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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, 2019

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

**TTEC Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common stock of TTEC Holdings, Inc., \$0.01 par value per share	TTEC	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 31, 2019, there were 46,486,749 shares of the registrant's common stock outstanding.

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**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**SEPTEMBER 30, 2019 FORM 10-Q**  
**TABLE OF CONTENTS**

	<b>Page No.</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018 (unaudited)</u>	1
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2019 and 2018 (unaudited)</u>	2
<u>Consolidated Statements of Stockholders' Equity as of and for the three and nine months ended September 30, 2019 and 2018 (unaudited)</u>	3
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and 2018 (unaudited)</u>	4
<u>Notes to the Consolidated Financial Statements (unaudited)</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	41
<u>Item 4. Controls and Procedures</u>	43
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	44
<u>Item 1A. Risk Factors</u>	44
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	56
<u>Item 5. Other Information</u>	56
<u>Item 6. Exhibits</u>	56
<b><u>SIGNATURES</u></b>	58

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**(Amounts in thousands, except share amounts)**  
**(Unaudited)**

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 85,480	\$ 78,237
Accounts receivable, net	312,128	350,962
Prepays and other current assets	80,709	61,808
Income and other tax receivables	37,293	35,470
Total current assets	515,610	526,477
<b>Long-term assets</b>		
Property, plant and equipment, net	164,972	161,523
Operating lease assets	146,092	—
Goodwill	203,823	204,633
Deferred tax assets, net	12,103	15,523
Other intangible assets, net	72,091	80,911
Other long-term assets	67,175	65,441
Total long-term assets	666,256	528,031
Total assets	<u>\$ 1,181,866</u>	<u>\$ 1,054,508</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 66,229	\$ 59,447
Accrued employee compensation and benefits	111,430	83,437
Other accrued expenses	77,610	15,963
Income tax payable	10,186	12,325
Deferred revenue	39,755	44,926
Current operating lease liabilities	41,512	—
Other current liabilities	11,584	19,320
Total current liabilities	358,306	235,418
<b>Long-term liabilities</b>		
Line of credit	199,000	282,000
Deferred tax liabilities, net	9,916	10,371
Non-current income tax payable	27,277	30,754
Deferred rent	—	16,584
Non-current operating lease liabilities	125,998	—
Other long-term liabilities	74,226	126,532
Total long-term liabilities	436,417	466,241
Total liabilities	794,723	701,659
<b>Commitments and contingencies (Note 10)</b>		
<b>Stockholders' equity</b>		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of September 30, 2019 and December 31, 2018	—	—
Common stock; \$0.01 par value; 150,000,000 shares authorized; 46,485,595 and 46,194,717 shares outstanding as of September 30, 2019 and December 31, 2018, respectively	465	462
Additional paid-in capital	353,372	353,932
Treasury stock at cost; 35,566,658 and 35,857,536 shares as of September 30, 2019 and December 31, 2018, respectively	(605,370)	(610,177)
Accumulated other comprehensive income (loss)	(118,700)	(124,596)
Retained earnings	744,954	725,551
Noncontrolling interest	12,422	7,677
Total stockholders' equity	387,143	352,849
Total liabilities and stockholders' equity	<u>\$ 1,181,866</u>	<u>\$ 1,054,508</u>

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Revenue</b>	\$ 395,507	\$ 364,936	\$ 1,182,378	\$ 1,090,038
<b>Operating expenses</b>				
Cost of services (exclusive of depreciation and amortization presented separately below)	304,622	286,925	897,193	844,555
Selling, general and administrative	48,062	43,321	148,646	134,611
Depreciation and amortization	16,659	17,317	50,452	52,052
Restructuring and integration charges, net	183	2,716	1,572	4,599
Impairment losses	—	—	3,569	1,120
Total operating expenses	<u>369,526</u>	<u>350,279</u>	<u>1,101,432</u>	<u>1,036,937</u>
<b>Income from operations</b>	25,981	14,657	80,946	53,101
<b>Other income (expense)</b>				
Interest income	522	1,401	1,291	3,940
Interest expense	(4,041)	(8,410)	(13,537)	(22,634)
Other income (expense), net	2,713	989	5,376	(10,786)
Total other income (expense)	<u>(806)</u>	<u>(6,020)</u>	<u>(6,870)</u>	<u>(29,480)</u>
<b>Income before income taxes</b>	25,175	8,637	74,076	23,621
Provision for income taxes	(5,196)	(1,893)	(20,007)	(4,648)
<b>Net income</b>	19,979	6,744	54,069	18,973
Net income attributable to noncontrolling interest	(1,878)	(1,369)	(5,168)	(3,489)
<b>Net income attributable to TTEC stockholders</b>	<u>\$ 18,101</u>	<u>\$ 5,375</u>	<u>\$ 48,901</u>	<u>\$ 15,484</u>
<b>Other comprehensive income (loss)</b>				
Net income	\$ 19,979	\$ 6,744	\$ 54,069	\$ 18,973
Foreign currency translation adjustments	(9,138)	(2,255)	(2,758)	(28,139)
Derivative valuation, gross	1,255	7,463	11,517	6,679
Derivative valuation, tax effect	(353)	(2,015)	(3,102)	(2,744)
Other, net of tax	37	103	54	317
Total other comprehensive income (loss)	<u>(8,199)</u>	<u>3,296</u>	<u>5,711</u>	<u>(23,887)</u>
<b>Total comprehensive income (loss)</b>	<u>11,780</u>	<u>10,040</u>	<u>59,780</u>	<u>(4,914)</u>
Less: Comprehensive income attributable to noncontrolling interest	(1,693)	(1,313)	(4,983)	(3,271)
<b>Comprehensive income (loss) attributable to TTEC stockholders</b>	<u>\$ 10,087</u>	<u>\$ 8,727</u>	<u>\$ 54,797</u>	<u>\$ (8,185)</u>
<b>Weighted average shares outstanding</b>				
Basic	46,481	46,172	46,335	46,021
Diluted	46,768	46,316	46,693	46,390
<b>Net income per share attributable to TTEC stockholders</b>				
Basic	\$ 0.39	\$ 0.12	\$ 1.06	\$ 0.34
Diluted	\$ 0.39	\$ 0.12	\$ 1.05	\$ 0.33
<b>Dividends declared per share outstanding</b>	\$ 0.32	\$ 0.28	\$ 0.32	\$ 0.28

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

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

**Three months ended September 30, 2019 and 2018**

Stockholders' Equity of the Company										
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
<b>Balance as of June 30, 2019</b>	—	\$ —	46,387	\$ 464	\$ (607,004)	\$ 354,068	\$ (110,686)	\$ 741,728	\$ 12,079	\$ 390,649
Cumulative effect of adopting accounting standard updates	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	18,101	1,878	19,979
Dividends to shareholders (\$0.32 per common share)	—	—	—	—	—	—	—	(14,875)	—	(14,875)
Capital contribution from noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	—	—	(1,350)	(1,350)
Foreign currency translation adjustments	—	—	—	—	—	—	(8,953)	—	(185)	(9,138)
Derivatives valuation, net of tax	—	—	—	—	—	—	902	—	—	902
Vesting of restricted stock units	—	—	99	1	1,634	(3,825)	—	—	—	(2,199)
Equity-based compensation expense	—	—	—	—	—	3,129	—	—	—	3,129
Other, net of tax	—	—	—	—	—	—	—	37	—	37
<b>Balance as of September 30, 2019</b>	—	\$ —	46,486	\$ 465	\$ (605,370)	\$ 353,372	\$ (118,700)	\$ 744,954	\$ 12,422	\$ 387,143

Stockholders' Equity of the Company										
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
<b>Balance as of June 30, 2018</b>	—	\$ —	46,034	\$ 460	\$ (612,841)	\$ 352,784	\$ (129,325)	\$ 712,775	\$ 7,811	\$ 331,664
Cumulative effect of adopting accounting standard updates	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	5,375	1,369	6,744
Dividends to shareholders (\$0.28 per common share)	—	—	—	—	—	—	—	(12,932)	—	(12,932)
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	—	—	(900)	(900)
Foreign currency translation adjustments	—	—	—	—	—	—	(2,199)	—	(56)	(2,255)
Derivatives valuation, net of tax	—	—	—	—	—	—	5,448	—	—	5,448
Vesting of restricted stock units	—	—	143	2	2,379	(4,712)	—	—	—	(2,331)
Exercise of stock options	—	—	15	—	248	(40)	—	—	—	208
Equity-based compensation expense	—	—	—	—	—	3,109	—	—	—	3,109
Other, net of tax	—	—	—	—	—	—	—	103	—	103
<b>Balance as of September 30, 2018</b>	—	\$ —	46,192	\$ 462	\$ (610,214)	\$ 351,141	\$ (125,973)	\$ 705,218	\$ 8,224	\$ 328,858

**Nine months ended September 30, 2019 and 2018**

Stockholders' Equity of the Company										
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
<b>Balance as of December 31, 2018</b>	—	\$ —	46,195	\$ 462	\$ (610,177)	\$ 353,932	\$ (124,596)	\$ 725,551	\$ 7,677	\$ 352,849
Cumulative effect of adopting accounting standard updates	—	—	—	—	—	—	—	(759)	—	(759)
Net income	—	—	—	—	—	—	—	48,901	5,168	54,069
Dividends to shareholders (\$0.62 per common share)	—	—	—	—	—	—	—	(28,739)	—	(28,739)
Capital contribution from noncontrolling interest	—	—	—	—	—	—	—	—	3,362	3,362
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	—	—	(3,600)	(3,600)
Foreign currency translation adjustments	—	—	—	—	—	—	(2,573)	—	(185)	(2,758)
Derivatives valuation, net of tax	—	—	—	—	—	—	8,415	—	—	8,415
Vesting of restricted stock units	—	—	291	3	4,807	(10,223)	—	—	—	(5,413)
Equity-based compensation expense	—	—	—	—	—	9,663	—	—	—	9,663
Other, net of tax	—	—	—	—	—	—	—	54	—	54
<b>Balance as of September 30, 2019</b>	—	\$ —	46,486	\$ 465	\$ (605,370)	\$ 353,372	\$ (118,700)	\$ 744,954	\$ 12,422	\$ 387,143

Stockholders' Equity of the Company										
	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount						
<b>Balance as of December 31, 2017</b>	—	\$ —	45,862	\$ 459	\$ (615,677)	\$ 351,725	\$ (102,304)	\$ 721,664	\$ 6,978	\$ 362,845
Cumulative effect of adopting accounting standard updates	—	—	—	—	—	—	—	(6,584)	—	(6,584)
Net income	—	—	—	—	—	—	—	15,484	3,489	18,973
Dividends to shareholders (\$0.55 per common share)	—	—	—	—	—	—	—	(25,346)	—	(25,346)
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	—	—	(2,025)	(2,025)
Foreign currency translation adjustments	—	—	—	—	—	—	(27,921)	—	(218)	(28,139)
Derivatives valuation, net of tax	—	—	—	—	—	—	3,935	—	—	3,935
Vesting of restricted stock units	—	—	315	3	5,215	(9,836)	—	—	—	(4,618)
Exercise of stock options	—	—	15	—	248	(40)	—	—	—	208
Equity-based compensation expense	—	—	—	—	—	9,292	—	—	—	9,292
Other, net of tax	—	—	—	—	—	—	—	317	—	317
<b>Balance as of September 30, 2018</b>	—	\$ —	46,192	\$ 462	\$ (610,214)	\$ 351,141	\$ (125,973)	\$ 705,218	\$ 8,224	\$ 328,858

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

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

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 54,069	\$ 18,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,452	52,052
Amortization of contract acquisition costs	751	1,183
Amortization of debt issuance costs	909	744
Imputed interest expense and fair value adjustments to contingent consideration	207	8,204
Provision for doubtful accounts	—	483
(Gain) loss on disposal of assets	182	25
Gain on sales of business	—	—
Impairment losses	3,569	1,120
Impairment on equity investment	—	15,632
Gain (adjustment) on bargain purchase of a business	—	(685)
Non-cash loss on assets held for sale reclassified to held and used	—	2,000
Deferred income taxes	(1,354)	(5,276)
Excess tax benefit from equity-based awards	(1,242)	(708)
Equity-based compensation expense	9,663	9,292
(Gain) loss on foreign currency derivatives	(155)	659
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	36,705	77,186
Prepays and other assets	21,425	(39,752)
Accounts payable and accrued expenses	83,986	14,777
Deferred revenue and other liabilities	(74,770)	10,200
Net cash provided by operating activities	<u>184,397</u>	<u>166,109</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of long-lived assets	355	21
Purchases of property, plant and equipment, net of acquisitions	(44,438)	(31,841)
Investments in non-marketable equity investments	—	(2,119)
Acquisitions, net of cash acquired of zero and \$4.5 million, respectively	—	(2,027)
Net cash used in investing activities	<u>(44,083)</u>	<u>(35,966)</u>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	746,800	1,573,500
Payments on line of credit	(829,800)	(1,645,000)
Payments on other debt	(9,367)	(4,613)
Payments of contingent consideration and hold back payments to acquisitions	(5,902)	(785)
Dividends paid to shareholders	(13,864)	(12,414)
Payments to noncontrolling interest	(3,600)	(2,025)
Capital contribution from noncontrolling interest	3,362	—
Proceeds from exercise of stock options	—	208
Tax payments related to issuance of restricted stock units	(5,413)	(4,618)
Payments of debt issuance costs	(1,819)	(35)
Net cash used in financing activities	<u>(119,603)</u>	<u>(95,782)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(3,151)</u>	<u>(14,919)</u>
Increase/ (decrease) in cash, cash equivalents and restricted cash	17,560	19,442
Cash, cash equivalents and restricted cash, beginning of period	78,237	74,437
Cash, cash equivalents and restricted cash, end of period	<u>\$ 95,797</u>	<u>\$ 93,879</u>
<b>Supplemental disclosures</b>		
Cash paid for interest	\$ 9,901	\$ 13,677
Cash paid for income taxes	<u>\$ 25,076</u>	<u>\$ 30,088</u>
<b>Non-cash operating, investing and financing activities</b>		
Acquisition of long-lived assets through finance leases	\$ 3,172	\$ 11,482
Acquisition of equipment through increase in accounts payable, net	<u>\$ (493)</u>	<u>\$ 1,056</u>
Dividend declared but not paid	<u>\$ 14,875</u>	<u>\$ 12,932</u>

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

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(1) OVERVIEW AND BASIS OF PRESENTATION**

**Summary of Business**

TTEC Holdings, Inc. (“TTEC”, “the Company”) is a leading global customer experience technology and services company focused on the design, implementation and delivery of transformative solutions for many of the world’s most iconic and disruptive brands. The Company helps large global companies increase revenue and reduce costs by delivering personalized customer experiences across every interactional channel and phase of the customer lifecycle as an end-to-end provider of customer engagement services, technologies, insights and innovations. TTEC’s 48,500 employees serve clients in the automotive, communication, financial services, government, healthcare, logistics, media and entertainment, retail, technology, transportation and travel industries via operations in the United States, Australia, Belgium, Brazil, Bulgaria, Canada, Costa Rica, Germany, Greece, Hong Kong, India, Ireland, Mexico, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, the United Arab Emirates, and the United Kingdom.

