurrently therewith.

Section 5.24. Pari Passu Ranking. The Obligations shall, and Borrower shall take all necessary action to ensure that the Obligations shall, at all times, rank at least pari passu in right of payment with all other senior Indebtedness of Borrower.

Section 5.25. Amendment of Organizational Documents. No Credit Party or First-Tier Material Foreign Subsidiary shall amend its Organizational Documents to change its name or state, province or other jurisdiction of organization, or otherwise amend its Organizational Documents in any manner adverse to the Lenders, without the prior written consent of Agent.

Section 5.26. Further Assurances. Borrower shall, promptly upon request by Agent, or any Lender through Agent, (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as Agent, or any Lender through Agent, may reasonably require from time to time in order to carry out more effectively the purposes of the Loan Documents.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES

Section 6.1. Corporate Existence; Subsidiaries; Foreign Qualification. Each Company is duly organized, validly existing, and in good standing under the laws of its state or jurisdiction of incorporation or organization and is duly qualified and authorized to do business and is in good standing as a foreign entity in the jurisdictions set forth opposite its name on Schedule 6.1 hereto, which are all of the states or jurisdictions where the character of its property or its business activities makes such qualification necessary, except where a failure to qualify will not result in a Material Adverse Effect. Each Foreign Subsidiary is validly existing under the laws of its jurisdiction of organization. Schedule 6.1 hereto sets forth, as of the Closing Date, each Subsidiary of Borrower (and whether such Subsidiary is a Dormant Subsidiary), its state of formation, its relationship to Borrower, including the percentage of each class of stock owned by a Company, each Person that owns the stock or other equity interest of each Company, the location of its chief executive office and its principal place of business. Except as set forth in Schedule 6.1, Borrower owns all of the equity interests of each of its Subsidiaries.

Section 6.2. Corporate Authority. Each Credit Party has the right and power and is duly authorized and empowered to enter into, execute and deliver the Loan Documents to which it is a party and to perform and observe the provisions of the Loan Documents. The Loan Documents to which each Credit Party is a party have been duly authorized and approved by such Credit Party's board of directors or other governing body, as applicable, and are the valid and binding obligations of such Credit Party, enforceable against such Credit Party in accordance with their respective terms. The execution, delivery and performance of the Loan Documents do not conflict with, result in a breach in any of the provisions of, constitute a default under, or result in the creation of a Lien (other than Liens permitted under Section 5.9 hereof) upon any assets or property of any Company under the provisions of, such Company's Organizational Documents or any material agreement.

Section 6.3. Compliance with Laws and Contracts. Each Company:

(a) holds permits, certificates, licenses, orders, registrations, franchises, authorizations, and other approvals from any Governmental Authority reasonably necessary for the conduct of its business and is in compliance in all material respects with all applicable laws relating thereto;

(b) is in compliance in all material respects with all federal, state, local, or foreign applicable statutes, rules, regulations, and orders including, without limitation, those relating to environmental protection, occupational safety and health, and equal employment practices;

(c) is not in violation of or in default under any agreement to which it is a party or by which its assets are subject or bound unless such violation or default could not reasonably be expected to result in a Material Adverse Effect;

(d) has ensured that no Person who owns a controlling interest in or otherwise controls a Company is (i) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, or any other similar lists maintained by OFAC pursuant to any authorizing statute, executive order or regulation, or (ii) a Person designated under Section 1(b), (c) or (d) of

Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar executive orders;

(e) is in material compliance with all applicable Bank Secrecy Act (“BSA”) and anti-money laundering laws and regulations; and

(f) is in compliance, in all material respects, with the Patriot Act.

Section 6.4. Litigation and Administrative Proceedings. Except as disclosed on Schedule 6.4 hereto, there are (a) no lawsuits, actions, investigations, or other proceedings pending or threatened against any Company, or in respect of which any Company may have any liability, in any court or before any Governmental Authority, arbitration board, or other tribunal, (b) no orders, writs, injunctions, judgments, or decrees of any court or Governmental Authority to which any Company is a party or by which the property or assets of any Company are bound, and (c) no grievances, disputes, or controversies outstanding with any union or other organization of the employees of any Company, or threats of work stoppage, strike, or pending demands for collective bargaining, in each case other than those that could not reasonably be expected to result in a Material Adverse Effect.

Section 6.5. Title to Assets. Each Company has good title to and ownership of all property it purports to own, which property is free and clear of all Liens, except those permitted under Section 5.9 hereof.

Section 6.6. Liens and Security Interests. On and after the Closing Date, except for Liens permitted pursuant to Section 5.9 hereof, (a) there is and will be no U.C.C. Financing Statement or similar notice of Lien outstanding covering any personal property of any Company; (b) there is and will be no mortgage outstanding covering any real property of any Company; and (c) no real or personal property of any Company is subject to any Lien of any kind. Agent, for the benefit of the Lenders, has a valid and enforceable first consensual Lien on the Collateral. No Company has entered into any contract or agreement (other than a contract or agreement entered into in connection with the purchase or lease of fixed assets that prohibits Liens on such fixed assets) that exists on or after the Closing Date that would prohibit Agent or the Lenders from acquiring a Lien on, or a collateral assignment of, any of the property or assets of any Company.

Section 6.7. Tax Returns. All federal, state, provincial and all material local tax returns and other reports required by law to be filed in respect of the income, business, properties and employees of each Company have been filed and all taxes, assessments, fees and other governmental charges that are due and payable have been paid, except as otherwise permitted herein and with respect to foreign tax returns, except as may be filed beyond the due date without material penalties. The provision for taxes on the books of each Company is adequate for all years not closed by applicable statutes and for the current fiscal year.

Section 6.8. Environmental Laws. Each Company is in material compliance with all Environmental Laws, including, without limitation, all Environmental Laws in all jurisdictions in which any Company owns or operates, or has owned or operated, a facility or site, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other wastes, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise. No material litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best knowledge of each Company, threatened, against any Company, any real property in which any Company holds or has held an interest or any past or present operation of any Company. No material release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or has occurred (other than those that are currently being cleaned up in accordance with Environmental Laws), on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation of any Environmental Law. As used in this Section 6.8, “litigation or proceeding” means any demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any Governmental Authority or private Person, or otherwise.

Section 6.9. Locations. The Companies have places of business or maintain their accounts receivable at the locations set forth on Schedule 6.9 hereto. Each Company’s chief executive office is set forth on Schedule 6.9 hereto. Schedule 6.9 further specifies whether each location, as of the Closing Date, that is owned by the Companies.

Section 6.10. Continued Business. Except as described in Borrower's 10-K, 10-Q or other public filings with the Securities and Exchange Commission, there exists no actual, pending, or, to Borrower's knowledge, any threatened termination, cancellation or limitation of, or any modification or change in the business relationship of any Company and any customer or supplier, or any group of customers or suppliers, which termination, cancellation or limitation would have a Material Adverse Effect, and there exists no present condition or state of facts or circumstances that would have a Material Adverse Effect or prevent a Company from conducting such business or the transactions contemplated by this Agreement in substantially the same manner in which it was previously conducted.

Section 6.11. Employee Benefits Plans. Schedule 6.11 hereto identifies each ERISA Plan as of the Closing Date. No ERISA Event has occurred or is reasonably expected to occur with respect to an ERISA Plan. No Controlled Group member has failed to make a required material installment or other required material payment under Section 412(a) of the Code on or before the due date or within a reasonable time after such due date. No Controlled Group member has failed to make contributions to an ERISA Plan that is a Multiemployer Plan in accordance with the applicable governing documents which is reasonably likely to result in a material liability to the Controlled Group member. No Benefit Plan (other than a Multiemployer Plan) has any accumulated funding deficiency (as defined in Section 412(a) of the Code). None of the Companies have adopted or plans to adopt any amendments that could reasonably result in a material increase in the cost of providing benefits under the ERISA Plan. With respect to each ERISA Plan (other than a Multiemployer Plan) that is intended to be qualified under Code Section 401(a), (a) the ERISA Plan and any associated trust operationally comply (or as soon as reasonably practicable are corrected to comply) with the applicable requirements of Code Section 401(a); (b) the ERISA Plan and any associated trust have been amended to comply with all such requirements as currently in effect, other than those requirements for which a retroactive amendment can be made within the "remedial amendment period" available under Code Section 401(b) (as extended under Treasury Regulations and other Treasury pronouncements upon which taxpayers may rely); (c) the ERISA Plan and any associated trust have received a favorable determination letter from the Internal Revenue Service stating that the ERISA Plan qualifies under Code Section 401(a), that the associated trust qualifies under Code Section 501(a) and, if applicable, that any cash or deferred arrangement under the ERISA Plan qualifies under Code Section 401(k), unless the ERISA Plan was first adopted at a time for which the above-described "remedial amendment period" has not yet expired; (d) the ERISA Plan currently satisfies the requirements of Code Section 410(b), subject to any retroactive amendment that may be made within the above-described "remedial amendment period"; and (e) no contribution made to the ERISA Plan is subject to an excise tax under Code Section 4972. With respect to any Pension Plan, the "accumulated benefit obligation" of Controlled Group members with respect to the Pension Plan (as determined in accordance with Statement of Accounting Standards No. 87, "Employees Accounting for Pensions") does not exceed the fair market value of Pension Plan assets by an amount that would have a Material Adverse Effect. Each Foreign Employee Benefit Plan is in compliance in all material respects with all laws, regulations and rules applicable thereto and the respective requirements of the governing documents for Foreign Employee Benefit Plan. With respect to any Foreign Employee Benefit Plan, reasonable reserves have been established in accordance with local laws or prudent business practice or where required by ordinary accounting practices in the jurisdiction in which Foreign Employee Benefit Plan is maintained.