Through the first quarter of 2019, the Company was reporting on four segments known as Customer Strategy Services (CSS), Customer Technology Services (CTS), Customer Growth Services (CGS) and Customer Management Services (CMS).

Starting in the second quarter of 2019, the Company changed its strategy, how the Company goes to market, how its clients and potential clients evaluate and consume its services and how it assesses its performance. Based on these changes, the Company now reports its financial information based on the following two segments: TTEC Digital and TTEC Engage.

- TTEC Digital designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients. These services were previously included in the CSS and CTS segments.
- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services. These services were previously included in the CGS and CMS segments.

TTEC Digital and TTEC Engage come together under our unified offering, Humanify™ Customer Experience as a Service, which drives measurable results for clients through delivery of personalized omnichannel interactions that are seamless and relevant. This unified offering is value-oriented, outcome-based, and delivered on a global scale across both business segments.

**Basis of Presentation**

The Consolidated Financial Statements are comprised of the accounts of TTEC, its wholly owned subsidiaries, and its 55% equity owned subsidiary Percepta, LLC. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited Consolidated Financial Statements do not include all of the disclosures required by accounting principles generally accepted in the U.S. (“GAAP”), pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary to state fairly the consolidated financial position of the Company and the consolidated results of operations and comprehensive income (loss) and the consolidated cash flows of the Company. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

These unaudited Consolidated Financial Statements should be read in conjunction with the Company’s audited Consolidated Financial Statements and footnotes thereto included in the Company’s [Annual Report on Form 10-K for the year ended December 31, 2018](#).

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**Use of Estimates**

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

**Cash, Cash Equivalents and Restricted Cash**

Cash and cash equivalents consist of cash and highly liquid short-term investments, primarily held in interest-bearing investments which have original maturities of less than 90 days. Restricted cash includes cash whereby the Company's ability to use the funds at any time is contractually limited or is generally designated for specific purposes arising out of certain contractual or other obligations.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Condensed Consolidated Balance Sheets that sum to the amounts reported in the Condensed Consolidated Statement of Cash Flows (in thousands):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents	\$ 85,480	\$ 78,237
Restricted cash included in "Prepaid and other current assets"	10,305	—
Restricted cash included in "Other noncurrent assets"	12	—
Total	<u>\$ 95,797</u>	<u>\$ 78,237</u>

**Recently Issued Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases", which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases, and making targeted changes to lessor accounting. The FASB also issued ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Targeted Improvements to Topic 842 Leases, which allows the new lease standard to be applied as of the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings rather than a retroactive restatement of all periods presented.

The Company adopted Accounting Standards Codification ("ASC") 842 as of January 1, 2019 using the effective date as the date of initial application. The election allowed the Company to recognize the effects of the implementation of ASC 842 as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company also made certain assumptions in judgements when applying ASC 842. The most significant judgements are as follows:

1. The Company elected the package of practical expedients that allowed the Company not to reassess (a) whether any expired or existing contracts are leases or contain leases, (b) the lease classification for any expired or existing leases, and (c) initial direct costs.



**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

2. The Company did not use hindsight during transition in determining the lease term and assessing impairment of the entity's right-of-use assets.
3. The Company elected to not separate non-lease components (which include common area maintenance, taxes, and insurance) from the lease components for gross payment real estate leases. For net payment real estate leases and IT equipment leases, the non-lease components are not included in the lease right of use asset and lease liability and instead are reflected as an expense in the period incurred.
4. The Company did not apply the recognition requirements in ASC 842 for leases with a term of 12 months or less for all asset classes.

The Company determines if an arrangement is a lease at contract inception. The key specifics in determining if a leasing arrangement exists are as follows:

1. Does the arrangement convey the right to control the use of an identified asset in exchange for consideration over a period of time.
2. Does the Company obtain the right to substantially all of the asset's economic benefits.

The Company predominantly acts as a lessee and is required under the new standard to apply a dual approach, classifying leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase. The determination of the lease type is largely similar to the process the Company utilized under ASC 840. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASC 842 also requires lessees to record a right of use asset and a lease liability for all leases with a term of greater than one year regardless of classification.

The adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of \$129.9 million and \$148.3 million, respectively, as of January 1, 2019. The operating lease assets are lower than the operating lease liabilities primarily due to deferred rent balances at the transition date being reclassified into the right of use operating assets. On January 1, 2019 the Company recognized a reduction of \$0.8 million, net of tax, in its retained earnings as a result of recognizing previously impaired right of use assets recorded at transition. The standard did not impact our consolidated net earnings or cash flows. See Note 11 for additional lease disclosures.

**Other Accounting Pronouncements**

In August 2017, the FASB issued ASU 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*". ASU 2017-12 amends and simplifies existing guidance for derivatives and hedges including aligning accounting with companies' risk management strategies and increasing disclosure transparency regarding both the scope and results of hedging programs. The changes include designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The ASU is effective for interim and annual periods beginning after December 15, 2018 and early adoption was permitted. The Company adopted the new guidance effective January 1, 2019 and the adoption did not have a material effect on the financial statements or related disclosures.

The Company adopted ASC 606, "Revenue From Contracts With Customers", effective January 1, 2018, using the modified retrospective method. The adoption of ASC 606 resulted in the Company deferring recognition of certain fees, which are classified as deferred revenue on the balance sheet. Revenue recognized in the nine months ended September 30, 2019 that was included in the deferred revenue balance as of January 1, 2019 was \$48.0 million.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

In January 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses" (ASC 326), which amends the methodology of how and when companies measure credit losses on financial instruments. The objective of the ASU is to provide financial statement users more useful information regarding expected credit losses on financial instruments and other commitments. In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" which clarifies the scope of guidance in ASU 2016-13. In May 2019, the FASB issued ASU No. 2019-05, "Financial Instruments—Credit Losses (Topic 326), Targeted Transition Relief" which amended the transition guidance for the new credit losses standard (ASC 326). The ASU is effective for interim and annual periods beginning on or after December 15, 2019 with early adoption permitted, using a modified retrospective approach. The Company is currently evaluating the potential effects of adoption on its consolidated financial statements and related disclosures.

**(2) ACQUISITIONS AND DIVESTITURES**

*Strategic Communications Services*

On April 30, 2018, the Company acquired all of the outstanding equity securities of Strategic Communications Services, Ltd ("SCS"). SCS provides services as a system integrator for multichannel contact center platforms, including CISCO. The Company offers in-house, managed and outsourced network, information, communications and contact center services to leading brands throughout Europe. This business has been integrated into the Company's TTEC Digital segment.

Total cash paid at acquisition was £4.4 million (\$6.1 million USD) (inclusive of \$4.5 million related to cash balances). The purchase price was subject to customary representations and warranties, indemnities, and a net working capital adjustment. The agreement includes potential earn-out payments over the next three years with a maximum value of £3.0 million (\$4.1 million USD) contingent on EBITDA performance over the next three years. The Company finalized the working capital adjustment for an additional \$210 thousand during the third quarter of 2018 which was paid in October 2018.

The fair value of the contingent consideration was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions included a discount rate of 4.7% and expected future value of payments of \$2.9 million. The \$2.9 million of expected future payments was calculated using probability weighted EBITDA assessment with the highest probability associated with SCS achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was \$2.7 million. As of June 30, 2019, based on current year and expected future EBITDA, the fair value of the contingent consideration was estimated to be zero and thus the \$2.4 million accrual was reversed during the quarter ended June 30, 2019, and was included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2019, the expected future EBITDA is still below the targets, thus the contingent consideration remains at zero.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The following summarizes the fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date (in thousands):

	<b>Acquisition Date Fair Value</b>
Cash	\$ 4,530
Accounts receivable, net	985
Prepaid expenses	39
Customer relationships	3,619
Goodwill	1,231
	<u>\$ 10,404</u>
Accounts payable	\$ 216
Accrued employee compensation and benefits	27
Accrued expenses	21
Deferred tax liabilities	629
	<u>\$ 893</u>
Total purchase price	<u>\$ 9,511</u>

In the first quarter of 2019, the Company finalized its valuation of SCS for the acquisition date assets acquired and liabilities assumed and determined that no material adjustments to any of the balances were required.

The SCS customer relationships are being amortized over a useful life of 10 years. The goodwill recognized from the SCS acquisition is attributable, but not limited to, the acquired workforce and expected synergies with TTEC Digital. None of the tax basis of the acquired intangibles and goodwill will be deductible for income tax purposes. The acquired goodwill and intangibles and operating results of SCS are reported within the TTEC Digital segment from the date of acquisition.

*Berkshire Hathaway Specialty Concierge*

On March 31, 2018, the Company, through its subsidiary Percepta, acquired certain assets from Berkshire Hathaway Specialty Concierge, LLC ("BH") related to a customer engagement center and the related customer contracts. This acquisition is being accounted for as a business combination. These assets have been integrated into the Company's TTEC Engage segment.

The total cash paid was \$1. In connection with the purchase, Percepta assumed the lease for the customer engagement center and entered into a transitional services agreement with BH to facilitate the transfer of the employees and business. Fair values were assigned to each purchased asset including \$257 thousand for customer relationships, \$330 thousand as a lease subsidy and \$98 thousand for fixed assets. Based on the \$1 purchase price, a gain on purchase of \$685 thousand was recorded in the quarter ended March 31, 2018 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

**Financial Impact of Acquired Businesses**

The acquired businesses purchased in 2018 noted above contributed revenues of \$2.3 million and a net loss of \$0.8 million, inclusive of \$0.3 million of acquired intangible amortization, to the Company for the nine months ended September 30, 2019, respectively.

The unaudited proforma impact of the 2018 acquisitions on the consolidated results of operations of the Company for the first nine months of 2018 as though the acquisitions occurred on January 1 was not material.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Investments**

*CaféX*

In 2015, the Company invested \$9.0 million in CaféX Communications, Inc. (“CaféX”), a provider of omni-channel web-based real time communication (WebRTC) solutions, through the purchase of a portion of its outstanding Series B Preferred Stock. During the fourth quarter of 2016, the Company invested an additional \$4.3 million to purchase a portion of the Series C Preferred Stock of CaféX. During the first quarter of 2019, the Company purchased a portion of the common shares of CaféX from another investor for \$1. At September 30, 2019, the Company owns 17.8% of the total equity of CaféX. The investment is accounted for under the cost method of accounting. The Company evaluates its investments for possible other-than-temporary impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

During the first quarter of 2018, the Company provided a \$2.1 million bridge loan to CaféX which accrues interest at a rate of 12% per year until maturity or conversion, which will be no later than June 30, 2020.

As of March 31, 2018, the Company evaluated the investment in CaféX for impairment due to a large anticipated sale of IP not being completed as planned, a shift in the strategy of the company, an ongoing default by CaféX of its loan agreement with its bank, and a lack of potential additional funding options. Based on this evaluation, the Company determined that the fair value of its investment was zero and thus the investment was impaired as of March 31, 2018. The Company recorded a \$15.6 million write-off of the equity investment and the bridge loan which was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

**Subsequent Event**

On October 26, 2019, the Company acquired, through its subsidiary TTEC Services Corporation (“TSC”), 70% of the outstanding membership interest in First Call Resolution, LLC (“FCR”), an Oregon limited liability company (“the Transaction”). FCR is a customer care, social networking and business process solutions service provider with approximately 2,000 employees based in the U.S.

Total cash paid at acquisition was \$104.2 million. The Transaction is subject to customary representations and warranties, holdbacks, and a net working capital adjustment. The Transaction includes a potential earn-out payment with a maximum value of \$10.9 million contingent on FCR’s 2020 EBITDA performance.

As of the closing of the Transaction, Ortana Holdings, LLC, an Oregon limited liability company (“Ortana”), owned by the FCR founders, will continue to hold the remaining 30% membership interest in FCR (“Remaining Interest”). Between January 31, and December 31, 2023, Ortana shall have an option to sell to TSC and TSC shall have an option to purchase from Ortana the Remaining Interest at a purchase price equal to a multiple of FCR’s adjusted EBITDA for the period ending December 31, 2022. As a condition to closing, FCR’s founders agreed to continue their affiliation with FCR at least through 2023, and not to compete with the Company for a period of four years after the disposition of the Remaining Interest.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(3) SEGMENT INFORMATION**

During the second quarter of 2019, the Company finalized changes to the Company's operating strategy and the way in which the Company assesses performance. In accordance with this change, the Company adjusted certain reporting relationships between the Chief Operating Decision Maker ("CODM") and other members of management, updated the compensation metrics for senior management, and modified the internal financial reporting provided to the CODM and his direct reports consistent with this revised management and measurement structure. Accordingly, during the second quarter of 2019, the Company reevaluated the definition of the operating segments, reportable segments, and reporting units which resulted in a change to the reportable segments. Effective June 30, 2019, the segment information was reported consistent with these updated reportable segments comprised of TTEC Digital and TTEC Engage.

The Company reports the following two segments:

- TTEC Digital designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients.
  - Professional Services: Our management consulting practices deliver customer experience strategy, analytics, process optimization, and learning and performance services.
  - Technology Services: Our technology services design, integrate and operate highly scalable, digital omnichannel technology solutions in the cloud, on premise, or hybrid, including journey orchestration, automation and AI, knowledge management, and workforce productivity.
- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services.
  - Customer Care Services: Our customer care services provide turnkey contact center solutions, including digital omnichannel technologies, associate recruiting and training, facilities, and operational expertise to create exceptional customer experiences across all touchpoints.
  - Customer Acquisition Services: Our customer growth and acquisition services optimize the buying journeys for acquiring new customers by leveraging technology and analytics to deliver personal experiences to increase the quantity and quality of leads and customers.
  - Fraud Prevention Services: Our digital fraud detection and prevention services provide the ability to proactively identify and prevent fraud, and ensure community content moderation and compliance.