Section 6.12. Consents or Approvals. No consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person is required to be obtained or completed by any Company in connection with the execution, delivery or performance of any of the Loan Documents, that has not already been obtained or completed.

Section 6.13. Solvency. Borrower has received consideration that is the reasonable equivalent value of the obligations and liabilities that Borrower has incurred to Agent and the Lenders. Borrower is not insolvent as defined in any applicable state, federal or relevant foreign statute, nor will Borrower be rendered insolvent by the execution and delivery of the Loan Documents to Agent and the Lenders. Borrower is not engaged or about to engage in any business or transaction for which the assets retained by it are or will be an unreasonably small amount of capital, taking into consideration the obligations to Agent and the Lenders incurred hereunder. Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature.

Section 6.14. Financial Statements. The Consolidated financial statements of Borrower for the fiscal year ended December 31, 2005, furnished to Agent and the Lenders, have been prepared in accordance with GAAP, and

fairly present the financial condition of the Companies as of the dates of such financial statements and the results of their operations for the periods then ending. The unaudited Consolidated financial statements of Borrower for the fiscal quarter ended June 30, 2006, furnished to Agent and the Lenders, are materially true and complete to the best knowledge of the Companies, have been prepared in accordance with GAAP, except for the absence of footnotes and subject to year-end adjustments consistent with past practice, and fairly present the financial condition of the Companies as of the dates of such financial statements and the results of their operations for the periods then ending. Since the dates of such statements, there has been no material adverse change in any Company's financial condition, properties or business or any change in any Company's accounting procedures.

Section 6.15. Regulations. No Company is engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States of America). Neither the granting of any Loan (or any conversion thereof) or Letter of Credit nor the use of the proceeds of any Loan or Letter of Credit will violate, or be inconsistent with, the provisions of Regulation T, U or X or any other Regulation of such Board of Governors.

Section 6.16. Material Agreements. Except as disclosed on Schedule 6.16 hereto, as of the Closing Date no Company is a party to any (a) debt instrument (excluding the Loan Documents); (b) lease (capital, operating or otherwise), whether as lessee or lessor thereunder; (c) contract, commitment, agreement, or other arrangement involving the purchase or sale of any inventory by it, or the license of any right to or by it; (d) contract, commitment, agreement, or other arrangement with any of its "Affiliates" (as such term is defined in the Securities Exchange Act of 1934, as amended) other than a Company; (e) management or employment contract or contract for personal services with any of its Affiliates that is not otherwise terminable at will or on less than ninety (90) days' notice without liability; (f) collective bargaining agreement; or (g) other contract, agreement, understanding, or arrangement with a third party that, as to subsections (a) through (g), requires the future payment of an amount in excess of Thirty Million Dollars (\$30,000,000) during any twelve-month period.

Section 6.17. Intellectual Property. Each Company owns or has the right to use all of the material patents, patent applications, industrial designs, designs, trademarks, service marks, copyrights and licenses, and rights with respect to the foregoing necessary for the conduct of its business without any known conflict with the rights of others.

Section 6.18. Insurance. Each Company maintains with financially sound and reputable insurers insurance with coverage and limits as required by law and as is customary with Persons engaged in the same businesses as the Companies. Schedule 6.18 hereto sets forth all insurance carried by the Companies on the Closing Date, setting forth in detail the amount and type of such insurance.

Section 6.19. Accurate and Complete Statements. Neither the Loan Documents nor any written statement made by any Company in connection with any of the Loan Documents contains, to the best knowledge of such Company, any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein or in the Loan Documents not misleading. After due inquiry by Borrower, there is no known fact that any Company has not disclosed to Agent and the Lenders that has or is more than likely to have a Material Adverse Effect.

Section 6.20. Defaults. No Default or Event of Default exists hereunder, nor will any begin to exist immediately after the execution and delivery hereof.

ARTICLE VII. EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default hereunder:

Section 7.1. Payments. If (a) the interest on any Loan or any commitment or other fee, or any other Obligation not listed in subpart (b) hereof, shall not be paid in full when due and payable or within five Business Days thereafter, or (b) the principal of any Loan or any obligation under any Letter of Credit shall not be paid in full when due and payable.

Section 7.2. Special Covenants. If any Company shall fail or omit to perform and observe Section 5.7, 5.8, 5.9, 5.11, 5.12, 5.13 or 5.15 hereof.

Section 7.3. Other Covenants. If any Company shall fail or omit to perform and observe any agreement or other provision (other than those referred to in Section 7.1 or 7.2 hereof) contained or referred to in this Agreement or any Loan Document that is on such Company's part to be complied with, and that Default shall not have been fully corrected within thirty (30) days after the earlier of (a) any Financial Officer of such Company becomes aware of the occurrence thereof, or (b) the giving of written notice thereof to Borrower by Agent or the Required Lenders that the specified Default is to be remedied.

Section 7.4. Representations and Warranties. If any representation, warranty or statement made in or pursuant to this Agreement or any Related Writing or any other material information furnished by any Company to Agent or the Lenders or any thereof or any other holder of any Note, shall be false or erroneous in any material respect.

Section 7.5. Cross Default. If any Company shall default in the payment of principal or interest due and owing under any Material Indebtedness Agreement (other than the Newgen Lease prior to the Newgen Opt-In Date) beyond any period of grace provided with respect thereto or in the performance or observance of any other provision, term or condition contained in any Material Indebtedness Agreement under which such obligation is created, if the effect of such default is to allow the acceleration of the maturity of such Indebtedness or to permit the holder thereof to cause such Indebtedness to become due prior to its stated maturity.

Section 7.6. ERISA Default. The occurrence of one or more ERISA Events that (a) the Required Lenders determine could have a Material Adverse Effect, or (b) results in a Lien on any of the assets of any Company.

Section 7.7. Change in Control. If any Change in Control shall occur.

Section 7.8. Money Judgment. A final judgment or order for the payment of money shall be rendered against any Company (other than any of the Newgen Companies prior to the Newgen Opt-In Date) by a court of competent jurisdiction, that remains unpaid or unstayed and undischarged for a period (during which execution shall not be effectively stayed) of sixty (60) days after the date on which the right to appeal has expired; provided that such occurrence shall constitute an Event of Default only if the aggregate of all such judgments for all such Companies shall exceed Ten Million Dollars (\$10,000,000).

Section 7.9. Material Adverse Change. There shall have occurred any condition or event that Agent or the Required Lenders determine has or is more likely than not to have a Material Adverse Effect.

Section 7.10. Security. If any Lien granted in this Agreement or any other Loan Document in favor of Agent, on behalf of the Lenders, shall be determined to be (a) void, voidable or invalid, or is subordinated or not otherwise given the priority contemplated by this Agreement and the Credit Parties have failed to promptly execute appropriate documents to correct such matters, or (b) unperfected as to any material amount of Collateral (as determined by Agent, in its reasonable discretion).

Section 7.11. Validity of Loan Documents. (a) Any material provision, in the reasonable opinion of Agent, of any Loan Document shall at any time for any reason cease to be valid, binding and enforceable against any Credit Party; (b) the validity, binding effect or enforceability of any Loan Document against any Credit Party shall be contested by any Credit Party; (c) any Credit Party shall deny that it has any or further liability or obligation under any Loan Document; or (d) any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to Agent and the Lenders the benefits purported to be created thereby. In addition to any other material Loan Documents, this Agreement, each Note and each Guaranty of Payment shall be deemed to be "material".

Section 7.12. Solvency. If any Company (other than any of the Newgen Companies prior to the Newgen Opt-In Date, or a Dormant Subsidiary) shall (a) except as permitted pursuant to Section 5.12 hereof, discontinue business, (b) generally not pay its debts as such debts become due, (c) make a general assignment for the benefit of

creditors, (d) apply for or consent to the appointment of a receiver, a custodian, a trustee, an interim trustee or liquidator of all or a substantial part of its assets, (e) be adjudicated a debtor or insolvent or have entered against it an order for relief under Title 11 of the United States Code, or under any other bankruptcy insolvency, liquidation, winding-up, corporate or similar statute or law, foreign, federal state or provincial, in any applicable jurisdiction, now or hereafter existing, as any of the foregoing may be amended from time to time, or other applicable statute for jurisdictions outside of the United States, as the case may be, (f) file a voluntary petition in bankruptcy, or have an involuntary proceeding filed against it and the same shall continue undismissed for a period of sixty (60) days from commencement of such proceeding or case, or file a petition or an answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal or state, or, if applicable, other jurisdiction) relating to relief of debtors, or admit (by answer, by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal or state, or, if applicable, other jurisdiction) relating to relief of debtors, (g) suffer or permit to continue unstayed and in effect for sixty (60) consecutive days any judgment, decree or order entered by a court of competent jurisdiction, that approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator of all or a substantial part of its assets, or (h) have an administrative receiver appointed over the whole or substantially the whole of its assets.