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

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

**Three Months Ended September 30, 2019**

	<b>Gross Revenue</b>	<b>Intersegment Sales</b>	<b>Net Revenue</b>	<b>Depreciation &amp; Amortization</b>	<b>Income from Operations</b>
TTEC Digital	\$ 78,577	\$ 43	\$ 78,620	\$ 2,512	\$ 11,704
TTEC Engage	316,887	—	316,887	14,147	14,277
Total	<u>\$ 395,464</u>	<u>\$ 43</u>	<u>\$ 395,507</u>	<u>\$ 16,659</u>	<u>\$ 25,981</u>

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Three Months Ended September 30, 2018**

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	\$ 66,849	\$ (170)	\$ 66,679	\$ 2,316	\$ 8,469
TTEC Engage	298,257	—	298,257	15,001	6,188
Total	<u>\$ 365,106</u>	<u>\$ (170)</u>	<u>\$ 364,936</u>	<u>\$ 17,317</u>	<u>\$ 14,657</u>

**Nine Months Ended September 30, 2019**

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	\$ 223,198	\$ (206)	\$ 222,992	\$ 8,055	\$ 27,172
TTEC Engage	959,386	—	959,386	42,397	53,774
Total	<u>\$ 1,182,584</u>	<u>\$ (206)</u>	<u>\$ 1,182,378</u>	<u>\$ 50,452</u>	<u>\$ 80,946</u>

**Nine Months Ended September 30, 2018**

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	\$ 169,536	\$ (289)	\$ 169,247	\$ 6,550	\$ 20,579
TTEC Engage	920,791	—	920,791	45,502	32,522
Total	<u>\$ 1,090,327</u>	<u>\$ (289)</u>	<u>\$ 1,090,038</u>	<u>\$ 52,052</u>	<u>\$ 53,101</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Capital Expenditures</b>				
TTEC Digital	\$ 318	\$ 2,105	\$ 9,714	\$ 3,447
TTEC Engage	15,692	12,853	34,724	28,394
Total	<u>\$ 16,010</u>	<u>\$ 14,958</u>	<u>\$ 44,438</u>	<u>\$ 31,841</u>

	September 30, 2019	December 31, 2018
<b>Total Assets</b>		
TTEC Digital	\$ 248,243	\$ 222,977
TTEC Engage	933,623	831,531
Total	<u>\$ 1,181,866</u>	<u>\$ 1,054,508</u>

	September 30, 2019	December 31, 2018
<b>Goodwill</b>		
TTEC Digital	\$ 65,544	\$ 66,158
TTEC Engage	138,279	138,475
Total	<u>\$ 203,823</u>	<u>\$ 204,633</u>

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

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

Revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
United States	\$ 240,863	\$ 206,433	\$ 713,561	\$ 605,024
Philippines	89,876	85,272	274,456	259,919
Latin America	24,454	26,351	73,645	84,073
Europe / Middle East / Africa	15,187	16,112	46,838	50,552
Asia Pacific / India	14,733	15,368	41,713	42,945
Canada	10,394	15,400	32,165	47,525
Total	<u>\$ 395,507</u>	<u>\$ 364,936</u>	<u>\$ 1,182,378</u>	<u>\$ 1,090,038</u>

**(4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS**

The Company had no clients that contributed in excess of 10% of total revenue for the nine months ended September 30, 2019 or 2018. The Company does have clients with aggregate revenue exceeding \$100 million annually and the loss of one or more of these clients could have a material adverse effect on the Company's business, operating results, or financial condition. To mitigate this risk, the Company has multiple contracts with these larger clients, where each individual contract is for an amount below the \$100 million aggregate.

To limit the Company's credit risk with its clients, management performs periodic credit evaluations, maintains allowances for uncollectible accounts and may require pre-payment for services from certain clients. Based on currently available information, management does not believe significant credit risk existed as of September 30, 2019.

On October 15, 2018, Sears Holding Corporation ("Sears") announced that it had filed a petition for bankruptcy protection in the United States Bankruptcy Court for the Southern District of New York. As of December 31, 2018, TTEC had approximately \$2.7 million in pre-petition accounts receivables exposure related to Sears, and during the fourth quarter of 2018 a \$2.7 million allowance for uncollectible accounts was recorded and included in Selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2019, the pre-petition accounts receivable balance is \$2.7 million. During the first quarter of 2019, Sears sold a substantial part of its business, including the business that TTEC serves, to Transform SR Holdings Management LLC ("new Sears"). TTEC now provides services to new Sears pursuant to the terms of a new contract that parties signed in April 2019.

**Accounts Receivable Sales Agreement**

On March 5, 2019, the Company entered into an Uncommitted Receivables Purchase Agreement ("Agreement") with Bank of the West ("Bank"), whereby from time-to-time the Company may elect to sell, on a revolving basis, U.S. accounts receivables of certain clients at a discount to the Bank for cash on a limited recourse basis. The maximum amount of receivables that the Company may sell to the Bank at any given time shall not exceed \$75 million. The sales of accounts receivable in accordance with the Agreement are reflected as a reduction of Accounts Receivable, net on the Consolidated Balance sheets. The Company has retained no interest in the sold receivables but retains all collection responsibilities on behalf of the Bank. The discount on the accounts receivable sold will be recorded within Other expense, net in the Consolidated Statements of Comprehensive Income (Loss). The cash proceeds from this agreement are included in the change in accounts receivable within the operating activities section of the Consolidated Statements of Cash Flows.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

As of September 30, 2019, the Company had factored \$40.5 million of accounts receivable; under the Agreement discounts on these receivables were not material during the quarter. As of September 30, 2019, the Company had collected \$10.3 million of cash from customers which had not been remitted to the Bank and thus was included in Accrued Expenses on the Consolidated Balance Sheet. The Company has not recorded any servicing assets or liabilities as of September 30, 2019 as the fair value of the servicing arrangement as well as the fees earned were not material to the financial statements.

**(5) GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill consisted of the following (in thousands):

	<u>December 31,</u> <u>2018</u>	<u>Acquisitions /</u> <u>Adjustments</u>	<u>Impairments</u>	<u>Effect of</u> <u>Foreign</u> <u>Currency</u>	<u>September 30,</u> <u>2019</u>
TTEC Digital	\$ 66,158	\$ —	—	(614)	\$ 65,544
TTEC Engage	138,475	—	—	(196)	138,279
Total	<u>\$ 204,633</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (810)</u>	<u>\$ 203,823</u>

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

During the quarter ended June 30, 2019, the Company identified negative indicators such as lower financial performance and the impairment of intangibles and other long-lived assets for one component of the TTEC Digital segment and thus the Company updated its quantitative assessment for the TTEC Digital Consulting reporting unit fair value using an income-based approach. The determination of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rates for the businesses, the useful lives over which the cash flows will occur and determination of appropriate discount rates (based in part on the Company's weighted average cost of capital). Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. At June 30, 2019, the fair value for the TTEC Digital Consulting reporting unit exceeded the carrying value, and thus no impairment was required. At September 30, 2019, the Company reviewed the current assumptions and projections for this reporting unit and noted no material changes since the evaluation at June 30, 2019, thus no impairment is required.

During the second quarter of 2019, in connection with the change in operating segments, the Company also reassessed the reporting units. After evaluation, the Company reduced the reporting units to four from five based on the combination of the previous CMS (Customer Management) and CGS (Customer Growth) reporting units.

*Other Intangible Assets*

In connection with reduced profitability of the rogenSi component of the TTEC Digital segment, an interim impairment analysis was completed during the second quarter of 2019. The long-lived assets reviewed for impairment consisted of the customer relationship intangible, intellectual property, and right of use assets. The Company completed an asset group recoverability evaluation based on the current estimated cash flow based on forecasted revenues and operating income using significant inputs not observable in the market (Level 3 inputs). Based on this calculation, the Company recorded an impairment expense of \$2.0 million in the three months ended June 30, 2019, which was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss). As part of the \$2.0 million impairment \$0.4 million was assigned to the customer relationship intangible asset and \$0.2 million to the IP intangible asset. At September 30, 2019, the Company reviewed the evaluation completed as of June 30, 2019, and noted no material changes, thus no additional impairment is required.



**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(6) DERIVATIVES**

**Cash Flow Hedges**

The Company enters into foreign exchange related derivatives. Foreign exchange derivatives entered into consist of forward and option contracts to reduce the Company's exposure to foreign currency exchange rate fluctuations that are associated with forecasted revenue earned in foreign locations. Upon proper qualification, these contracts are designated as cash flow hedges. It is the Company's policy to only enter into derivative contracts with investment grade counterparty financial institutions, and correspondingly, the fair value of derivative assets considers, among other factors, the creditworthiness of these counterparties. Conversely, the fair value of derivative liabilities reflects the Company's creditworthiness. As of September 30, 2019, the Company has not experienced, nor does it anticipate, any issues related to derivative counterparty defaults. The following table summarizes the aggregate unrealized net gain or loss in Accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2019 and 2018 (in thousands and net of tax):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Aggregate unrealized net gain/(loss) at beginning of period	\$ (765)	\$ (17,259)	\$ (8,278)	\$ (15,746)
Add: Net gain/(loss) from change in fair value of cash flow hedges	1,695	8,429	11,791	14,374
Less: Net (gain)/loss reclassified to earnings from effective hedges	(793)	(2,981)	(3,376)	(10,439)
Aggregate unrealized net gain/(loss) at end of period	<u>\$ 137</u>	<u>\$ (11,811)</u>	<u>\$ 137</u>	<u>\$ (11,811)</u>

The Company's foreign exchange cash flow hedging instruments as of September 30, 2019 and December 31, 2018 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts.

<b>As of September 30, 2019</b>	<b>Local Currency Notional Amount</b>	<b>U.S. Dollar Notional Amount</b>	<b>% Maturing in the next 12 months</b>	<b>Contracts Maturing Through</b>
Philippine Peso	6,311,000	119,751 <sup>(1)</sup>	57.6 %	April 2022
Mexican Peso	1,162,500	55,672	50.9 %	December 2021
		<u>\$ 175,423</u>		

<b>As of December 31, 2018</b>	<b>Local Currency Notional Amount</b>	<b>U.S. Dollar Notional Amount</b>		
Philippine Peso	6,710,000	130,957 <sup>(1)</sup>		
Mexican Peso	1,091,500	57,708		
		<u>\$ 188,665</u>		

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on September 30, 2019 and December 31, 2018.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Fair Value Hedges**

The Company enters into foreign exchange forward contracts to economically hedge against foreign currency exchange gains and losses on certain receivables and payables of the Company's foreign operations. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in earnings in Other income (expense), net. As of September 30, 2019 and December 31, 2018 the total notional amounts of the Company's forward contracts used as fair value hedges were \$102.0 million and \$70.4 million, respectively.

**Derivative Valuation and Settlements**

The Company's derivatives as of September 30, 2019 and December 31, 2018 were as follows (in thousands):

	<b>September 30, 2019</b>	
	<b>Designated as Hedging Instruments</b>	<b>Not Designated as Hedging Instruments</b>
	<b>Foreign Exchange Cash Flow</b>	<b>Foreign Exchange Fair Value</b>
<b>Designation:</b>		
<b>Derivative contract type:</b>		
<b>Derivative classification:</b>		
Fair value and location of derivative in the Consolidated Balance Sheet:		
Prepays and other current assets	\$ 1,645	\$ 259
Other long-term assets	1,624	—
Other current liabilities	(2,552)	(148)
Other long-term liabilities	(516)	—
Total fair value of derivatives, net	<u>\$ 201</u>	<u>\$ 111</u>
	<b>December 31, 2018</b>	
	<b>Designated as Hedging Instruments</b>	<b>Not Designated as Hedging Instruments</b>
	<b>Foreign Exchange Cash Flow</b>	<b>Foreign Exchange Fair Value</b>
<b>Designation:</b>		
<b>Derivative contract type:</b>		
<b>Derivative classification:</b>		
Fair value and location of derivative in the Consolidated Balance Sheet:		
Prepays and other current assets	\$ 814	\$ 60
Other long-term assets	215	—
Other current liabilities	(8,861)	(104)
Other long-term liabilities	(3,484)	—
Total fair value of derivatives, net	<u>\$ (11,316)</u>	<u>\$ (44)</u>

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2019 and 2018 were as follows (in thousands):

	<b>Three Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Designation:</b>	<b>Designated as Hedging Instruments</b>	
<b>Derivative contract type:</b>	<b>Foreign Exchange</b>	
<b>Derivative classification:</b>	<b>Cash Flow</b>	

Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	\$ (793)	\$ (2,981)
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Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:		
Revenue	\$ (1,087)	\$ (4,085)

	<b>Three Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Designation:</b>	<b>Not Designated as Hedging Instruments</b>	
<b>Derivative contract type:</b>	<b>Foreign Exchange</b>	
<b>Derivative classification:</b>	<b>Fair Value</b>	

Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):		
Other income (expense), net	\$ 57	\$ (956)

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Designation:</b>	<b>Designated as Hedging Instruments</b>	
<b>Derivative contract type:</b>	<b>Foreign Exchange</b>	
<b>Derivative classification:</b>	<b>Cash Flow</b>	

Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	\$ (3,376)	\$ (10,439)
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Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:		
Revenue	\$ (4,625)	\$ (14,300)

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Designation:</b>	<b>Not Designated as Hedging Instruments</b>	
<b>Derivative contract type:</b>	<b>Foreign Exchange</b>	
<b>Derivative classification:</b>	<b>Fair Value</b>	

Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):		
Other income (expense), net	\$ (1,160)	\$ (6,651)

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(7) FAIR VALUE**

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

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

The following presents information as of September 30, 2019 and December 31, 2018 for the Company's assets and liabilities required to be measured at fair value on a recurring basis, as well as the fair value hierarchy used to determine their fair value.

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

*Investments* – The Company measures investments, including cost and equity method investments, at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. The fair values of these investments are determined based on valuation techniques using the best information available, and may include market observable inputs, and discounted cash flow projections. An impairment charge is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary. As of September 30, 2019, the investment in CaféX Communication, Inc., which consisted of the Company's total \$15.6 million investment is fully impaired to zero (See Note 2).