ARTICLE VIII. REMEDIES UPON DEFAULT

Notwithstanding any contrary provision or inference herein or elsewhere:

Section 8.1. Optional Defaults. If any Event of Default referred to in Section 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10 or 7.11 hereof shall occur, Agent may, with the consent of the Required Lenders, and shall, at the written request of the Required Lenders, give written notice to Borrower to:

(a) terminate the Commitment, if not previously terminated, and, immediately upon such election, the obligations of the Lenders, and each thereof, to make any further Loan and the obligation of the Fronting Lender to issue any Letter of Credit immediately shall be terminated; and/or

(b) accelerate the maturity of all of the Obligations (if the Obligations are not already due and payable), whereupon all of the Obligations shall become and thereafter be immediately due and payable in full without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

Section 8.2. Automatic Defaults. If any Event of Default referred to in Section 7.12 hereof shall occur:

(a) all of the Commitment shall automatically and immediately terminate, if not previously terminated, and no Lender thereafter shall be under any obligation to grant any further Loan, nor shall the Fronting Lender be obligated to issue any Letter of Credit; and

(b) the principal of and interest then outstanding on all of the Loans, and all of the other Obligations, shall thereupon become and thereafter be immediately due and payable in full (if the Obligations are not already due and payable), all without any presentment, demand or notice of any kind, which are hereby waived by Borrower.

Section 8.3. Letters of Credit. If the maturity of the Obligations shall be accelerated pursuant to Section 8.1 or 8.2 hereof, Borrower shall immediately deposit with Agent, as security for the obligations of Borrower and any Guarantor of Payment to reimburse Agent and the Lenders for any then outstanding Letters of Credit, cash equal to the sum of the aggregate undrawn balance of any then outstanding Letters of Credit. Agent and the Lenders are hereby authorized, at their option, to deduct any and all such amounts from any deposit balances then owing by any Lender (or any affiliate of such Lender) to or for the credit or account of any Company, as security for the obligations of Borrower and any Guarantor of Payment to reimburse Agent and the Lenders for any then outstanding Letters of Credit.

Section 8.4. Offsets. If there shall occur or exist any Event of Default referred to in Section 7.12 hereof or if the maturity of the Obligations is accelerated pursuant to Section 8.1 or 8.2 hereof, each Lender shall have the

right at any time to set off against, and to appropriate and apply toward the payment of, any and all of the Obligations then owing by Borrower or a Guarantor of Payment to such Lender (including, without limitation, any participation purchased or to be purchased pursuant to Sections 2.2(b), 2.2(c) or 8.5 hereof), whether or not the same shall then have matured, any and all deposit (general or special) balances and all other indebtedness then held or owing by such Lender (including, without limitation, by branches and agencies or any affiliate of such Lender, wherever located) to or for the credit or account of Borrower or any Guarantor of Payment, all without notice to or demand upon Borrower or any other Person, all such notices and demands being hereby expressly waived by Borrower.

Section 8.5. Equalization Provision. Each Lender agrees with the other Lenders that if it, at any time, shall obtain any Advantage over the other Lenders or any thereof in respect of the Obligations (except as to Swing Loans and Letters of Credit prior to Agent's giving of notice to participate and except under Article III hereof), it shall purchase from the other Lenders, for cash and at par, such additional participation in the Obligations as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Lender receiving the Advantage, each such purchase shall be rescinded, and the purchase price restored (but without interest unless the Lender receiving the Advantage is required to pay interest on the Advantage to the Person recovering the Advantage from such Lender) ratably to the extent of the recovery. Each Lender further agrees with the other Lenders that if it at any time shall receive any payment for or on behalf of Borrower on any Indebtedness owing by Borrower pursuant to this Agreement (whether by voluntary payment, by realization upon security, by reason of offset of any deposit or other indebtedness, by counterclaim or cross-action, by the enforcement of any right under any Loan Document, or otherwise), it will apply such payment first to any and all Obligations owing by Borrower to that Lender (including, without limitation, any participation purchased or to be purchased pursuant to this Section 8.5 or any other Section of this Agreement). Borrower agrees that any Lender so purchasing a participation from the other Lenders or any thereof pursuant to this Section 8.5 may exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender was a direct creditor of Borrower in the amount of such participation.

Section 8.6. Other Remedies. The remedies in this Article VIII are in addition to, not in limitation of, any other right, power, privilege, or remedy, either in law, in equity, or otherwise, to which the Lenders may be entitled. Agent shall exercise the rights under this Article VIII and all other collection efforts on behalf of the Lenders and no Lender shall act independently with respect thereto, except as otherwise specifically set forth in this Agreement.

ARTICLE IX. THE AGENT

The Lenders authorize KeyBank National Association and KeyBank National Association hereby agrees to act as agent for the Lenders in respect of this Agreement upon the terms and conditions set forth elsewhere in this Agreement, and upon the following terms and conditions:

Section 9.1. Appointment and Authorization. Each Lender hereby irrevocably appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers hereunder as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Neither Agent nor any of its affiliates, directors, officers, attorneys or employees shall (a) be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct (as determined by a court of competent jurisdiction), or be responsible in any manner to any of the Lenders for the effectiveness, enforceability, genuineness, validity or due execution of this Agreement or any other Loan Documents, (b) be under any obligation to any Lender to ascertain or to inquire as to the performance or observance or any of the terms, covenants or conditions hereof or thereof on the part of Borrower or any other Company, or the financial condition of Borrower or any other Company, or (c) be liable to any of the Companies for consequential damages resulting from any breach of contract, tort or other wrong in connection with the negotiation, documentation, administration or collection of the Loans or Letters of Credit or any of the Loan Documents. Notwithstanding any provision to the contrary contained in this Agreement or in any other Loan Document, Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent"

herein and in other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 9.2. Note Holders. Agent may treat the payee of any Note as the holder thereof (or, if there is no Note, the holder of the interest as reflected on the books and records of Agent) until written notice of transfer shall have been filed with Agent, signed by such payee and in form satisfactory to Agent.

Section 9.3. Consultation With Counsel. Agent may consult with legal counsel selected by Agent and shall not be liable for any action taken or suffered in good faith by Agent in accordance with the opinion of such counsel.

Section 9.4. Documents. Agent shall not be under any duty to examine into or pass upon the validity, effectiveness, genuineness or value of any Loan Document or any other Related Writing furnished pursuant hereto or in connection herewith or the value of any collateral obtained hereunder, and Agent shall be entitled to assume that the same are valid, effective and genuine and what they purport to be.

Section 9.5. Agent and Affiliates. KeyBank National Association (“KeyBank”) and its affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, financial advisory, underwriting or other business with the Companies and Affiliates as though KeyBank were not Agent hereunder and without notice to or consent of any Lender. Each Lender acknowledges that, pursuant to such activities, KeyBank or its affiliates may receive information regarding any Company or any Affiliate (including information that may be subject to confidentiality obligations in favor of such Company or such Affiliate) and acknowledge that Agent shall be under no obligation to provide such information to other Lenders. With respect to Loans and Letters of Credit (if any), KeyBank and its affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though KeyBank were not Agent, and the terms “Lender” and “Lenders” include KeyBank and its affiliates, to the extent applicable, in their individual capacities.

Section 9.6. Knowledge of Default. It is expressly understood and agreed that Agent shall be entitled to assume that no Default or Event of Default has occurred, unless Agent has been notified by a Lender in writing that such Lender believes that a Default or Event of Default has occurred and is continuing and specifying the nature thereof or has been notified by Borrower pursuant to Section 5.14 hereof.

Section 9.7. Action by Agent. Subject to the other terms and conditions hereof, so long as Agent shall be entitled, pursuant to Section 9.6 hereof, to assume that no Default or Event of Default shall have occurred and be continuing, Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights that may be vested in it by, or with respect to taking or refraining from taking any action or actions that it may be able to take under or in respect of, this Agreement. Agent shall incur no liability under or in respect of this Agreement by acting upon any notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything that it may do or refrain from doing in the reasonable exercise of its judgment, or that may seem to it to be necessary or desirable in the premises. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent’s acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

Section 9.8. Release of Collateral or Guarantor of Payment. In the event of a transfer of assets permitted by Section 5.12 hereof (or otherwise permitted pursuant to this Agreement) where the proceeds of such transfer are applied in accordance with the terms of this Agreement to the extent required to be so applied, Agent, at the request and expense of Borrower, is hereby authorized by the Lenders to (a) release such Collateral from this Agreement, (b) release a Guarantor of Payment in connection with such permitted transfer, and (c) duly assign, transfer and deliver to the affected Company (without recourse and without any representation or warranty) such Collateral as is then (or has been) so transferred or released and as may be in possession of Agent and has not theretofore been released pursuant to this Agreement.

Section 9.9. Notice of Default. In the event that Agent shall (a) have been notified by a Lender in writing that such Lender believes that a Default or Event of Default has occurred and is continuing or (b) have actual knowledge of a Default or Event of Default due to the default in the payment of principal, interest and fees required to be paid to Agent for the account of the Lenders, Agent shall promptly notify the Lenders and shall take such action and assert such rights under this Agreement as the Required Lenders shall direct and Agent shall inform the other Lenders in writing of the action taken. Agent may take such action and assert such rights as it deems to be advisable, in its discretion, for the protection of the interests of the holders of the Obligations.