*Debt* - The Company's debt consists primarily of the Company's Amended and Restated Credit Agreement and Amended and Restated Security Agreement originally dated as of June 3, 2013 and most recently amended on February 14, 2019, which permits floating-rate borrowings based upon the current Prime Rate or the London Interbank Offered Rate ("LIBOR") plus a credit spread as determined by the Company's leverage ratio calculation (as defined in the Credit Agreement). As of September 30, 2019 and December 31, 2018, the Company had \$199.0 million and \$282.0 million, respectively, of borrowings outstanding under the Credit Agreement. During the third quarter of 2019 outstanding borrowings accrued interest at an average rate of 3.4% per annum, excluding unused commitment fees. The amounts recorded in the accompanying Balance Sheets approximate fair value due to the variable nature of the debt based on Level 2 inputs.

*Derivatives* - Net derivative assets (liabilities) are measured at fair value on a recurring basis. The portfolio is valued using models based on market observable inputs, including both forward and spot foreign exchange rates, interest rates, implied volatility, and counterparty credit risk, including the ability of each party to execute its obligations under the contract. As of September 30, 2019, credit risk did not materially change the fair value of the Company's derivative contracts.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The following is a summary of the Company's fair value measurements for its net derivative assets (liabilities) as of September 30, 2019 and December 31, 2018 (in thousands):

**As of September 30, 2019**

	Fair Value Measurements Using			At Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash flow hedges	\$ —	\$ 201	\$ —	\$ 201
Fair value hedges	—	111	—	111
<b>Total net derivative asset (liability)</b>	<b>\$ —</b>	<b>\$ 312</b>	<b>\$ —</b>	<b>\$ 312</b>

**As of December 31, 2018**

	Fair Value Measurements Using			At Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash flow hedges	\$ —	\$ (11,316)	\$ —	\$ (11,316)
Fair value hedges	—	(44)	—	(44)
<b>Total net derivative asset (liability)</b>	<b>\$ —</b>	<b>\$ (11,360)</b>	<b>\$ —</b>	<b>\$ (11,360)</b>

The following is a summary of the Company's fair value measurements as of September 30, 2019 and December 31, 2018 (in thousands):

**As of September 30, 2019**

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>			
Derivative instruments, net	\$ —	\$ 312	\$ —
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 312</b>	<b>\$ —</b>
<b>Liabilities</b>			
Deferred compensation plan liability	\$ —	\$ (18,598)	\$ —
Derivative instruments, net	—	—	—
Contingent consideration	—	—	—
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ (18,598)</b>	<b>\$ —</b>

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

As of December 31, 2018

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>			
Derivative instruments, net	\$ —	\$ —	\$ —
<b>Total assets</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities</b>			
Deferred compensation plan liability	\$ —	\$ (14,836)	\$ —
Derivative instruments, net	—	(11,360)	—
Contingent consideration	—	—	(2,363)
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ (26,196)</b>	<b>\$ (2,363)</b>

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

*Contingent Consideration* - The Company recorded contingent consideration related to the acquisition of SCS. This contingent payable was recognized at fair value using a discounted cash flow approach and a discount rate of 4.7%. The measurements were based on significant inputs not observable in the market. The Company will record interest expense each quarter using the effective interest method until the future value of this contingent payment reaches the expected total future value.

During the second quarter of 2019, the Company recorded a fair value adjustment to the contingent consideration associated with the SCS acquisition based on decreased estimates of EBITDA which caused the estimated payable to be zero for both future payments. Accordingly, a \$2.5 million decrease to the payable was recorded as of June 30, 2019 and was included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2019, the expected future EBITDA is still below the targets, thus the contingent consideration remains at zero.

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

	December 31, 2018	Acquisitions	Payments	Imputed Interest / Adjustments	September 30, 2019
SCS	\$ 2,363	\$ —	\$ —	\$ (2,363)	\$ —
<b>Total</b>	<b>\$ 2,363</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (2,363)</b>	<b>\$ —</b>

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(8) INCOME TAXES**

The Company accounts for income taxes in accordance with the accounting literature for income taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. Quarterly, the Company assesses the likelihood that its net deferred tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred tax assets when it is more-likely-than-not that a future tax benefit will not be realized. The Company's selection of an accounting policy with respect to both the global intangible low taxed foreign income ("GILTI") and base erosion and anti-abut tax ("BEAT") rules is to compute the related taxes in the period the entity becomes subject to either GILTI or BEAT.

As of September 30, 2019, the Company had \$12.1 million of gross deferred tax assets (after a \$15.7 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of \$2.2 million related to the United States and international tax jurisdictions whose recoverability is dependent upon future profitability.

The effective tax rate for the three and nine months ended September 30, 2019 was 20.6% and 27.0%, respectively. The effective tax rate for the three and nine months ended September 30, 2018 was 21.9% and 19.7%, respectively.

The Company's U.S. income tax returns filed for the tax years ending December 31, 2016 to present, remain open tax years. The Company has been notified of the intent to audit, or is currently under audit of, income taxes for Canada for tax years 2009 and 2010, the Philippines for tax years 2015, 2017 and 2018, Canada GST for tax years 2014 through 2018, the state of Arkansas in the United States for tax years 2015 through 2017, and the state of New York in the United States for tax years 2015 through 2017. During the third quarter of 2019, the Company closed an audit with the country of Belgium for tax years 2016 and 2017 with no material changes. During the second quarter of 2019, the Company closed an audit with the state of Minnesota in the United States for tax years 2014 through 2016 with no material changes. During the third quarter of 2018, the Company closed an audit in Ireland for the year 2016 with no material changes. In the first quarter of 2019, the Company received a report of initial deficiency tax findings from the Philippines Bureau of Internal Revenue ("BIR") related to the 2015 tax year. During the third quarter 2019, the Company was able to fully settle this audit for an immaterial amount and is currently awaiting the final issuance of the audit determination letter from the BIR. Although the outcome of examinations by taxing authorities are always uncertain, it is the opinion of management that the resolution of these audits will not have a material effect on the Company's Consolidated Financial Statements.

When there is a change in judgment concerning the recovery of deferred tax assets in future periods, a valuation allowance is recorded into earnings during the quarter in which the change in judgment occurred. In the second quarter of 2019 a change to the valuation allowance was recorded in the amount of \$2.3 million for deferred tax assets that do not meet the "more-likely-than-not" standard.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The Company has been granted “Tax Holidays” as an incentive to attract foreign investment by the government of the Philippines. Generally, a Tax Holiday is an agreement between the Company and a foreign government under which the Company receives certain tax benefits in that country, such as exemption from taxation on profits derived from export-related activities. In the Philippines, the Company has been granted multiple agreements with an initial period of four years and additional periods for varying years, expiring at various times between 2019 and 2020. The aggregate effect on income tax expense for the three months ended September 30, 2019 and 2018 was approximately \$2.4 million and \$1.9 million, respectively, which had a favorable impact on diluted net income per share of \$0.05 and \$0.04, respectively. The aggregate effect on income tax expense for the nine months ended September 30, 2019 and 2018 was approximately \$6.4 million and \$5.7 million, respectively, which had a favorable impact on diluted net income per share of \$0.14 and \$0.12, respectively.

**(9) RESTRUCTURING CHARGES, INTEGRATION CHARGES AND IMPAIRMENT LOSSES**

**Restructuring Charges**

During 2019 and 2018, the Company continued restructuring activities primarily associated with reductions in the Company’s capacity, workforce and related management in both segments to better align the capacity and workforce with current business needs.

A summary of the expenses recorded in Restructuring and integration charges, net in the accompanying Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2019 and 2018, respectively, is as follows (in thousands):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Reduction in force</b>				
TTEC Digital	\$ 90	\$ 82	\$ 90	\$ 133
TTEC Engage	—	97	770	437
Total	<u>\$ 90</u>	<u>\$ 179</u>	<u>\$ 860</u>	<u>\$ 570</u>
<b>Facility exit and other charges</b>				
TTEC Digital	\$ 8	\$ —	\$ 8	\$ —
TTEC Engage	85	2,537	704	4,029
Total	<u>\$ 93</u>	<u>\$ 2,537</u>	<u>\$ 712</u>	<u>\$ 4,029</u>

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

	<b>Reduction</b>	<b>Facility Exit and</b>	<b>Total</b>
	<b>in Force</b>	<b>Other Charges</b>	
Balance as of December 31, 2018	\$ 416	\$ 3,226	\$ 3,642
Expense	864	712	1,576
Payments	(1,130)	(788)	(1,918)
Change due to foreign currency	(51)	12	(39)
Change in estimates	(4)	—	(4)
Reclassifications due to ASU 842 implementation	—	(2,917)	(2,917)
Balance as of September 30, 2019	<u>\$ 95</u>	<u>\$ 245</u>	<u>\$ 340</u>



**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

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

**Impairment Losses**

During each of the periods presented, the Company evaluated the annual recoverability of its leasehold improvement assets at certain customer engagement centers. An asset is considered to be impaired when the anticipated undiscounted future cash flows of its asset group are estimated to be less than the asset group's carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. To determine fair value, the Company used Level 3 inputs in its discounted cash flows analysis. Assumptions included the amount and timing of estimated future cash flows and assumed discount rates. During the three and nine months ended September 30, 2019, the Company recognized impairment losses related to leasehold improvement assets and right of use lease assets of zero and \$2.6 million, respectively, across the TTEC Digital and TTEC Engage segments. During the three and nine months ended September 30, 2018, the Company recognized impairment losses related to leasehold improvement assets of zero and \$1.1 million, respectively, in its TTEC Engage segment.

**(10) COMMITMENTS AND CONTINGENCIES**

**Credit Facility**

On February 14, 2019, the Company entered into a Fourth Amendment to its Amended and Restated Credit Agreement and Amended and Restated Security Agreement originally dated as of June 3, 2013 (collectively the "Credit Agreement") for a senior secured revolving credit facility with a syndicate of lenders led by Wells Fargo Bank, National Association, as agent, swing line and fronting lender which matures on February 14, 2024 (the "Credit Facility").

The maximum commitment under the Credit Facility is \$900.0 million, with an accordion feature of up to \$1.2 billion in the aggregate, if certain conditions are satisfied. The Credit Facility commitment fees were payable to the lenders in an amount equal to the unused portion of the Credit Facility multiplied by 0.150% per annum from the Credit Facility inception date until a compliance certificate was provided by the Company in connection with its quarterly financial statements for the quarter ended March 31, 2019, and thereafter as previously disclosed and as determined by reference to the Company's net leverage ratio. The Credit Agreement contains customary affirmative, negative, and financial covenants, which remained unchanged from the 2016 Credit Facility, except that the Company is now obligated to maintain a maximum net leverage ratio of 3.50 to 1.00, and a minimum Interest coverage Ratio of 2.50 to 1.00. The Credit Agreement permits accounts receivable factoring up to the greater of \$75 million or 25% of the average book value of all accounts receivable over the most recent twelve-month period.

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

Letter of credit fees are one eighth of 1% of the stated amount of the letter of credit on the date of issuance, renewal or amendment, plus an annual fee equal to the borrowing margin for Eurodollar loans.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The Company primarily utilizes its Credit Agreement to fund working capital, general operations, stock repurchases, dividends and other strategic activities, such as the acquisitions described in Note 2. As of September 30, 2019 and December 31, 2018, the Company had borrowings of \$199.0 million and \$282.0 million, respectively, under its Credit Agreement, and its average daily utilization was \$314.9 million and \$563.5 million for the nine months ended September 30, 2019 and 2018, respectively. Based on the current level of availability based on the covenant calculations, the Company's remaining borrowing capacity was approximately \$575 million as of September 30, 2019. As of September 30, 2019, the Company was in compliance with all covenants and conditions under its Credit Agreement.

**Letters of Credit**

As of September 30, 2019, outstanding letters of credit under the Credit Agreement totaled \$3.7 million and primarily guaranteed workers' compensation and other insurance related obligations. As of September 30, 2019, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled \$0.6 million.

**Legal Proceedings**

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

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

**(11) LEASES**

The Company adopted ASU 842, Leases, as of January 1, 2019 using the effective date as the date of initial application. As a result, prior year financials were not recast under the new standard and therefore, those amounts are not presented below.

Operating leases are included in our Consolidated Balance Sheet as Operating lease assets, Current operating lease liabilities and Non-current operating lease liabilities. Finance leases are included in Property, plant and equipment, Other current liabilities and Other long-term liabilities in our Consolidated Balance Sheet. The Company primarily leases real estate and equipment under various arrangements that provide the Company the right of use for the underlying asset that require lease payments over the lease term. The Company determines the value of each lease by computing the present value of each lease payment using the interest rate implicit in the lease, if available; otherwise the Company estimates its incremental borrowing rate over the lease term. Operating lease assets also include prepaid rent, initial direct costs less any tenant improvements.