Section 9.10. Delegation of Duties. Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct, as determined by a court of competent jurisdiction.

Section 9.11. Indemnification of Agent. The Lenders agree to indemnify Agent (to the extent not reimbursed by Borrower) ratably, according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent in its capacity as agent in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by Agent with respect to this Agreement or any Loan Document, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements resulting from Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction, or from any action taken or omitted by Agent in any capacity other than as agent under this Agreement or any other Loan Document. No action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 9.11. The undertaking in this Section 9.11 shall survive repayment of the Loans, cancellation of the Notes, if any, expiration or termination of the Letters of Credit, termination of the Commitment, any foreclosure under, or modification, release or discharge of, any or all of the Loan Documents, termination of this Agreement and the resignation or replacement of the agent.

Section 9.12. Successor Agent. Agent may resign as agent hereunder by giving not fewer than thirty (30) days prior written notice to Borrower and the Lenders. If Agent shall resign under this Agreement, then either (a) the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders (with the consent of Borrower so long as an Event of Default has not occurred and which consent shall not be unreasonably withheld), or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following Agent's notice to the Lenders of its resignation, then Agent shall appoint a successor agent that shall serve as agent until such time as the Required Lenders appoint a successor agent. Upon its appointment, such successor agent shall succeed to the rights, powers and duties as agent, and the term "Agent" shall mean such successor effective upon its appointment, and the former agent's rights, powers and duties as agent shall be terminated without any other or further act or deed on the part of such former agent or any of the parties to this Agreement.

Section 9.13. Fronting Lender. The Fronting Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by the Fronting Lender and the documents associated therewith. The Fronting Lender shall have all of the benefits and immunities (a) provided to Agent in Article IX hereof with respect to any acts taken or omissions suffered by the Fronting Lender in connection with the Letters of Credit and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Agent", as used in Article IX hereof, included the Fronting Lender with respect to such acts or omissions, and (b) as additionally provided in this Agreement with respect to the Fronting Lender.

Section 9.14. Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, (a) Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Agent shall have made any demand on Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise, to (i) file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to

have the claims of the Lenders and Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and Agent and their respective agents and counsel and all other amounts due the Lenders and Agent) allowed in such judicial proceedings, and (ii) collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and (b) any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Agent and, in the event that Agent shall consent to the making of such payments directly to the Lenders, to pay to Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Agent and its agents and counsel, and any other amounts due Agent. Nothing contained herein shall be deemed to authorize Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE X. MISCELLANEOUS

Section 10.1. Lenders' Independent Investigation. Each Lender, by its signature to this Agreement, acknowledges and agrees that Agent has made no representation or warranty, express or implied, with respect to the creditworthiness, financial condition, or any other condition of any Company or with respect to the statements contained in any information memorandum furnished in connection herewith or in any other oral or written communication between Agent and such Lender. Each Lender represents that it has made and shall continue to make its own independent investigation of the creditworthiness, financial condition and affairs of the Companies in connection with the extension of credit hereunder, and agrees that Agent has no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than such notices as may be expressly required to be given by Agent to the Lenders hereunder), whether coming into its possession before the first Credit Event hereunder or at any time or times thereafter. Each Lender further represents that it has reviewed each of the Loan Documents.

Section 10.2. No Waiver; Cumulative Remedies. No omission or course of dealing on the part of Agent, any Lender or the holder of any Note or, if there is no Note, the holder of the interest as reflected on the books and records of Agent) in exercising any right, power or remedy hereunder or under any of the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or under any of the Loan Documents. The remedies herein provided are cumulative and in addition to any other rights, powers or privileges held by operation of law, by contract or otherwise.

Section 10.3. Amendments, Consents. No amendment, modification, termination, or waiver of any provision of any Loan Document nor consent to any variance therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Anything herein to the contrary notwithstanding, unanimous consent of the Lenders shall be required with respect to (a) any increase in the Commitment hereunder (except as specified in Section 2.9(b) hereof), (b) the extension of the maturity of the Loans, the payment date of interest or any scheduled principal payment, the date of payment of commitment fees payable hereunder, (c) any reduction in the rate of interest on the Loans (provided that the institution of the Default Rate and a subsequent removal of the Default Rate shall not constitute a decrease in interest rate of this Section), or in any amount of interest or scheduled principal due on any Loan, or the payment of commitment fees hereunder, (d) any change in the manner of pro rata application of any payments made by Borrower to the Lenders hereunder, (e) any change in any percentage voting requirement, voting rights, or the Required Lenders definition in this Agreement, (f) the release of any Guarantor of Payment or material amount of Collateral securing the Obligations, except as contemplated in Section 9.8 hereof and as otherwise permitted under this Agreement (including without limitation, releases which occur automatically and without any additional consent by Agent or any Lender), or (g) any amendment to this Section 10.3 or Section 8.5 hereof. Notice of amendments or consents ratified by the Lenders hereunder shall be forwarded by Agent to all of the Lenders. Each Lender or other holder of a Note (or interest in any Loan) shall be bound by any amendment, waiver or consent obtained as authorized by this Section, regardless of its failure to agree thereto.

Section 10.4. Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing and, if to Borrower, mailed or delivered to it, addressed to it at the address specified on the

signature pages of this Agreement, if to a Lender, mailed or delivered to it, addressed to the address of such Lender specified on the signature pages of this Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to each of the other parties. All notices, statements, requests, demands and other communications provided for hereunder shall be given by overnight delivery or first class mail with postage prepaid by registered or certified mail, addressed as aforesaid, or sent by facsimile with telephonic confirmation of receipt, except that all notices hereunder shall not be effective until received.

Section 10.5. Costs, Expenses and Taxes. Borrower agrees to pay on demand all reasonable costs and expenses of Agent and all Related Expenses, including, but not limited to, (a) syndication, administration, travel and out-of-pocket expenses, including but not limited to reasonable attorneys' fees and expenses, of Agent in connection with the preparation, negotiation and closing of the Loan Documents and the administration of the Loan Documents, the collection and disbursement of all funds hereunder and the other instruments and documents to be delivered hereunder, (b) extraordinary expenses of Agent in connection with the administration of the Loan Documents and the other instruments and documents to be delivered hereunder, and (c) the reasonable fees and out-of-pocket expenses of special counsel for Agent, with respect to the foregoing, and of local counsel, if any, who may be retained by said special counsel with respect thereto. Borrower also agrees to pay on demand all reasonable costs and expenses of Agent and the Lenders, including reasonable attorneys' fees and expenses, in connection with the restructuring or enforcement of the Obligations, this Agreement or any Related Writing. In addition, Borrower shall pay any and all stamp, transfer, documentary and other taxes, assessments, charges and fees payable or determined to be payable in connection with the execution and delivery of the Loan Documents, and the other instruments and documents to be delivered hereunder, and agrees to hold Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or failure to pay such taxes or fees.

Section 10.6. Indemnification. Borrower agrees to defend, indemnify and hold harmless Agent and the Lenders (and their respective affiliates, officers, directors, attorneys, agents and employees) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent or any Lender in connection with any investigative, administrative or judicial proceeding (whether or not such Lender or Agent shall be designated a party thereto) or any other claim by any Person relating to or arising out of any Loan Document or any actual or proposed use of proceeds of the Loans or any of the Obligations, or any activities of any Company or its Affiliates; provided that no Lender nor Agent shall have the right to be indemnified under this Section 10.6 for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. All obligations provided for in this Section 10.6 shall survive any termination of this Agreement.

Section 10.7. Obligations Several; No Fiduciary Obligations. The obligations of the Lenders hereunder are several and not joint. Nothing contained in this Agreement and no action taken by Agent or the Lenders pursuant hereto shall be deemed to constitute Agent or the Lenders a partnership, association, joint venture or other entity. No default by any Lender hereunder shall excuse the other Lenders from any obligation under this Agreement; but no Lender shall have or acquire any additional obligation of any kind by reason of such default. The relationship between Borrower and the Lenders with respect to the Loan Documents and the Related Writings is and shall be solely that of debtor and creditors, respectively, and neither Agent nor any Lender shall have any fiduciary obligation toward any Credit Party with respect to any such documents or the transactions contemplated thereby.

Section 10.8. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts and by facsimile signature, each of which counterparts when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 10.9. Binding Effect; Borrower's Assignment. This Agreement shall become effective when it shall have been executed by Borrower, Agent and each Lender and thereafter shall be binding upon and inure to the benefit of Borrower, Agent and each of the Lenders and their respective successors and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Agent and all of the Lenders.

Section 10.10. Lender Assignments.

(a) Assignments of Commitments. Each Lender shall have the right at any time or times to assign to an Eligible Transferee (other than to a Lender that shall not be in compliance with this Agreement), without recourse, all or a percentage of all of the following: (i) such Lender's Commitment, (ii) all Loans made by that Lender, (iii) such Lender's Notes, if any, and (iv) such Lender's interest in any Letter of Credit or Swing Loan, and any participation purchased pursuant to Section 2.2(b), 2.2(c) or 8.5 hereof. If a Lender (that is also a Fronting Lender) shall, through an assignment made pursuant to this Section 10.10, cease to be a Lender under this Agreement, the Letters of Credit issued by such Lender shall be terminated and replaced by a Letter of Credit issued by another Fronting Lender on or prior to the date of such assignment (or be otherwise dealt with in a manner acceptable to Agent, Borrower and the Fronting Lender that is assigning its interest as a Lender).

(b) Prior Consent. No assignment may be consummated pursuant to this Section 10.10 without the prior written consent of Borrower and Agent (other than an assignment by any Lender to any affiliate of such Lender which affiliate is an Eligible Transferee and either wholly-owned by a Lender or is wholly-owned by a Person that wholly owns, either directly or indirectly, such Lender, or to another Lender), which consent of Borrower and Agent shall not be unreasonably withheld; provided, however, that Borrower's consent shall not be required if, at the time of the proposed assignment, any Default or Event of Default shall then exist. Anything herein to the contrary notwithstanding, any Lender may at any time make a collateral assignment of all or any portion of its rights under the Loan Documents to a Federal Reserve Bank, and no such assignment shall release such assigning Lender from its obligations hereunder.

(c) Minimum Amount. Each such assignment shall be in a minimum amount of the lesser of Five Million Dollars (\$5,000,000) of the assignor's Commitment and interest herein or the entire amount of the assignor's Commitment and interest herein.

(d) Assignment Fee. Unless the assignment shall be to an affiliate of the assignor or the assignment shall be due to merger of the assignor or for regulatory purposes, either the assignor or the assignee shall remit to Agent, for its own account, an administrative fee of Three Thousand Five Hundred Dollars (\$3,500).

(e) Assignment Agreement. Unless the assignment shall be due to merger of the assignor or a collateral assignment for regulatory purposes, the assignor shall (i) cause the assignee to execute and deliver to Borrower and Agent an Assignment Agreement, and (ii) execute and deliver, or cause the assignee to execute and deliver, as the case may be, to Agent such additional amendments, assurances and other writings as Agent may reasonably require.

(f) Non-U.S. Assignee. If the assignment is to be made to an assignee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the assignor Lender shall cause such assignee, at least five Business Days prior to the effective date of such assignment, (i) to represent to the assignor Lender (for the benefit of the assignor Lender, Agent and Borrower) that under applicable law and treaties no taxes will be required to be withheld by Agent, Borrower or the assignor with respect to any payments to be made to such assignee in respect of the Loans hereunder, (ii) to furnish to the assignor Lender (and, in the case of any assignee registered in the Register (as defined below), Agent and Borrower) either U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN, as applicable (wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder), and (iii) to agree (for the benefit of the assignor, Agent and Borrower) to provide to the assignor Lender (and, in the case of any assignee registered in the Register, to Agent and Borrower) a new Form W-8ECI or Form W-8BEN, as applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(g) Deliveries by Borrower. Upon satisfaction of all applicable requirements specified in subsections (a) through (f) above, Borrower shall execute and deliver (i) to Agent, the assignor and the assignee, any consent or release (of all or a portion of the obligations of the assignor) required to be delivered by Borrower in connection with the Assignment Agreement, and (ii) to the assignee, if requested, and the assignor, if applicable, an appropriate Note or Notes. After delivery of the new Note or Notes, the assignor's Note or Notes, if any, being replaced shall be returned to Borrower marked "replaced".

(h) Effect of Assignment. Upon satisfaction of all applicable requirements set forth in subsections (a) through (g) above, and any other condition contained in this Section 10.10, (i) the assignee shall become and thereafter be deemed to be a “Lender” for the purposes of this Agreement, (ii) the assignor shall be released from its obligations hereunder to the extent that its interest has been assigned, (iii) in the event that the assignor’s entire interest has been assigned, the assignor shall cease to be and thereafter shall no longer be deemed to be a “Lender” and (iv) the signature pages hereto and Schedule 1 hereto shall be automatically amended, without further action, to reflect the result of any such assignment.

(i) Agent to Maintain Register. Agent shall maintain at the address for notices referred to in Section 10.4 hereof a copy of each Assignment Agreement delivered to it and a register (the “Register”) for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

Section 10.11. Sale of Participations. Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell participations to one or more Eligible Transferees (each a “Participant”) in all or a portion of its rights or obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of the Commitment and the Loans and participations owing to it and the Note, if any, held by it); provided that:

(a) any such Lender’s obligations under this Agreement and the other Loan Documents shall remain unchanged;

(b) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(c) the parties hereto shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement and each of the other Loan Documents;

(d) such Participant shall be bound by the provisions of Section 8.5 hereof, and the Lender selling such participation shall obtain from such Participant a written confirmation of its agreement to be so bound; and

(e) no Participant (unless such Participant is itself a Lender) shall be entitled to require such Lender to take or refrain from taking action under this Agreement or under any other Loan Document, except that such Lender may agree with such Participant that such Lender will not, without such Participant’s consent, take action of the type described as follows:

(i) increase the portion of the participation amount of any Participant over the amount thereof then in effect, or extend the Commitment Period, without the written consent of each Participant affected thereby; or

(ii) reduce the principal amount of or extend the time for any payment of principal of any Loan, or reduce the rate of interest or extend the time for payment of interest on any Loan, or reduce the commitment fee, without the written consent of each Participant affected thereby.

Borrower agrees that any Lender that sells participations pursuant to this Section shall still be entitled to the benefits of Article III hereof, notwithstanding any such transfer; provided, however, that the obligations of Borrower shall not increase as a result of such transfer and Borrower shall have no obligation to any Participant.

Section 10.12. Patriot Act Notice. Each Lender and Agent (for itself and not on behalf of any other party) hereby notifies the Credit Parties that, pursuant to the requirements of the Patriot Act, such Lender and Agent are required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of the Credit Parties and other information that will allow such Lender or Agent, as applicable, to identify the Credit Parties in accordance with the Patriot Act. Borrower shall provide, to the extent commercially

reasonable, such information and take such actions as are reasonably requested by Agent or a Lender in order to assist Agent or such Lender in maintaining compliance with the Patriot Act.

Section 10.13. Severability of Provisions; Captions; Attachments. Any provision of this Agreement that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. The several captions to sections and subsections herein are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. Each schedule or exhibit attached to this Agreement shall be incorporated herein and shall be deemed to be a part hereof.

Section 10.14. Investment Purpose. Each of the Lenders represents and warrants to Borrower that it is entering into this Agreement with the present intention of acquiring any Note issued pursuant hereto (or, if there is no Note, the interest as reflected on the books and records of Agent) for investment purposes only and not for the purpose of distribution or resale, it being understood, however, that each Lender shall at all times retain full control over the disposition of its assets.

Section 10.15. Entire Agreement. This Agreement, any Note and any other Loan Document or other agreement, document or instrument attached hereto or executed on or as of the Closing Date integrate all of the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof.

Section 10.16. Legal Representation of Parties. The Loan Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement or any other Loan Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

Section 10.17. Governing Law; Submission to Jurisdiction. This Agreement, each of the Notes and any Related Writing shall be governed by and construed in accordance with the laws of the State of Ohio and the respective rights and obligations of Borrower, Agent, and the Lenders shall be governed by Ohio law, without regard to principles of conflict of laws. Borrower hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Agreement, the Obligations or any Related Writing, and Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Borrower, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Borrower agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

[Remainder of page left intentionally blank]

Section 10.18. Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the parties have executed and delivered this Amended and Restated Credit Agreement as of the date first set forth above.

Address: 9197 South Peoria Street
Englewood, Colorado 80112-5833
Attn: Vice President — Treasurer

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

Address: 127 Public Square
Cleveland, Ohio 44114-1306
Attn: Institutional Banking

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Lender

By: _____
Jeff Kalinowski
Senior Vice President

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

Address: 1125 17th Street, 3rd Floor
Denver, Colorado 80202
Attn: _____

JPMORGAN CHASE BANK, N.A.

By: _____
Name: _____
Title: _____

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

Address: 231 South LaSalle Street
Chicago, Illinois 60697

Attn: _____

BANK OF AMERICA, N.A.