The Company's real estate portfolio typically includes one or more options to renew, with renewal terms that generally can extend the lease term from one to 10 years. The exercise of these lease renewal options is at the Company's discretion and is included in the lease term only if the Company is reasonably certain to exercise. The Company also has service arrangements whereby it controls specific space provided by a third-party service provider. These arrangements meet the definition of a lease and are accounted for under ASC 842. Rent expense for operating leases is recognized on a straight-line basis over the lease term and is included in the Consolidated Statements of Comprehensive Income (Loss). The Company's lease agreements do not contain any material residual value guarantees or restrictive guarantees.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The components of lease expense for the three and nine months ended September 30, 2019 are as follows (in thousands):

Description	Location in Statements of Comprehensive Income (Loss)	Three Months Ended September 30, 2019
Amortization of ROU assets - finance leases	Depreciation and amortization	\$ 1,855
Interest on lease liabilities - finance leases	Interest expense	43
Operating lease cost (cost resulting from lease payments)	Cost of services	10,910
Operating lease cost (cost resulting from lease payments)	Selling, general and administrative	551
Operating lease cost (cost resulting from lease payments)	Other income (expense), net	242
Short-term lease cost	Cost of services	1,107
Less: Sublease income	Selling, general and administrative	(126)
Less: Sublease income	Other income (expense), net	(496)
Total lease cost		\$ 14,086

Description	Location in Statements of Comprehensive Income (Loss)	Nine Months Ended September 30, 2019
Amortization of ROU assets - finance leases	Depreciation and amortization	\$ 5,260
Interest on lease liabilities - finance leases	Interest expense	83
Operating lease cost (cost resulting from lease payments)	Cost of services	34,256
Operating lease cost (cost resulting from lease payments)	Selling, general and administrative	3,181
Operating lease cost (cost resulting from lease payments)	Other income (expense), net	726
Short-term lease cost	Cost of services	3,419
Less: Sublease income	Selling, general and administrative	(319)
Less: Sublease income	Other income (expense), net	(1,488)
Total lease cost		\$ 45,118

Other supplementary information for the three and nine months ended September 30, 2019 are as follows (dollar values in thousands):

	Three Months Ended September 30, 2019
Finance lease - operating cash flows	\$ 43
Finance lease - financing cash flows	\$ 2,111
Operating lease - operating cash flows (fixed payments)	\$ 12,185
New ROU assets - operating leases	\$ 1,301
Modified ROU assets - operating leases	\$ 18,807
New ROU assets - finance leases	\$ 1,886

	Nine Months Ended September 30, 2019
Finance lease - operating cash flows	\$ 83
Finance lease - financing cash flows	\$ 8,096
Operating lease - operating cash flows (fixed payments)	\$ 38,260
New ROU assets - operating leases	\$ 8,358
Modified ROU assets - operating leases	\$ 42,008
New ROU assets - finance leases	\$ 6,133

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

	<b>September 30, 2019</b>
Weighted average remaining lease term - finance leases	3.11 yrs
Weighted average remaining lease term - operating leases	4.46 yrs
Weighted average discount rate - finance leases	1.38%
Weighted average discount rate - operating leases	7.51%

Operating and financing lease right-of-use assets and lease liabilities within our Consolidated Balance Sheet as of September 30, 2019 and January 1, 2019 (date of adoption of ASU 842) are as follows (in thousands):

			<b>September 30, 2019</b>	<b>January 1, 2019</b> <b>(date of adoption)</b>
<b>Assets</b>				
Operating lease assets	Operating lease assets	\$	146,092	\$ 129,894
Finance lease assets	Property, plant and equipment, net		19,903	18,261
Total leased assets			\$ 165,995	\$ 148,155
<b>Liabilities</b>				
<b>Current</b>				
Operating	Current operating lease liabilities	\$	41,512	\$ 35,535
Finance	Other current liabilities		7,917	8,770
<b>Non-current</b>				
Operating	Non-current operating lease liabilities		125,998	112,754
Finance	Other long-term liabilities		10,533	10,765
Total lease liabilities			\$ 185,960	\$ 167,824

The future minimum operating lease and finance lease payments required under non-cancelable leases as of September 30, 2019 are as follows (in thousands):

	<b>Operating Leases</b>	<b>Sub-lease Income</b>		<b>Finance Leases</b>
Year 1	\$ 51,718	\$ (2,974)	\$	7,931
Year 2	46,111	(1,278)		6,153
Year 3	40,010	(345)		2,952
Year 4	30,766	(288)		1,305
Year 5	14,853	—		491
Thereafter	17,464	—		—
Total minimum lease payments	\$ 200,922	\$ (4,885)	\$	18,832
Less imputed interest	(33,412)			(382)
Total lease liability	\$ 167,510			\$ 18,450

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The future minimum rental and capital lease payments under non-cancelable leases as of December 31, 2018 are as follows (in thousands):

	Operating Leases	Sub-lease Income	Capital Leases
Year 1	\$ 47,379	\$ (2,624)	\$ 8,770
Year 2	36,045	(2,631)	5,548
Year 3	30,678	(276)	3,798
Year 4	26,584	—	1,005
Year 5	17,226	—	414
Thereafter	25,362	—	—
Total minimum lease payments	<u>\$ 183,274</u>	<u>\$ (5,531)</u>	<u>\$ 19,535</u>
Less imputed interest			—
Total lease liability			<u>\$ 19,535</u>

**(12) OTHER LONG-TERM LIABILITIES**

The components of Other long-term liabilities as of September 30, 2019 and December 31, 2018 are as follows (in thousands):

	September 30, 2019	December 31, 2018
Deferred revenue	\$ 26,193	\$ 33,247
Deferred compensation plan	18,598	14,836
Payable for remaining portion of acquisition	—	37,756
Other	29,435	40,693
Total	<u>\$ 74,226</u>	<u>\$ 126,532</u>

**(13) NONCONTROLLING INTEREST**

The following table reconciles equity attributable to noncontrolling interest in the Company's subsidiary (in thousands):

	Nine Months Ended September 30,	
	2019	2018
Noncontrolling interest, January 1	\$ 7,677	\$ 6,978
Net income attributable to noncontrolling interest	5,168	3,489
Dividends distributed to noncontrolling interest	(3,600)	(2,025)
Equity contribution	3,362	—
Foreign currency translation adjustments	(185)	(218)
Noncontrolling interest, September 30	<u>\$ 12,422</u>	<u>\$ 8,224</u>

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(14) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

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

	<u>Foreign Currency Translation Adjustment</u>	<u>Derivative Valuation, Net of Tax</u>	<u>Other, Net of Tax</u>	<u>Totals</u>
<b>Accumulated other comprehensive income (loss) at December 31, 2017</b>	\$ (84,100)	\$ (15,746)	\$ (2,458)	\$ (102,304)
Other comprehensive income (loss) before reclassifications	(27,921)	14,374	620	(12,927)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(10,439)	(303)	(10,742)
Net current period other comprehensive income (loss)	<u>(27,921)</u>	<u>3,935</u>	<u>317</u>	<u>(23,669)</u>
<b>Accumulated other comprehensive income (loss) at September 30, 2018</b>	\$ (112,021)	\$ (11,811)	\$ (2,141)	\$ (125,973)
<b>Accumulated other comprehensive income (loss) at December 31, 2018</b>	\$ (114,168)	\$ (8,278)	\$ (2,150)	\$ (124,596)
Other comprehensive income (loss) before reclassifications	(2,573)	11,791	201	9,419
Amounts reclassified from accumulated other comprehensive income (loss)	—	(3,376)	(147)	(3,523)
Net current period other comprehensive income (loss)	<u>(2,573)</u>	<u>8,415</u>	<u>54</u>	<u>5,896</u>
<b>Accumulated other comprehensive income (loss) at September 30, 2019</b>	\$ (116,741)	\$ 137	\$ (2,096)	\$ (118,700)

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

	<u>For the Three Months Ended September 30,</u>	<u>2019</u>	<u>2018</u>	<u>Statement of Comprehensive Income (Loss) Classification</u>
<b>Derivative valuation</b>				
Gain (loss) on foreign currency forward exchange contracts	\$	(1,087)	\$ (4,085)	Revenue
Tax effect		294	1,104	Provision for income taxes
	<u>\$</u>	<u>(793)</u>	<u>\$ (2,981)</u>	Net income (loss)
<b>Other</b>				
Actuarial loss on defined benefit plan	\$	(55)	\$ (112)	Cost of services
Tax effect		6	11	Provision for income taxes
	<u>\$</u>	<u>(49)</u>	<u>\$ (101)</u>	Net income (loss)

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

	<u>For the Nine Months Ended September 30,</u>		<u>Statement of</u>
	<u>2019</u>	<u>2018</u>	<u>Comprehensive Income</u>
			<u>(Loss) Classification</u>
<b>Derivative valuation</b>			
Gain (loss) on foreign currency forward exchange contracts	\$ (4,625)	\$ (14,300)	Revenue
Tax effect	1,249	3,861	Provision for income taxes
	<u>\$ (3,376)</u>	<u>\$ (10,439)</u>	Net income (loss)
<b>Other</b>			
Actuarial loss on defined benefit plan	\$ (165)	\$ (335)	Cost of services
Tax effect	18	32	Provision for income taxes
	<u>\$ (147)</u>	<u>\$ (303)</u>	Net income (loss)

**(15) NET INCOME PER SHARE**

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

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>Ended September 30,</u>		<u>Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Shares used in basic earnings per share calculation	46,481	46,172	46,335	46,021
Effect of dilutive securities:				
Stock options	—	6	—	8
Restricted stock units	287	138	358	360
Performance-based restricted stock units	—	—	—	1
Total effects of dilutive securities	<u>287</u>	<u>144</u>	<u>358</u>	<u>369</u>
Shares used in dilutive earnings per share calculation	<u>46,768</u>	<u>46,316</u>	<u>46,693</u>	<u>46,390</u>

For the three months ended September 30, 2019 and 2018, there were no options to purchase shares of common stock outstanding that were excluded from the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the nine months ended September 30, 2019 and 2018, there were no options to purchase shares of common stock outstanding that were excluded from the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the three months ended September 30, 2019 and 2018, there were restricted stock units ("RSUs") of zero and 475 thousand, respectively, outstanding which were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive. For the nine months ended September 30, 2019 and 2018, there were RSUs of 20 thousand and 168 thousand, respectively, outstanding which were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(16) EQUITY-BASED COMPENSATION PLANS**

All equity-based awards to employees are recognized in the Consolidated Statements of Comprehensive Income (Loss) at the fair value of the award on the grant date. During the three and nine months ended September 30, 2019 and 2018, the Company recognized total equity-based compensation expense of \$3.1 million and \$9.7 million and \$3.1 million and \$9.3 million, respectively. Of this total compensation expense, \$1.0 million and \$3.7 million were recognized in Cost of services and \$2.1 million and \$6.0 million were recognized in Selling, general and administrative during the three and nine months ended September 30, 2019, respectively. During the three and nine months ended September 30, 2018, the company recognized compensation expense of \$1.1 million and \$3.5 million in Cost of services and \$2.0 million and \$5.8 million in Selling, general and administrative, respectively.

**Restricted Stock Unit Grants**

During the nine months ended September 30, 2019 and 2018, the Company granted 101,909 and 480,582 RSUs, respectively, to new and existing employees, which typically vest over four or five years. The Company recognized compensation expense related to RSUs of \$2.5 million and \$8.9 million for the three and nine months ended September 30, 2019, respectively. The Company recognized compensation expense related to RSUs of \$3.1 million and \$9.3 million for the three and nine months ended September 30, 2018, respectively. As of September 30, 2019, there was approximately \$18.3 million of total unrecognized compensation cost (including the impact of expected forfeitures) related to RSUs granted under the Company's equity plans.

**Performance Based Restricted Stock Unit Grants**

During the six months ended June 30, 2019, the Company awarded performance restricted stock units ("PRSUs") that are subject to service and performance vesting conditions. If defined minimum targets are met, the annual value of the PRSUs issued will be between \$0.4 million and \$1.4 million and vest immediately. If the defined minimum targets are not met, then no shares will be issued. The award amounts are based on the Company's annual adjusted operating income for the fiscal years 2019, 2020, 2021. Each fiscal year's adjusted operating income will determine the award amount. The Company recognized compensation expense related to PRSUs of \$0.6 million and \$0.8 million for the three and nine months ended September 30, 2019, respectively.

**(17) RELATED PARTY**

During 1999, the Company entered into an agreement under which Avion, LLC ("Avion") and Airmax LLC ("Airmax") provide certain aviation flight services as requested by the Company. Such services include the use of an aircraft and flight crew. Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company, has a direct 100% beneficial ownership interest in Avion and Airmax. During the nine months ended September 30, 2019 and 2018, the Company expensed \$0.8 million and \$0.9 million, respectively, to Avion and Airmax for services provided to the Company. There were \$118 thousand in payments due and outstanding to Avion and Airmax as of September 30, 2019.

During 2014, the Company entered into a vendor contract with Convercent Inc. to provide learning management and web and telephony based global helpline solutions. This contract was renewed for the global helpline solution only, after an arms-length market pricing review, in the fourth quarter of 2016 and is currently scheduled to expire at the end of 2019. A minority owner of Convercent is a company which is owned and controlled by Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company. During the nine months ended September 30, 2019 and 2018, the Company expensed \$45 thousand and \$45 thousand, respectively, for these services.



**TTEC HOLDINGS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

During 2015, the Company entered into a contract to purchase software from CaféX, in which the Company holds a 17.8% equity investment. During the nine months ended September 30, 2019 and 2018, the Company purchased \$50 thousand and \$44 thousand, respectively, of software from CaféX. See Note 2 for further information regarding this investment.

During 2017, in connection with the acquisition of Motif, Inc. ("Motif"), the Company became a party to a real estate lease for a building that is owned, in part, by one of the Motif founders. Motif's lease for that real estate property expired in March 2019.

Ms. Regina M. Paolillo, Chief Financial and Administrative Officer of the Company, is a member of the board of directors of Welltok, Inc., a consumer health SaaS company, and partner of the Company in a joint venture. During the nine months ended September 30, 2019 and 2018, the Company recorded revenue of \$4.0 million and \$3.4 million, respectively, in connection with work performed through the joint venture.

## **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995, relating to our current expectations about our results of operations, expected financial position, business strategy, assumptions, and projections with respect to the future, and are not a guarantee of performance. Forward-looking statements may appear throughout this report; and we use words such as “may,” “believe,” “plan,” “will,” “anticipate,” “estimate,” “expect,” “intend,” “project,” “would,” “could,” “target,” or similar expressions when discussing forward-looking statements. Further, when we discuss our strategy, plans, goals, initiatives, or objectives, we are making forward-looking statements.

We caution you not to rely unduly on any forward-looking statements that we make. Actual results may differ materially from the forward-looking statements, and you should review and consider carefully the risks, uncertainties and other factors that affect our business and may cause such differences, including but not limited to factors discussed in the “Risk Factors” section found in Item 1A. Risk Factors in this Report on Form 10-Q. Specifically, we believe you should note the risks related to our strategy execution; our ability to innovate and introduce technologies that are sufficiently disruptive to allow us to maintain and grow our market share; cybersecurity; consolidation activities undertaken by our clients; geographic concentration of our brick and mortar delivery platform and our global footprint; changes in laws that impact our business and our ability to comply with those and other laws governing our operations; the reliability of our information technology infrastructure and our ability to consistently deliver uninterrupted service to our clients; the need to forecast demand for services accurately and the impact of such forecasts on our capacity utilization; our ability to attract and retain qualified and skilled personnel at a price point that we can afford and our clients are willing to pay; our M&A activity, including our ability to identify, acquire and properly integrate acquired businesses in accordance with our strategy; and our equity structure including our controlling shareholder risk, the limited market float of our stock, and the potential volatility of our stock price resulting therefrom.

Our forward-looking statements are based on information available as of the date that this Report on Form 10-Q is filed with the United States Securities and Exchange Commission (“SEC”). We undertake no obligation to update them, except as may be required by applicable law. Although we believe that our forward-looking statements are reasonable, they depend on many factors outside of our control and we can provide no assurance that they will prove to be correct.