By: _____

Name: _____

Title: _____

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

Address: 191 Peachtree Street NE
Atlanta, Georgia 30303
Attn: _____

WACHOVIA BANK, NATIONAL ASSOCIATION
By: _____
Name: _____
Title: _____

Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, BORROWER, AGENT AND EACH LENDER WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

Address: 50 South LaSalle Street, B-2
Chicago, Illinois 60675

THE NORTHERN TRUST COMPANY

Attn: _____

By: _____

Name: _____

Title: _____

SCHEDULE 1

LENDERS	COMMITMENT PERCENTAGE	REVOLVING CREDIT COMMITMENT AMOUNT	MAXIMUM AMOUNT
KeyBank National Association	43.35%	\$ 65,000,000	\$ 65,000,000
JPMorgan Chase Bank, N.A.	16.66%	\$ 25,000,000	\$ 25,000,000
Bank of America, N.A.	16.66%	\$ 25,000,000	\$ 25,000,000
Wachovia Bank, National Association	13.33%	\$ 20,000,000	\$ 20,000,000
The Northern Trust Company	10%	\$ 15,000,000	\$ 15,000,000
Total Commitment Amount	100%	\$ 150,000,000	\$ 150,000,000

SCHEDULE 2
GUARANTORS OF PAYMENT

Newgen Results Corporation
TeleTech Customer Care Management (Colorado), LLC
TeleTech Stockton, LLC
TeleTech Services Corporation
TeleTech Customer Care Management (West Virginia), Inc.
TeleTech Government Solutions, LLC
TeleTech International Holdings, Inc.
TTEC Nevada, Inc.
TeleTech Customer Service, Inc.
Direct Alliance Corporation

SCHEDULE 2.2
EXISTING LETTERS OF CREDIT

Amount USD	Bank	Maturity	L/C No.	Beneficiary
US LOC's				
\$ 1,250,000	Key Bank	6/23/2007	S309219	State of Arizona
881,500	BofA	8/1/2007	7410023	Royal Indemnity Company
750,000	BofA	8/1/2007	7403379	Royal Indemnity Company
2,700,000	BofA	9/30/2007	7405878	Liberty Mutual Insurance
1,394,985	BofA	3/31/2007	7412262	Union Bank of California
3,800,000	Key Bank	10/31/2007	S309677	Old Republic Insurance Co.
INT'L LOC's				
(Est. USD Equivalent)				
\$236,400 (EUR185,000)	BofA	6/29/2007	68001653	TPI – Client guarantee
\$61,300 (EUR 48,000)	BofA	6/29/2007	68001666	TPI – Client guarantee
\$76,700 (EUR 60,000)	BofA	6/29/2007	68001657	TPI – Client guarantee
\$85,600 (EUR 67,000)	BofA	6/29/2007	68001672	TPI – Client guarantee
\$102,200 (EUR 80,000)	BofA	6/29/2007	68001673	TPI – Client guarantee
\$76,700 (EUR 60,000)	BofA	6/29/2007	68001671	TPI – Client guarantee
\$11,415,385	Total			

SCHEDULE 3
PLEDGED SECURITIES

TeleTech Canada, Inc. (Ontario, Canada)
TeleTech Customer Services Spain S.L.

EXHIBIT A
FORM OF
REVOLVING CREDIT NOTE

September 28, 2006

\$ _____

FOR VALUE RECEIVED, the undersigned, TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower"), promises to pay, on the last day of the Commitment Period, as defined in the Credit Agreement (as hereinafter defined), to the order of ____("Lender") at the main office of KEYBANK NATIONAL ASSOCIATION, as Agent, as hereinafter defined, 127 Public Square, Cleveland, Ohio 44114-1306, the principal sum of

..... DOLLARS

or the aggregate unpaid principal amount of all Revolving Loans, as defined in the Credit Agreement made by Lender to Borrower pursuant to Section 2.2(a) of the Credit Agreement, whichever is less, in lawful money of the United States of America.

As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of September 28, 2006, among Borrower, the Lenders, as defined therein, and KeyBank National Association, as lead arranger, sole book runner and administrative agent for the Lenders ("Agent"), as the same may from time to time be amended, restated or otherwise modified. Each capitalized term used herein that is defined in the Credit Agreement and not otherwise defined herein shall have the meaning ascribed to it in the Credit Agreement.

Borrower also promises to pay interest on the unpaid principal amount of each Revolving Loan from time to time outstanding, from the date of such Revolving Loan until the payment in full thereof, at the rates per annum that shall be determined in accordance with the provisions of Section 2.3(a) of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.3(a); provided, however, that interest on any principal portion that is not paid when due shall be payable on demand.

The portions of the principal sum hereof from time to time representing Base Rate Loans and Eurodollar Loans, and payments of principal of any thereof, shall be shown on the records of Lender by such method as Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligations of Borrower under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind. This Note shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to conflicts of laws provisions.

JURY TRIAL WAIVER. BORROWER, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

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EXHIBIT B
FORM OF
SWING LINE NOTE

\$ 25,000,000 September 28, 2006

FOR VALUE RECEIVED, the undersigned, TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower"), promises to pay to the order of KEYBANK NATIONAL ASSOCIATION ("Swing Line Lender") at the main office of KEYBANK NATIONAL ASSOCIATION, as Agent, as hereinafter defined, 127 Public Square, Cleveland, Ohio 44114-1306, the principal sum of

TWENTY-FIVE MILLION AND 00/100..... DOLLARS

or the aggregate unpaid principal amount of all Swing Loans, as defined in the Credit Agreement (as hereinafter defined) made by Swing Line Lender to Borrower pursuant to Section 2.2(c) of the Credit Agreement, whichever is less, in lawful money of the United States of America on the earlier of the last day of the applicable Commitment Period, as defined in the Credit Agreement, or, with respect to each Swing Loan, the Swing Loan Maturity Date applicable thereto.

As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of September 28, 2006, among Borrower, the Lenders, as defined therein, KeyBank National Association, as lead arranger, sole book runner and administrative agent for the Lenders ("Agent"), as the same may from time to time be amended, restated or otherwise modified. Each capitalized term used herein that is defined in the Credit Agreement and not otherwise defined herein shall have the meaning ascribed to it in the Credit Agreement.

Borrower also promises to pay interest on the unpaid principal amount of each Swing Loan from time to time outstanding, from the date of such Swing Loan until the payment in full thereof, at the rates per annum that shall be determined in accordance with the provisions of Section 2.3(b) of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.3(b); provided, however, that interest on any principal portion that is not paid when due shall be payable on demand.

The principal sum hereof from time to time and the payments of principal and interest thereon, shall be shown on the records of Swing Line Lender by such method as Swing Line Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligation of Borrower under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is the Swing Line Note referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind. This Note shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to conflicts of laws provisions.

JURY TRIAL WAIVER. BORROWER, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS NOTE OR ANY OTHER

NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

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EXHIBIT C
FORM OF
NOTICE OF LOAN

[Date] _____, 20____

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: Institutional Banking

Ladies and Gentlemen:

The undersigned, Teletch Holdings, Inc., refers to the Amended and Restated Credit Agreement, dated as of September 28, 2006 (the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent, and hereby gives you notice, pursuant to Section 2.5 of the Credit Agreement that the undersigned hereby requests a Loan under the Credit Agreement, and in connection therewith sets forth below the information relating to the Loan (the "Proposed Loan") as required by Section 2.5 of the Credit Agreement:

- (a) The Business Day of the Proposed Loan is _____, 20__.
- (b) The amount of the Proposed Loan is \$_____.
- (c) The Proposed Loan is to be a Base Rate Loan ___/ Eurodollar Loan ___/ Swing Loan ____.
(Check one.)
- (d) If the Proposed Loan is a Eurodollar Loan, the Interest Period requested is one month ____, two months ____, three months ____, six months ____.
(Check one.)

The undersigned hereby certifies on behalf of Borrower that the following statements are true on the date hereof, and will be true on the date of the Proposed Loan:

- (i) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Proposed Loan and the application of the proceeds therefrom, as though made on and as of such date;
- (ii) no event has occurred and is continuing, or would result from such Proposed Loan, or the application of proceeds therefrom, that constitutes a Default or Event of Default; and
- (iii) the conditions set forth in Section 2.5 and Article IV of the Credit Agreement have been satisfied.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT D
FORM OF
COMPLIANCE CERTIFICATE

For Fiscal Quarter ended _____

THE UNDERSIGNED HEREBY CERTIFIES THAT:

(1) I am the duly elected Chief Financial Officer or Treasurer of Teletech Holdings, Inc., a Delaware corporation (“Borrower”);

(2) I am familiar with the terms of that certain Amended and Restated Credit Agreement, dated as of September 28, 2006, among the undersigned, the lenders named on Schedule 1 thereto (together with their respective successors and assigns, collectively, the “Lenders”), as defined in the Credit Agreement, and KeyBank National Association, as Agent (as the same may from time to time be amended, restated or otherwise modified, the “Credit Agreement”, the terms defined therein being used herein as therein defined), and the terms of the other Loan Documents, and I have made, or have caused to be made under my supervision, a review in reasonable detail of the transactions and condition of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

(3) The review described in paragraph (2) above did not disclose, and I have no knowledge of, the existence of any condition or event that constitutes or constituted a Default or Event of Default, at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate;

(4) The representations and warranties made by Borrower contained in each Loan Document are true and correct as though made on and as of the date hereof; and

(5) Set forth on Attachment I hereto are calculations of the financial covenants set forth in Section 5.7 of the Credit Agreement, which calculations show compliance with the terms thereof.

IN WITNESS WHEREOF, I have signed this certificate the ___ day of ___, 20__.

TELETECH HOLDINGS, INC.

By: _____

Name: _____

Title: _____

EXHIBIT E
FORM OF
ASSIGNMENT AND ACCEPTANCE AGREEMENT

This Assignment and Acceptance Agreement (this "Assignment Agreement") between _____ (the "Assignor") and _____ (the "Assignee") is dated as of ____, 20___. The parties hereto agree as follows:

1. Preliminary Statement. Assignor is a party to an Amended and Restated Credit Agreement, dated as of September 28, 2006 (as the same may from time to time be amended, restated, or otherwise modified, the "Credit Agreement"), among Teletech Holdings, Inc., a Delaware corporation ("Borrower"), the lenders named on Schedule 1 thereto (together with their respective successors and assigns, collectively, the "Lenders" and, individually, each a "Lender"), and KEYBANK NATIONAL ASSOCIATION, As lead arranger, sole book runner and administrative agent for the Lenders ("Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

2. Assignment and Assumption. Assignor hereby sells and assigns to Assignee, and Assignee hereby purchases and assumes from Assignor, an interest in and to Assignor's rights and obligations under the Credit Agreement, effective as of the Assignment Effective Date (as hereinafter defined), equal to the percentage interest specified on Annex 1 hereto (hereinafter, the "Assigned Percentage") of Assignor's right, title and interest in and to (a) the Commitment, (b) any Loan made by Assignor that is outstanding on the Assignment Effective Date, (c) Assignor's interest in any Letter of Credit outstanding on the Assignment Effective Date, (d) any Note delivered to Assignor pursuant to the Credit Agreement, and (e) the Credit Agreement and the other Related Writings. After giving effect to such sale and assignment and on and after the Assignment Effective Date, Assignee shall be deemed to have a "Commitment Percentage" under the Credit Agreement equal to the Commitment Percentage set forth in subpart II.A on Annex 1 hereto and an Assigned Amount as set forth on subpart I.B of Annex 1 hereto (hereinafter, the "Assigned Amount").

3. Assignment Effective Date. The Assignment Effective Date (the "Assignment Effective Date") shall be [____, ____] (or such other date agreed to by Agent). On or prior to the Assignment Effective Date, Assignor shall satisfy the following conditions:

(a) receipt by Agent of this Assignment Agreement, including Annex 1 hereto, properly executed by Assignor and Assignee and accepted and consented to by Agent and, if necessary pursuant to the provisions of Section 10.10(b) of the Credit Agreement, by Borrower;

(b) receipt by Agent from Assignor of a fee of Three Thousand Five Hundred Dollars (\$3,500), if required by Section 10.10 of the Credit Agreement;

(c) receipt by Agent from Assignee of an administrative questionnaire, or other similar document, which shall include (i) the address for notices under the Credit Agreement, (ii) the address of its Lending Office, (iii) wire transfer instructions for delivery of funds by Agent, (iv) and such other information as Agent shall request; and

(d) receipt by Agent from Assignor or Assignee of any other information required pursuant to Section 10.10 of the Credit Agreement or otherwise necessary to complete the transaction contemplated hereby.

4. Payment Obligations. In consideration for the sale and assignment of Loans hereunder, Assignee shall pay to Assignor, on the Assignment Effective Date, the amount agreed to by Assignee and Assignor. Any interest, fees and other payments accrued prior to the Assignment Effective Date with respect to the Assigned Amount shall be for the account of Assignor. Any interest, fees and other payments accrued on and after the Assignment Effective Date with respect to the Assigned Amount shall be for the account of Assignee. Each of Assignor and Assignee agrees that it will hold in trust for the other party any interest, fees or other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and to pay the other party any such amounts which it may receive promptly upon receipt thereof.

5. Credit Determination; Limitations on Assignor's Liability. Assignee represents and warrants to Assignor, Borrower, Agent and the Lenders (a) that it is capable of making and has made and shall continue to make its own credit determinations and analysis based upon such information as Assignee deemed sufficient to enter into the transaction contemplated hereby and not based on any statements or representations by Assignor, (b) Assignee confirms that it meets the requirements to be an assignee as set forth in Section 10.10 of the Credit Agreement; (c) Assignee confirms that it is able to fund the Loans and the Letters of Credit as required by the Credit Agreement; (d) Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the Related Writings are required to be performed by it as a Lender thereunder; and (e) Assignee represents that it has reviewed each of the Loan Documents. It is understood and agreed that the assignment and assumption hereunder are made without recourse to Assignor and that Assignor makes no representation or warranty of any kind to Assignee and shall not be responsible for (i) the due execution, legality, validity, enforceability, genuineness, sufficiency or collectability of the Credit Agreement or any Related Writings, (ii) any representation, warranty or statement made in or in connection with the Credit Agreement or any of the Related Writings, (iii) the financial condition or creditworthiness of Borrower or Guarantor of Payment, (iv) the performance of or compliance with any of the terms or provisions of the Credit Agreement or any of the Related Writings, (v) the inspection of any of the property, books or records of Borrower, or (vi) the validity, enforceability, perfection, priority, condition, value or sufficiency of any collateral securing or purporting to secure the Loans or Letters of Credit. Neither Assignor nor any of its officers, directors, employees, agents or attorneys shall be liable for any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans, the Letters of Credit, the Credit Agreement or the Related Writings, except for its or their own bad faith or willful misconduct. Assignee appoints Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to Agent by the terms thereof.

6. Indemnity. Assignee agrees to indemnify and hold Assignor harmless against any and all losses, cost and expenses (including, without limitation, attorneys' fees) and liabilities incurred by Assignor in connection with or arising in any manner from Assignee's performance or non-performance of obligations assumed under this Assignment Agreement.

7. Subsequent Assignments. After the Assignment Effective Date, Assignee shall have the right, pursuant to Section 10.10 of the Credit Agreement to assign the rights which are assigned to Assignee hereunder, provided that (a) any such subsequent assignment does not violate any of the terms and conditions of the Credit Agreement, any of the Related Writings, or any law, rule, regulation, order, writ, judgment, injunction or decree and that any consent required under the terms of the Credit Agreement or any of the Related Writings has been obtained, (b) the assignee under such assignment from Assignee shall agree to assume all of Assignee's obligations hereunder in a manner satisfactory to Assignor, and (c) Assignee is not thereby released from any of its obligations to Assignor hereunder.

8. Reductions of Aggregate Amount of Commitments. If any reduction in the Total Commitment Amount occurs between the date of this Assignment Agreement and the Assignment Effective Date, the percentage of the Total Commitment Amount assigned to Assignee shall remain the percentage specified in Section 1 hereof and the dollar amount of the Commitment of Assignee shall be recalculated based on the reduced Total Commitment Amount.

9. Acceptance of Agent; Notice by Assignor. This Assignment Agreement is conditioned upon the acceptance and consent of Agent and, if necessary pursuant to Section 10.10 of the Credit Agreement, upon the acceptance and consent of Borrower; provided, that the execution of this Assignment Agreement by Agent and, if necessary, by Borrower is evidence of such acceptance and consent.

10. Entire Agreement. This Assignment Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

11. Governing Law. This Assignment Agreement shall be governed by the laws of the State of Ohio, without regard to conflicts of laws.

12. Notices. Notices shall be given under this Assignment Agreement in the manner set forth in the Credit Agreement. For the purpose hereof, the addresses of the parties hereto (until notice of a change is delivered) shall be the address set forth under each party's name on the signature pages hereof.

[Remainder of page intentionally left blank.]

13. JURY TRIAL WAIVER. EACH OF THE UNDERSIGNED, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG AGENT, ANY OF THE LENDERS, AND BORROWER, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS INSTRUMENT OR ANY NOTE OR OTHER AGREEMENT, INSTRUMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED HERETO.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their duly authorized officers as of the date first above written.

Address: _____

Attn: _____

ASSIGNOR:

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

ASSIGNEE:

By: _____
Name: _____
Title: _____

Accepted and Consented to this ___ day of _____, 20__:

KEYBANK NATIONAL ASSOCIATION,
as Agent

By: _____
Name: _____
Title: _____

Accepted and Consented to this ___ day of _____, 20__:

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

ANNEX 1
TO
ASSIGNMENT AND ACCEPTANCE AGREEMENT

On and after the Assignment Effective Date, after giving effect to all other assignments being made by Assignor on the Assignment Effective Date, the Commitment of Assignee, and, if this is less than an assignment of all of Assignor's interest, Assignor, shall be as follows:

I. INTEREST BEING ASSIGNED TO ASSIGNEE

- A. Assigned Percentage _____%
- B. Assigned Amount \$_____

II. ASSIGNEE'S COMMITMENT (as of the Assignment Effective Date)

- A. Assignee's Commitment Percentage under the Credit Agreement _____%
- B. Assignee's Commitment Amount under the Credit Agreement \$_____

III. ASSIGNOR'S COMMITMENT (as of the Assignment Effective Date)

- A. Assignor's Commitment Percentage under the Credit Agreement _____%
- B. Assignor's Commitment Amount under the Credit Agreement \$_____

EXHIBIT F
FORM OF
REQUEST FOR EXTENSION

_____, 20__

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: Institutional Banking

Ladies and Gentlemen:

The undersigned, Teletech Holdings, Inc. ("Borrower"), refers to the Amended and Restated Credit Agreement, dated as of September 28, 2006 (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Borrower, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as lead arranger, sole book runner and administrative agent for the Lenders ("Agent"), and hereby gives you notice, pursuant to Section 2.12 of the Credit Agreement that the undersigned hereby requests an extension as set forth below (the "Extension") under the Credit Agreement, and in connection with the Extension sets forth below the information relating to the Extension as required by Section 2.12 of the Credit Agreement.

The undersigned hereby requests Agent and the Lenders to extend the Commitment Period from _____, 200__ to _____, 200_.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Extension: (a) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Extension and the application of the proceeds therefrom, as though made on and as of such date; (b) no event has occurred and is continuing, or would result from such Extension, or the application of proceeds therefrom, which constitutes a Default or an Event of Default; and (c) the conditions set forth in Section 2.12 and Article IV of the Credit Agreement have been satisfied.