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

### Executive Summary

TTEC Holdings, Inc. ("TTEC", "the Company", "we", "our" or "us") is a leading global customer experience technology and services company focused on the design, implementation and delivery of transformative solutions for many of the world's most iconic and disruptive brands. We help large global companies increase revenue and reduce costs by delivering personalized customer experiences across every interactional channel and phase of the customer lifecycle as an end-to-end provider of customer engagement services, technologies, insights and innovations.

Through the first quarter of 2019, we were reporting on four segments known as Customer Strategy Services (CSS), Customer Technology Services (CTS), Customer Growth Services (CGS) and Customer Management Services (CMS).

Starting in the second quarter of 2019, we changed our strategy, how we go to market, how our clients and potential clients evaluate and consume our services and how we assess our performance. Based on these changes, we now report our financial information based on the following two segments: TTEC Digital and TTEC Engage.

- TTEC Digital designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients. These services were previously included in the CSS and CTS segments.
- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services. These services were previously included in the CGS and CMS segments.

We do not believe that this segment change results in any material impact on our financial results of operations.

TTEC Digital and TTEC Engage come together under our unified offering, Humanify™ Customer Experience as a Service, which drives measurable results for clients through delivery of personalized omnichannel interactions that are seamless and relevant. Our business is supported by 48,500 employees delivering services in 21 countries from 80 customer engagement centers on six continents. Our end-to-end approach differentiates the Company by combining service design, strategic consulting, data analytics, process optimization, system integration, operational excellence, and technology solutions and services. This unified offering is value-oriented, outcome-based, and delivered on a global scale across both our business segments.

Our revenue for the three months ended September 30, 2019 was \$395.5 million. Approximately \$317 million, or 80%, came from our TTEC Engage segment and \$79 million, or 20%, came from our TTEC Digital segment.

Since our establishment in 1982, we have helped clients strengthen their customer relationships, brand recognition and loyalty by simplifying and personalizing interactions with their customers. We deliver thought leadership, through innovation in programs that differentiate our clients from their competition.

To improve our competitive position in a rapidly changing market and stay strategically relevant to our clients, we continue to invest in innovation and growth businesses, diversifying and strengthening our core customer care services with consulting, data analytics, and technology-enabled, outcome-focused services.

We also invest in businesses that enable us to expand our geographic footprint, broaden our product and service capabilities, increase our global client base and industry expertise, and further scale our end-to-end integrated solutions platform. In 2018, we acquired Strategic Communications Services, a system integrator for multichannel contact center platforms based in the United Kingdom.

We deliver industry specific solutions and have developed tailored expertise in the automotive, communications, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel and transportation industries. We target customer-focused industry leaders in the Global 1000 and serve approximately 275 clients globally.

### **Our Integrated Service Offerings and Business Segments**

Our integrated service offering Humanify Customer Experience as a service (CXaaS) is delivered through our two operating and reportable segments, TTEC Digital and TTEC Engage.

**TTEC Digital** designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients.

- We help our clients design, build and execute their customer experience (CX) vision by leveraging expertise in CX technologies, strategy, operations, analytics, learning and performance. We design, implement and manage cloud, on-premise or hybrid CX environments to deliver a consistent and superior experience across all touch points on a global scale that results in higher quality, lower costs and reduced risk for our clients. Through our Humanify™ Technology platform, we provide omnichannel contact center software-as-a-service (“SaaS”) solutions that enable clients to integrate their existing CX tech stack, orchestrate data and interactions across disparate technologies and contextually link customers directly to appropriate resources, anywhere and using any channel. We leverage proprietary capabilities in AI, machine learning, and robotics to automate low-value tasks and continuously improve the customer journey. Our platform enables clients to interact with their customers across the growing array of channels including voice, chat, email, mobile, web, SMS text, social networks, and video. Our ability to architect, deploy and host or manage the client’s customer experience environments is a differentiator and becomes a key enabler to achieving and sustaining the client’s CX objectives.

**TTEC Engage** provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services.

- We design and manage clients’ front-to-back office processes to deliver personalized, protected, omnichannel interactions. Our front-office solutions seamlessly integrate voice, chat, email, mobile, web, SMS text, social networks, and video to optimize the customer experience for our clients. In addition, we manage client back-office processes to enhance their customer-centric view of relationships, maximize operating efficiencies and prevent fraud. Our delivery of integrated business processes via our highly trained professional onshore, offshore or work-from-home associates reduces operating costs and allows customer needs to be met more quickly and efficiently, resulting in higher satisfaction, brand loyalty and a stronger competitive position for our clients.

Based on our clients’ requirements, we can provide our services on an integrated, cross-business segment basis or discretely, on an as needed basis.

Additional information with respect to our segments and geographic footprint is included in Part I. Item 1. Financial Statements, Note 3 to the Consolidated Financial Statements.

### **Financial Highlights**

In the third quarter of 2019, our revenue increased \$30.6, or 8.4%, to \$395.5 million over the same period in 2018 including an increase of \$2.2 million, or 0.6%, due to foreign currency fluctuations and a decrease of \$1.0 million, or 0.3%, due to the initial adoption of ASC 606 for revenue in the first quarter of 2018. The increase in revenue was comprised of a \$11.9 million increase for TTEC Digital and a \$18.6 million increase for TTEC Engage.

Our third quarter 2019 income from operations increased \$11.3 million, or 77.3%, to \$26.0 million or 6.6% of revenue, compared to \$14.7 million or 4.0% of revenue in the third quarter of 2018. The change in operating income is comprised of a number of factors across the segments. The TTEC Digital operating income expanded with a 38% improvement over the same period last year primarily on the growth of its higher margin cloud business and its system integration business which provides services pre and post the buildout of each client’s cloud platform. The TTEC Engage operating income increased 131% compared to the prior year quarter based on the increase in revenue and a \$2.1 million benefit related to foreign currency fluctuations which was offset by a \$0.6 million decrease related to the initial adoption of ASC 606 during the first quarter of 2018.

[Table of Contents](#)

Income from operations in the third quarter of 2019 and 2018 included \$0.2 million and \$2.7 million of restructuring and integration charges and asset impairments, respectively.

Our offshore customer engagement centers serve clients based in the U.S. and in other countries and spans five countries with 24,400 workstations, representing 57% of our global delivery capability. Revenue for our TTEC Engage segment provided from these offshore locations was \$107 million and represented 34% of our revenue for the third quarter of 2019, as compared to \$106 million and 36% of our revenue for the corresponding period in 2018.

As of September 30, 2019, the total production workstations for our TTEC Engage segment was 42,881 and the overall capacity utilization in our centers was 70%. The utilization is lower than the previous year as we expand and shift capacity in certain countries to accommodate the volume and location related to client specific customer engagement volumes. The table below presents workstation data for all of our centers as of September 30, 2019 and 2018. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations.

	September 30, 2019			September 30, 2018		
	Total Production Workstations	In Use	% In Use	Total Production Workstations	In Use	% In Use
Total centers						
Sites open >1 year	40,388	28,609	71 %	42,560	32,838	77 %
Sites open <1 year	2,493	1,438	58 %	51	51	100 %
Total workstations	42,881	30,047	70 %	42,611	32,889	77 %

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

#### Recently Issued Accounting Pronouncements

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

#### Critical Accounting Policies and Estimates

Management's Discussion and Analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. For further information, please refer to the discussion of all critical accounting policies in Note 1 of the Notes to the Consolidated Financial Statements in our [Annual Report on Form 10-K for the year ended December 31, 2018](#).

**Results of Operations**

During the second quarter of 2019, we finalized changes to our operating strategy and the way in which we assess performance. In accordance with this change, we adjusted certain reporting relationships between our Chief Operating Decision Maker (“CODM”) and other members of management, updated the compensation metrics for senior management, and modified the internal financial reporting provided to the CODM and his direct reports to be consistent with this revised management and measurement structure. Accordingly, during the second quarter of 2019, we reevaluated the definition of the operating segments, reportable segments, and reporting units which resulted in a change to the reportable segments. Effective June 30, 2019, the segment information was reported consistent with these updated reportable segments comprised of TTEC Digital and TTEC Engage.

**Three months ended September 30, 2019 compared to three months ended September 30, 2018**

The tables included in the following sections are presented to facilitate an understanding of Management’s Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the three months ended September 30, 2019 and 2018 (amounts in thousands). All inter-company transactions between the reported segments for the periods presented have been eliminated.

*TTEC Digital*

	<b>Three</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>Months Ended September 30,</b>			
	<b>2019</b>	<b>2018</b>		
Revenue	\$ 78,620	\$ 66,679	\$ 11,941	17.9 %
Operating Income	11,704	8,469	3,235	38.2 %
Operating Margin	14.9 %	12.7 %		

The increase in revenue for the TTEC Digital segment was related to significant increases in the cloud platform, the systems integration practice including a large multi-year governmental contract and increases in the digital learning and insights practices, offset by reductions in legacy facility based training and lower volumes primarily in the Middle East business which the Company is in the process of winding down.

The operating income expansion is primarily attributable to the increased revenue and improved utilization of technology and people assets as the business scales its cloud and system integration revenue. The operating income as a percentage of revenue increased to 14.9% in the third quarter of 2019 as compared to 12.7% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of \$0.6 million and \$0.6 million for the quarters ended September 30, 2019 and 2018, respectively.

*TTEC Engage*

	<b>Three</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>Months Ended September 30,</b>			
	<b>2019</b>	<b>2018</b>		
Revenue	\$ 316,887	\$ 298,257	\$ 18,630	6.2 %
Operating Income	14,277	6,188	8,089	130.7 %
Operating Margin	4.5 %	2.1 %		

The increase in revenue for the TTEC Engage segment was due to a net increase of \$33.3 million in client programs offset by a decrease for program completions of \$16.1 million, a decrease of \$1.0 million due to the initial adoption of ASC 606 for revenue in 2018, and an \$2.4 million increase due to foreign currency fluctuations.

The operating income increased in line with improved revenue, pricing increases related to rising wages, lower healthcare costs and improved profitability in our customer growth offering and healthcare and auto client portfolios. Additionally, the operating income was positively affected by \$2.1 million of foreign currency fluctuation and negatively impacted by a \$0.6 million decrease due to the initial adoption of ASC 606 in 2018. As a result, the operating income as a percentage of revenue increased to 4.5% in the third quarter of 2019 as compared to 2.1% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of \$2.0 million and \$2.0 million for the quarters ended September 30, 2019 and 2018, respectively.

### *Interest Income (Expense)*

For the three months ended September 30, 2019 interest income decreased to \$0.5 million from \$1.4 million in the same period in 2018. Interest expense decreased to \$4.0 million during 2019 from \$8.4 million during 2018 due to lower utilization of the line of credit, and a \$2.2 million reduction in the charge related to the future purchase of the remaining 30% interest in Motif versus the prior year period.

### *Other Income (Expense)*

For the three months ended September 30, 2019 Other income (expense), net increased to net income of \$2.7 million from net income of \$1.0 million during the prior year quarter.

Included in the three months ended September 30, 2019 was a \$1.4 million gain on recovery of receivables in connection with the Consulting business that we are winding down, and a \$0.7 million gain on the sale of trademarks.

Included in the three months ended September 30, 2018 was a \$0.6 million gain related to the quarterly royalty payment for the June 30, 2017 divestiture of TSG.

### *Income Taxes*

The effective tax rate for the three months ended September 30, 2019 was 20.6%. This compares to an effective tax rate of 21.9% for the comparable period of 2018. The effective tax rate for the three months ended September 30, 2019 was influenced by earnings in international jurisdictions currently under an income tax holiday, the distribution of income between the U.S. and international tax jurisdictions and the associated U.S. tax impacts of increased foreign earnings. Without \$0.2 million of benefit related to return to provision adjustments, a \$0.2 million expense related to tax contingencies, and \$0.2 million other expense, the Company's effective tax rate for the third quarter of 2019 would have been 21.1%.

## **Results of Operations**

### **Nine months ended September 30, 2019 compared to nine months ended September 30, 2018**

The tables included in the following sections are presented to facilitate an understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the nine months ended September 30, 2019 and 2018 (in thousands). All intercompany transactions between the reported segments for the periods presented have been eliminated.

#### *TTEC Digital*

	<b>Nine Months Ended September 30,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2019</b>	<b>2018</b>		
Revenue	\$ 222,992	\$ 169,247	\$ 53,745	31.8 %
Operating Income	27,172	20,579	6,593	32.0 %
Operating Margin	12.2 %	12.2 %		

The increase in revenue for the TTEC Digital segment was related to significant increases in the cloud platform and the systems integration practice including a large multi-year governmental contract and increases in the digital learning and insights practices, offset by reductions in legacy facility based training and lower volumes primarily in the Middle East business, which the Company is in the process of winding down.

The operating income expansion is primarily attributable to the revenue growth, improved utilization of technology and people assets as the business scales its cloud and system integration revenue. The operating income increase was offset by a \$2.0 million impairment of intangible and other long-lived assets for one of the consulting components in this segment. The operating income as a percentage of revenue remained flat at 12.2% for the nine months ended September 30, 2019 as compared to 12.2% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of \$1.9 million and \$1.9 million for the nine months ended September 30, 2019 and 2018, respectively.

*TTEC Engage*

	<b>Nine Months Ended September 30,</b>			
	<b>2019</b>	<b>2018</b>	<b>\$ Change</b>	<b>% Change</b>
Revenue	\$ 959,386	\$ 920,791	\$ 38,595	4.2 %
Operating Income	53,774	32,522	21,252	65.3 %
Operating Margin	5.6 %	3.5 %		

The increase in revenue for the TTEC Engage segment was due to a net increase of \$114.3 million in client programs offset by a decrease for program completions of \$56.2 million, a \$17.0 million reduction due to the initial adoption of ASC 606 related to revenue in 2018, and a \$2.5 million decrease due to foreign currency fluctuations.

The operating income increased in line with the improved revenue, pricing increases related to rising wages, lower healthcare costs, improved profitability in our customer growth offering and healthcare and auto client portfolios, and a \$6.4 million volume commitment payment. Additionally, the operating income was positively affected by \$4.3 million of foreign currency fluctuations and negatively impacted by an \$9.3 million decrease due to the initial adoption of ASC 606 in 2018. As a result, the operating income as a percentage of revenue increased to 5.6% for the nine months ended September 30, 2019 as compared to 3.5% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of \$6.0 million and \$6.2 million for the nine months ended September 30, 2019 and 2018, respectively.

*Interest Income (Expense)*

For the nine months ended September 30, 2019 interest income decreased to \$1.3 million from \$3.9 million in the same period in 2018 due to lower average cash balances. Interest expense decreased to \$13.5 million during 2019 from \$22.6 million during 2018 due to lower utilization of the line of credit, and a \$5.5 million reduction in the charge related to the future purchase of the remaining 30% interest in Motif versus the prior year period.

*Other Income (Expense)*

For the nine months ended September 30, 2019 Other income (expense), net increased to net income of \$5.4 million from a net expense of \$10.8 million during the prior year quarter.

Included in the nine months ended September 30, 2019 was a \$2.4 million benefit related to the fair value adjustment of contingent consideration for an acquisition, a \$1.4 million gain on recovery of receivables in connection with the Consulting business that we are winding down, and a \$0.7 million gain on the sale of trademarks.

Included in the nine months ended September 30, 2018 was a \$15.6 million impairment of the full value of an equity investment and the related bridge loan, a \$2.0 million estimated loss on a business unit which was classified as assets held for sale then reclassified to held and used, offset by a \$1.6 million gain related to the quarterly royalty payments for the June 30, 2017 divestiture of TSG, and a \$0.7 million gain related to the bargain purchase for the Percepta acquisition that closed on March 31, 2018.

For further information on the above items, see Part I. Item 1. Financial Statements, Note 2 and Note 7 to the Consolidated Financial Statements.

*Income Taxes*

The effective tax rate for the nine months ended September 30, 2019 was 27.0%. This compared to an effective tax rate of 19.7% for the comparable period of 2018. The effective tax rate for the nine months ended September 30, 2019 was influenced by earnings in international jurisdictions currently under an income tax holiday, the distribution of income between the U.S. and international tax jurisdictions and associated U.S. tax impacts of increased foreign earnings. Without \$0.9 million of benefit from restructuring expenses, a \$0.5 million expense related to tax contingencies, a \$2.3 million expense related to changes in valuation allowances, and \$0.1 million other expense, the Company's effective tax rate for the nine months ended September 30, 2019 would have been 23.6%.



## **Liquidity and Capital Resources**

Our principal sources of liquidity are our cash generated from operations, our cash and cash equivalents, and borrowings under our Credit Facility. During the nine months ended September 30, 2019, we generated positive operating cash flows of \$184.4 million. We believe that our cash generated from operations, existing cash and cash equivalents, and available credit will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months.

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

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

The following discussion highlights our cash flow activities during the nine months ended September 30, 2019 and 2018.

### *Cash and Cash Equivalents*

We consider all liquid investments purchased within 90 days of their original maturity to be cash equivalents. Our cash and cash equivalents totaled \$85.5 million and \$78.2 million as of September 30, 2019 and December 31, 2018, respectively. We diversify the holdings of such cash and cash equivalents considering the financial condition and stability of the counterparty institutions.

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

### *Cash Flows from Operating Activities*

For the nine months ended September 30, 2019 and 2018, net cash flows provided by operating activities was \$184.4 million and \$166.1 million, respectively. The increase is primarily due to a \$13.4 million increase in net cash income from operations and a \$4.9 million improvement in net working capital.

### *Cash Flows from Investing Activities*

For the nine months ended September 30, 2019 and 2018, net cash flows used in investing activities was \$44.1 million and \$36.0 million, respectively. The increase was due to a \$12.6 million increase in capital expenditures offset by a \$4.1 million decrease related to acquisitions.

### *Cash Flows from Financing Activities*

For the nine months ended September 30, 2019 and 2018, net cash flows used in financing activities was \$119.6 million and \$95.8 million, respectively. The change in net cash flows from 2018 to 2019 was primarily due to an \$11.5 million paydown on the line of credit, a \$5.1 million payment related to the hold-back for an acquisition, and a \$4.8 million of increased payments on other debt.

### *Free Cash Flow*

Free cash flow (see "Presentation of Non-GAAP Measurements" below for the definition of free cash flow) increased for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 primarily due to an increase in net cash from operations offset by higher capital expenditures. Free cash flow was \$140.0 million and \$134.3 million for the nine months ended September 30, 2019 and 2018, respectively.

## Presentation of Non-GAAP Measurements

### Free Cash Flow

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 63,131	\$ 61,403	\$ 184,397	\$ 166,109
Less: Purchases of property, plant and equipment	16,010	14,958	44,438	31,841
Free cash flow	\$ 47,121	\$ 46,445	\$ 139,959	\$ 134,268

### Obligations and Future Capital Requirements

Other than changes related to the adoption of lease accounting standard ASC 842 as described in Note 1 and Note 11 to the Consolidated Financial Statements, there were no material changes to the Company's contractual obligations and future capital requirements outside the normal course of business from the date of our [2018 Form 10-K](#) filing on March 6, 2019 through the filing of this report.

#### Future Capital Requirements

We currently expect total capital expenditures in 2019 to be between \$60 million and \$65 million. Approximately 65% of these expected capital expenditures are to support growth in our business and 35% relate to the maintenance for existing assets. The anticipated level of 2019 capital expenditures is primarily driven by new client contracts and the corresponding requirements for additional delivery center capacity as well as enhancements to our technological infrastructure.

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

## **Client Concentration**

During the nine months ended September 30, 2019, none of our clients represented more than 10% of our total revenue. Our five largest clients, collectively, accounted for 37.1% and 32.5% of our consolidated revenue for the three months ended September 30, 2019 and 2018, respectively. Our five largest clients accounted for 36.9% and 34.5% of our consolidated revenue for the nine months ended September 30, 2019 and 2018, respectively. We have had long-term relationships with our top five clients, ranging from one to 23 years, with most of these clients having completed multiple contract renewals with us. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis and varies greatly based upon specific contract terms, our scope of service and where the services are delivered. In addition, clients may adjust business volumes served by us based on their business requirements. We believe the risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients and the fact that most of these relationships are based on multiple smaller contracts with different termination dates. Although certain client contracts may be terminated for convenience by either party, we believe this risk is mitigated, in part, by the service level disruptions and transition/migration costs that would arise for our clients when they terminate relationships with limited notice.

The contracts with our five largest clients expire between 2020 and 2023. Additionally, a particular client may have multiple contracts with different expiration dates. We have historically renewed most of our contracts with our largest clients, but there can be no assurance that future contracts will be renewed or, if renewed, will be on terms as favorable as the existing contracts.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **Interest Rate Risk**

We have previously entered into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. The interest rate on our Credit Agreement is variable based upon the Prime Rate and LIBOR and, therefore, is affected by changes in market interest rates. As of September 30, 2019, we had \$199.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three months ended September 30, 2019, interest accrued at a rate of approximately 3.4% per annum, respectively. If the Prime Rate or LIBOR increased by 100 basis points, there would be an annualized \$1.0 million of additional interest expense per \$100.0 million of outstanding borrowing under the Credit Agreement.

### **Foreign Currency Risk**

Our subsidiaries in the Philippines, Mexico, India, Bulgaria and Poland use the local currency as their functional currency for paying labor and other operating costs. Conversely, revenue for these foreign subsidiaries is derived principally from client contracts that are invoiced and collected in U.S. dollars or other foreign currencies. As a result, we may experience foreign currency gains or losses, which may positively or negatively affect our results of operations attributed to these subsidiaries. For the nine months ended September 30, 2019 and 2018, revenue associated with this foreign exchange risk was 22% and 24% of our consolidated revenue, respectively.

[Table of Contents](#)

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

*Cash Flow Hedging Program*

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

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

Our cash flow hedging instruments as of September 30, 2019 and December 31, 2018 are summarized as follows (in thousands). All hedging instruments are forward contracts, except as noted.

	Local Currency Notional Amount	U.S. Dollar Notional Amount	% Maturing in the next 12 months	Contracts Maturing Through
<b>As of September 30, 2019</b>				
Philippine Peso	6,311,000	119,751 <sup>(1)</sup>	57.6 %	April 2022
Mexican Peso	1,162,500	55,672	50.9 %	December 2021
		<u>\$ 175,423</u>		

	Local Currency Notional Amount	U.S. Dollar Notional Amount
<b>As of December 31, 2018</b>		
Philippine Peso	6,710,000	130,957 <sup>(1)</sup>
Mexican Peso	1,091,500	57,708
		<u>\$ 188,665</u>

<sup>(1)</sup> Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on September 30, 2019 and December 31, 2018.

The fair value of our cash flow hedges at September 30, 2019 was assets/(liabilities) (in thousands):

	September 30, 2019	Maturing in the Next 12 Months
Philippine Peso	\$ 209	\$ (154)
Mexican Peso	(8)	(754)
	<u>\$ 201</u>	<u>\$ (908)</u>

Our cash flow hedges are valued using models based on market observable inputs, including both forward and spot foreign exchange rates, implied volatility, and counterparty credit risk. The increase in fair value from

December 31, 2018 reflects fewer outstanding cash flow hedges, partially offset by a strong U.S. dollar against the Mexican Peso and Philippine Peso.

We recorded net losses of approximately \$4.6 million and \$14.3 million for settled cash flow hedge contracts and the related premiums for the nine months ended September 30, 2019 and 2018, respectively. These losses were reflected in Revenue in the accompanying Consolidated Statements of Comprehensive Income (Loss). If the exchange rates between our various currency pairs were to increase or decrease by 10% from current period-end levels, we would incur a material gain or loss on the contracts. However, any gain or loss would be mitigated by corresponding increases or decreases in our underlying exposures.

Other than the transactions hedged as discussed above and in Part I, Item 1. Financial Statements, Note 6 to the Consolidated Financial Statements, the majority of the transactions of our U.S. and foreign operations are denominated in their respective local currency. However, transactions are denominated in other currencies from time-to-time. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant as we endeavor to settle these accounts on a timely basis. For the nine months ended September 30, 2019 and 2018, approximately 22% and 25%, respectively, of revenue was derived from contracts denominated in currencies other than the U.S. Dollar. Our results from operations and revenue could be adversely affected if the U.S. Dollar strengthens significantly against foreign currencies.

#### **Fair Value of Debt and Equity Securities**

We did not have any investments in marketable debt or equity securities as of September 30, 2019 or December 31, 2018.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

#### **Disclosure Controls and Procedures**

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

We carried out an evaluation under the supervision and with the participation of management, including the CEO and CFO, of the effectiveness of our disclosure controls and procedures, as of September 30, 2019, the end of the period covered by this Form 10-Q. Based on this evaluation, our CEO and CFO 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, as amended) were effective at the reasonable assurance level.

### **Inherent Limitations of Internal Controls**

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

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

### **ITEM 1A. RISK FACTORS**

In addition to the other information presented in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties discussed in this section when evaluating our business. If any of these risks or uncertainties actually occur, our business, financial condition, and results of operations (including revenue, profitability and cash flows) could be materially and adversely affected and the market price of our stock could decline.

#### ***Our markets are highly competitive, and we might not be able to compete effectively***

The markets where we offer our services are highly competitive. Our future performance is largely dependent on our ability to compete successfully in markets we currently serve, while expanding into new, profitable markets. We compete with large multinational service providers; offshore service providers from lower-cost jurisdictions that offer similar services, often at highly competitive prices and more aggressive contract terms; niche solution providers that compete with us in specific geographic markets, industry segments or service areas; companies that utilize new, potentially disruptive technologies or delivery models, including artificial intelligence powered solutions; and in-house functions of large companies that use their own resources, rather than outsourcing customer care and customer experience services we provide. Some of our competitors have greater financial or marketing resources than we do and, therefore, may be better able to compete.

Further, the continuing trend of consolidation in the technology sector and among business process outsourcing competitors in various geographies where we have operations may result in new competitors with greater scale, a broader footprint, better technologies, or price efficiencies that may be attractive to our clients. If we are unable to compete successfully and provide our clients with superior service and solutions at competitive prices, we could lose market share and clients to competitors, which would materially adversely affect our business, financial condition, and results of operations.

***If we are unsuccessful in implementing our business strategy, our long-term financial prospects could be adversely affected***

Our growth strategy is based on continuous diversification of our business beyond contact center customer care outsourcing to an integrated customer experience platform that unites innovative and disruptive technologies, strategic consulting, data analytics, client growth solutions, and customer experience focused system design and integration. These investments in technologies and integrated solution development, however, may not lead to increased revenue and profitability. If we are not successful in creating value from these investments, there could be a negative impact on our operating results and financial condition.

***Our results of operations and ability to grow could be materially affected if we cannot adapt our service offerings to changes in technology and customer expectations***

Our growth and profitability will depend on our ability to develop and adopt new technologies that expand our existing offerings by leveraging new technological trends and cost efficiencies in our operations, while meeting rapidly evolving client expectations. As technology evolves, more tasks currently performed by our agents may be replaced by automation, robotics, artificial intelligence, chatbots and other technological advances, which puts our lower-skill, tier one, customer care offerings at risk. These technology innovations could potentially reduce our business volumes and related revenues, unless we are successful in adapting and deploying them profitably.

We may not be successful in anticipating or responding to our client expectations and interests in adopting evolving technology solutions, and their integration in our offerings may not achieve the intended enhancements or cost reductions. Services and technologies offered by our competitors may make our service offerings not competitive or even obsolete and may negatively impact our clients' interest in our offerings. Our failure to innovate, maintain technological advantage, or respond effectively and timely to transformational changes in technology could have a material adverse effect on our business, financial condition, and results of operations.

***Cyber-attacks, cyber-fraud, and unauthorized information disclosure could harm our reputation, cause liability, result in service outages and losses, any of which could adversely affect our business and results of operations***

Our business involves the use, storage, and transmission of information about our clients, customers of our clients, and our employees. While we take reasonable measures to protect the security of and unauthorized access to our systems and the privacy of personal and proprietary information that we access and store, our security controls over our systems may not prevent the improper access to or disclosure of this information. Such unauthorized access or disclosure could subject us to liability under relevant law or our contracts and could harm our reputation resulting in loss of revenue and loss of business opportunities.

In recent years, there have been an increasing number of high-profile security breaches at companies and government agencies, and security experts have warned about the growing risks of hackers and cyber criminals launching a broad range of attacks targeting information technology systems. Our business is dependent on information technology systems. Information security breaches, computer viruses, interruption or loss of business data, DDoS (distributed denial of service) attacks, and other cyber-attacks on any of these systems could disrupt the normal operations of our contact centers, our cloud platform offerings, and our enterprise services, impeding our ability to provide critical services to our clients.