Very truly yours,

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

FIRST AMENDMENT AGREEMENT

This FIRST AMENDMENT AGREEMENT (this "Amendment") is made as of the 24th day of October, 2006 among:

- (a) TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower");
- (b) the Lenders, as defined in the Credit Agreement; and
- (c) KEYBANK NATIONAL ASSOCIATION, as the lead arranger, sole book runner and administrative agent for the Lenders under this Agreement ("Agent").

WHEREAS, Borrower, Lenders and Agent are parties to that certain Amended and Restated Credit Agreement, dated as of September 28, 2006, that provides, among other things, for loans and letters of credit aggregating One Hundred Fifty Million Dollars (\$150,000,000), all upon certain terms and conditions (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement");

WHEREAS, Borrower desires to increase the Total Commitment Amount by exercising the accordion provision set forth in Section 2.9(b) of the Credit Agreement;

WHEREAS, Borrower, Agent and the Lenders desire to amend the Credit Agreement to modify certain provisions thereof and add certain provisions thereto;

WHEREAS, each capitalized term used herein and defined in the Credit Agreement, but not otherwise defined herein, shall have the meaning given such term in the Credit Agreement; and

WHEREAS, unless otherwise specifically provided herein, the provisions of the Credit Agreement revised herein are amended effective as of the date of this Amendment;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein and for other valuable consideration, Borrower, Agent and the Lenders agree as follows:

1. Amendment to Introduction. The Credit Agreement is hereby amended to delete its introductory paragraph therefrom and to insert in place thereof the following:

This AMENDED AND RESTATED CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this "Agreement") is made effective as of the 28th day of September, 2006 among:

- (a) TELETECH HOLDINGS, INC., a Delaware corporation ("Borrower");
 - (b) the lenders listed on Schedule 1 hereto and each other Eligible Transferee, as hereinafter defined, that from time to time becomes a party hereto pursuant to Section 2.9(b) or 10.10 hereof (collectively, the "Lenders" and, individually, each a "Lender");
-

(c) KEYBANK NATIONAL ASSOCIATION, as lead arranger, sole book runner and administrative agent for the Lenders under this Agreement ("Agent"); and

(d) WELLS FARGO BANK, N.A., as syndication agent ("Syndication Agent").

2. Amendment to Definitions. Section 1.1 of the Credit Agreement is hereby amended to delete the definition of "Total Commitment Amount" therefrom and to insert in place thereof the following:

"Total Commitment Amount" shall mean (a) for any date prior to the First Amendment Effective Date, the Closing Commitment Amount, and (b) on the First Effective Date and thereafter, One Hundred Eighty Million Dollars (\$180,000,000), as such amount may be increased up to the Maximum Commitment Amount pursuant to Section 2.9(b) hereof, or decreased pursuant to Section 2.9(a) hereof.

3. Addition to Definitions. Section 1.1 of the Credit Agreement is hereby amended to add the following new definition thereto:

"First Amendment Effective Date" shall mean October 24, 2006.

4. Addition to Agency Provisions. Article IX of the Credit Agreement is hereby amended to add the following new Section 9.15 thereto:

Section 9.15. Other Agents. As used in this Agreement, the term "Agent" shall only include Agent. The Syndication Agent shall not have any rights, obligations or responsibilities hereunder in such capacity.

5. Amendment to Schedule 1. The Credit Agreement is hereby amended to delete Schedule 1 (Commitments of Lenders) therefrom and to insert in place thereof a new Schedule 1 in the form of Schedule 1 hereto.

6. Closing Deliveries. Concurrently with the execution of this Amendment, Borrower shall:

(a) deliver to Agent, for delivery to Wells Fargo Bank, N.A., a Revolving Credit Note in the amount specified in Schedule 1 to the Credit Agreement;

(b) execute and deliver to Agent, for its sole benefit, the First Amendment Agent Fee Letter, and pay to Agent, for its sole account, the fees stated therein;

(c) execute and deliver to Agent the First Amendment Closing Fee Letter and pay to Agent, for the benefit of Wells Fargo Bank, N.A., the fees stated therein;

(d) cause each Guarantor of Payment to execute the attached Acknowledgement and Agreement; and

(e) pay all legal fees and expenses of Agent in connection with this Amendment.

7. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Lenders that (a) Borrower has the legal power and authority to execute and deliver this Amendment; (b) the officers executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof; (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower; (d) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof; (e) Borrower is not aware of any claim or offset against, or defense or counterclaim to, Borrower's obligations or liabilities under the Credit Agreement or any Related Writing; and (f) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.

8. References to Credit Agreement. Each reference that is made in the Credit Agreement or any Related Writing shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all terms and provisions of the Credit Agreement are confirmed and ratified and shall remain in full force and effect and be unaffected hereby. This Amendment is a Related Writing. The notice address for Wells Fargo Bank, N.A. set forth on the signature pages of this Amendment shall be the notice address of Wells Fargo Bank, N.A. for purposes of Section 10.4 of the Credit Agreement.

9. Waiver. Borrower, by signing below, hereby waives and releases Agent and each of the Lenders, and their respective directors, officers, employees, attorneys, affiliates and subsidiaries, from any and all claims, offsets, defenses and counterclaims of which Borrower is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

10. Counterparts. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

11. Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

12. Severability. Any term or provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the term or provision so held to be invalid or unenforceable.

13. Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.

[Remainder of page intentionally left blank.]

14. JURY TRIAL WAIVER. BORROWER, THE LENDERS AND AGENT, TO THE EXTENT PERMITTED BY LAW, EACH HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, THE LENDERS AND AGENT, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AMENDMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first set forth above.

TELETECH HOLDINGS, INC.

By: _____
Name: _____
Title: _____

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Lender

By: _____
Jeff Kalinowski
Senior Vice President

WELLS FARGO BANK, N.A.,
as Syndication Agent and as a Lender

By: _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, N.A.

By: _____
Name: _____
Title: _____

Address: Commercial Banking
1700 Lincoln Street, 8th Floor
Denver, Colorado 80274
Attn: Joe Gavan

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

THE NORTHERN TRUST COMPANY

By: _____
Name: _____
Title: _____

ACKNOWLEDGMENT AND AGREEMENT

The undersigned consent and agree to and acknowledge the terms of the foregoing First Amendment Agreement dated as of October 24, 2006. The undersigned further agree that the obligations of the undersigned pursuant to the Guaranty of Payment executed by the undersigned shall remain in full force and effect and be unaffected hereby.

The undersigned hereby waive and release Agent and the Lenders and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which the undersigned are aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

JURY TRIAL WAIVER. THE UNDERSIGNED, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWERS, AGENT, THE LENDERS AND THE UNDERSIGNED, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AMENDMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

TELETECH SERVICES CORPORATION

By: _____
Name: _____
Title: _____

TELETECH CUSTOMER CARE MANAGEMENT (WEST VIRGINIA), INC.

By: _____
Name: _____
Title: _____

TELETECH CUSTOMER CARE MANAGEMENT (COLORADO), LLC

By: _____
Name: _____
Title: _____

TELETECH GOVERNMENT SOLUTIONS, LLC

By: _____
Name: _____
Title: _____

TELETECH CUSTOMER SERVICES, INC.

By: _____
Name: _____
Title: _____

TELETECH INTERNATIONAL HOLDINGS, INC.

By: _____
Name: _____
Title: _____

DIRECT ALLIANCE CORPORATION

By: _____
Name: _____
Title: _____

TTEC NEVADA, INC.

By: _____
Name: _____
Title: _____

NEWGEN RESULTS CORPORATION

By: _____
Name: _____
Title: _____

TELETECH STOCKTON, LLC

By: _____
Name: _____
Title: _____

SCHEDULE 1

LENDERS	COMMITMENT PERCENTAGE	REVOLVING CREDIT COMMITMENT AMOUNT	MAXIMUM AMOUNT
KeyBank National Association	36.11%	\$ 65,000,000	\$ 65,000,000
Wells Fargo Bank, N.A.	16.66%	\$ 30,000,000	\$ 30,000,000
JPMorgan Chase Bank, N.A.	13.88%	\$ 25,000,000	\$ 25,000,000
Bank of America, N.A.	13.88%	\$ 25,000,000	\$ 25,000,000
Wachovia Bank, National Association	11.11%	\$ 20,000,000	\$ 20,000,000
The Northern Trust Company	8.33%	\$ 15,000,000	\$ 15,000,000
Total Commitment Amount	100%	\$180,000,000	\$180,000,000

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth D. Tuchman, certify that:

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

Date: October 25, 2006

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

**CERTIFICATION OF ACTING CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John R. Troka, certify that:

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

Date: October 25, 2006

By: /s/ John R. Troka

John R. Troka
Vice President and
Acting Chief Financial Officer
(Principal Financial and Accounting Officer)

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

The undersigned hereby certifies that, to his knowledge on the date hereof:

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2006 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: October 25, 2006

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

The undersigned hereby certifies that, to his knowledge on the date hereof:

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2006 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN R. TROKA

John R. Troka
Vice President and
Acting Chief Financial Officer

Date: October 25, 2006