We are experiencing an increase in frequency of cyber-fraud attempts, such as so-called "social engineering" attacks and phishing scams, which typically seek unauthorized money transfers or information disclosure. We actively train our employees to recognize these attacks and have implemented proactive risk mitigation measures to curb them. There are no assurances, however, that these attacks, which are also growing in sophistication, may not deceive our employees, resulting in a material loss.

While we have taken reasonable measures to protect our systems and processes from intrusion and cyber-fraud, we cannot be certain that advances in cyber-criminal capabilities, discovery of new system vulnerabilities, and attempts to exploit such vulnerabilities will not compromise or breach the technology protecting our systems and the information that we manage and control, which could result in damage to our systems, our reputation and our profitability.

Our need for consistent improvements in cybersecurity may force us to expend significant additional resources to respond to system disruptions and security breaches, including additional investments in repairing systems damaged by such attacks, reconfiguring and rerouting systems to reduce vulnerabilities, and resolving of legal claims that may arise from data breaches. A significant cyber security breach could materially harm our business, financial condition, and operating results.

***A large portion of our revenue is generated from a limited number of clients and the loss of one or more of our clients could adversely affect our business***

We rely on strategic, long-term relationships with large, global companies in targeted industries and certain agencies of the United States government. As a result, we derive a substantial portion of our revenue from relatively few clients. Our five and ten largest clients collectively represented 37% and 50% of our revenue for the first nine months of 2019 with no one client over 10%.

Although we have multiple engagements with all of our largest clients and all contracts are unlikely to terminate at the same time, the contracts with our five largest clients expire between 2020 and 2023 and there can be no assurance that these contracts will continue to be renewed at all or be renewed on favorable terms. While our on-going sales and marketing activities aim to add new opportunities with existing and new commercial and government clients, there can be no assurances that such additional work can be secured nor that it would yield financial benefits comparable to expiring contracts. The loss of all or part of a major client's business could have a material adverse effect on our business, financial condition, and results of operations, if the loss of revenue was not replaced with profitable business from other clients.

We serve clients in industries that have historically experienced a significant level of consolidation. If one of our clients is acquired (including by another of our clients) our business volume and revenue may materially decrease due to the termination or phase out of an existing client contract, volume discounts or other contract concessions which could have an adverse effect on our business, financial condition, and results of operations.

***If we cannot recruit, hire, train, and retain qualified employees to respond to client demands, our business will be adversely affected***

Our business is labor intensive and our ability to recruit and train employees with the right skills, at the right price point, and in the timeframe required by our client commitments is critical to achieving our growth objective. Demand for qualified personnel with multiple language capabilities and fluency in English may exceed supply. Employees with specific backgrounds and skills may also be required to keep pace with evolving technologies and client demands. While we invest in employee retention, we continue to experience high employee turnover and are continuously recruiting and training replacement staff. Some of our facilities are located in geographies with low unemployment, which makes it costly to hire personnel, and in several jurisdictions, jurisdiction-specific wage regulations are changing rapidly making it difficult to recruit new employees at price points acceptable for our business model. Our inability to attract and retain qualified personnel at costs acceptable under our contracts, our costs associated with attracting, training, and retaining employees, and the challenge of managing the continuously changing and seasonal client demands could have a material adverse effect on our business, financial condition, and results of operations.

***Uncertainty related to cost of labor across various jurisdictions in the United States could adversely affect our results of operating***

As a labor intensive business, we sign multi-year client contracts that are priced based on prevailing labor costs in jurisdictions where we deliver services. Yet, in the United States, our business is confronted with a patchwork of ever changing minimum wage, mandatory time off, and rest and meal break laws at the state and local levels. As these jurisdiction-specific laws change with little notice or grace period for transition, we often have no opportunity to adjust and change how we do business and pass cost increases to our clients. The frequent changes in the law and inconsistencies in laws across different jurisdictions in the United States, may result in higher costs, lower contract profitability, higher turnover, and reduced operational efficiencies, which could in the aggregate have material adverse impact on our results of operations.



***Our delivery model involves geographic concentration exposing us to significant operational risks***

Our business model is dependent on our customer engagement centers and enterprise support functions being located in low cost jurisdictions around the globe. We have on the ground presence in 21 countries, but our customer care and experience management delivery capacity and our back-office functions are concentrated in the United States, the Philippines, Mexico, India, and Bulgaria and our technology solutions centers are concentrated in a few locations in the United States. Natural disasters (floods, winds, and earthquakes), terrorist attacks, pandemics, large-scale utilities outages, telecommunication and transportation disruptions, labor or political unrest, and restriction on repatriation of funds at some of these locations may interrupt or limit our ability to operate or may increase our costs. Our business continuity and disaster recovery plans, while extensive, may not be effective, particularly if catastrophic events occur.

Our dependence on our customer engagement centers and enterprise services support functions in the Philippines, which is subject to frequent severe weather, natural disasters, and occasional security threats, represents a particular risk. For these and other reasons, our geographic concentration could result in a material adverse effect on our business, financial condition and results of operations. Although we procure business interruption insurance to cover some of these exposures, adequate insurance may not be available on an ongoing basis for a reasonable price.

***Compliance with laws, including unexpected changes to such laws, could adversely affect our results of operations***

Our business is subject to extensive regulation by the United States and foreign national, state and provincial authorities relating to confidential client and customer data, customer communications, telemarketing practices, and licensed healthcare and financial services activities, among other areas. Costs and complexity of compliance with existing and future regulations could adversely affect our profitability. If we fail to comply with regulations relevant to our business, we could be subject to civil or criminal liability, monetary damages and fines. Private lawsuits and enforcement actions by regulatory agencies could also materially increase our costs of operations and impact our ability to serve our clients.

As we provide services to clients' customers residing in countries across the world, we are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as data privacy, import/export controls, communication content requirements, trade restrictions and sanctions, tariffs, taxation, labor regulations, wages and severance, health care requirements, internal and disclosure control obligations, and immigration. Violations of these laws and related regulations could impact our reputation and result in financial liability, criminal prosecution, unfavorable publicity, restrictions on our ability to process information, financial penalties, and breach of our contractual commitments.

Adverse changes in laws or regulations that impact our business may negatively affect the sale of our services, slow the growth of our operations, or mandate changes to how we deliver our services, including our ability to use offshore resources. These changes could threaten our ability to continue to serve certain markets.

***Uncertainty and inconsistency in privacy and data protection laws that impact our business and high cost of compliance with such laws may impact our ability to deliver services and our results of operations***

Recently, there has been a significant increase in data protection and privacy laws and enforcement in many jurisdictions where we and our clients do business. Some of these laws are complex and at times they impose conflicting regulatory requirements. For example, the recently enacted General Data Protection Regulation (GDPR) expands the European Union's authority to oversee data protection for controllers and processors of personally identifiable information collected in Europe; while the State of California in the United States imposed similar regulations with a different reach. Failure to comply with all relevant privacy and data protection laws may result in legal claims, significant fines, sanctions, or penalties, or may make it difficult for us to secure business. Compliance with these evolving regulations may require significant investment which would impact our results of operations.

***Our growth of operations could strain our resources and cause our business to suffer***

We plan to continue growing our business through expansion, sales efforts, and strategic acquisitions, while maintaining tight controls on our expenses and overhead. Lean overhead functions combined with focused growth may place a strain on our management systems, infrastructure and resources, resulting in internal control failures, missed opportunities, and staff attrition which could impact our business and results of operations.

***Our profitability could suffer if our cost-management strategies are unsuccessful***

Our ability to improve or maintain our profitability is dependent on our ability to engage in continuous management of our costs. Our cost management strategies include optimizing the alignment between the demand for our services and our resource capacity, including our contact center utilization; the costs of service delivery; the cost of sales and general and administrative costs as a percentage of revenues; and the use of process automation for standard operating tasks. If we are not effective in managing our operating and administrative costs in response to changes in demand and pricing for our services, or if we are unable to absorb or pass on to our clients the increases in our costs of operations, our results of operations could be materially adversely affected.

***Our financial results depend on our capacity utilization and our ability to forecast demand and make timely decisions about staffing levels, investments, and operating expenses***

Our ability to meet our strategic growth and profitability objectives depends on how effectively we manage our customer engagement center capacity against the fluctuating and seasonal client demands. Predicting customer demand and making timely staffing level decisions, investments, and other operating expenditure commitments in each of our delivery center locations is key to our successful execution and profitability maximization. We can provide no assurance that we will continue to be able to achieve or maintain desired delivery center capacity utilization, because quarterly variations in client volumes, many of which are outside our control, can have a material adverse effect on our utilization rates. If our utilization rates are below expectations, because of our high fixed costs of operation, our financial conditions and results of operations could be adversely affected.

***Our sales cycles for new client relationships and new lines of business with existing clients can be long, which results in a long lead time before we receive revenues***

We often face a long selling cycle to secure contracts with new clients or contracts for new lines of business with existing clients. When we are successful in securing a new engagement, it is generally followed by a long implementation period when clients must give notice to incumbent service providers or transfer in-house operations to us. There may also be a long ramp up period before we commence our services, and for certain contracts we receive no revenue until we start performing the work. If we are not successful in obtaining contractual commitments after the initial prolonged sales cycle or in maintaining the contractual relationship for a period of time necessary to offset new project investment costs and appropriate return on that investment, the investments may have a material adverse effect on our results of operations.

***Contract terms typical in our industry can lead to volatility in our revenue and our margins***

*Our contracts do not have guaranteed revenue levels.* Most of our contracts require clients to provide monthly forecasts of volumes, but no guaranteed or minimum volume levels. Such forecasts vary from month to month, which can impact our staff utilizations, our cost structure, and our profitability.

*Many of our contracts have termination for convenience clauses with short notice periods, which could have a material adverse effect on our results of operation.* Although many of our contracts can be terminated for convenience, our relationships with our top five clients have ranged from one to 23 years with the majority of these clients having completed multiple contract renewals with us. Yet, our contracts do not guarantee a minimum revenue level or profitability, and clients may terminate them or materially reduce customer interaction volumes, which would reduce our earning potential. This could have a material adverse effect on our results of operations and makes it harder to make projections.

*Many of our contracts utilize performance pricing that link some of our fees to the attainment of performance criteria, which could increase the variability of our revenue and operating margin.* These performance criteria can be complex, and at times they are not entirely within our control. If we fail to satisfy our contract performance metrics, our revenue under the contracts and our operating margin are reduced.

*We may not always offset increased costs with increased fees under long-term contracts.* The pricing and other terms of our client contracts, particularly on our long-term contact center agreements, are based on estimates and assumptions we make at the time we enter into these contracts. These estimates reflect our best judgments regarding the nature of the engagement and our expected costs to provide the contracted services but these judgments could differ from actual results. Not all our larger long-term contracts allow for escalation of fees as our cost of operations increase. Moreover, those that do allow for such escalations, do not always allow increases at rates comparable to increases that we experience due to rising minimum wage costs and related payroll cost increases. If and to the extent we do not negotiate long-term contract terms that provide for fee adjustments to reflect increases in our cost of service delivery, our business, financial conditions, and results of operation could be materially impacted.

*Our pricing depends on effectiveness of our level of effort forecasts.* Pricing of our services in our technology and strategic consulting businesses is contingent on our ability to accurately forecast the level of effort and cost necessary to deliver our services, which is data dependent and can be inaccurate. The errors in level of effort estimations could yield lower profit margins or cause projects to become unprofitable, resulting in adverse impacts on our results of operations.

*Our contracts seldom address the impacts of currency fluctuation on our costs of delivery.* As we continue to leverage our global delivery model, more of our expenses may be incurred in currencies other than those in which we bill for services. An increase in the value of certain currencies, such as the United States or Australian dollar against the Philippine peso and India rupee, could increase costs for our delivery at offshore sites by increasing our labor and other costs that are denominated in local currencies. Our contractual provisions, cost management efforts, and currency hedging activities may not be sufficient to offset the currency fluctuation impact, resulting in the decrease of the profitability of our contracts.

***Increases in income tax rates, changes in income tax laws or disagreements with tax authorities could adversely affect our business, financial condition or results of operations***

We are subject to income taxes in the United States and in certain foreign jurisdictions in which we operate. Increases in income tax rates or other changes in income tax laws in any particular jurisdiction could reduce our after-tax income from such jurisdictions and could adversely affect our business, financial condition or results of operations. Our operations outside the United States generate a significant portion of our income and many of the other countries in which we have significant operations, have recently made or are actively considering changes to existing tax laws. For example, in December 2017, the Tax Cuts and Jobs Act ("2017 Tax Act") was signed into law in the United States. While our accounting for the recorded impact of the 2017 Tax Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the Internal Revenue Service ("IRS") could impact our recorded amounts in future periods.

Additional changes in the U.S. tax regime or in how U.S. multinational corporations are taxed on foreign earnings, including changes in how existing tax laws are interpreted or enforced, could adversely affect our business, financial condition or results of operations.

There are no assurances that we will be able to implement effective contracting structures that are necessary to optimize our tax position under the 2017 Tax Act. If we are unable to implement cost effective contracting structure, our effective tax rate and our results of operations would be impacted.

***We face special risks associated with our business outside of the United States***

An important component of our business strategy is service delivery outside of the United States and our continuing international expansion. For the first nine months of 2019, we derived approximately 40% of our revenue from operations outside of the United States. Conducting business abroad is subject to a variety of risks, including:

- inconsistent regulations, licensing and legal requirements may increase our cost of operations as we endeavor to comply with multiple, complex laws that differ from one country to another;
- uncertainty of tax regulations in countries where we do business may affect our costs of operation;
- special challenges in managing risks inherent in international operations, such as unique and prescriptive labor rules, corrupt business environments, restrictive immigration and export control laws may cause an inadvertent violation of laws that we may not be able to immediately detect or correct;
- longer payment cycles and/or difficulties in accounts receivable collections particular to operations outside of the United States could impact our cash flows and results of operations;
- political and economic instability and unexpected changes in regulatory regimes could adversely affect our ability to deliver services overseas and our ability to repatriate cash;
- the withdrawal of the UK from the European Union (known as “Brexit”) created substantial uncertainty about the political and economic relationship between the UK and the EU, and the UK’s other trading partners which could, depending on future trade term negotiations, impact our European operations;
- currency exchange rate fluctuations, restrictions on currency movement, and impact of international tax laws could adversely affect our results of operations, if we are forced to maintain assets in currencies other than U.S. dollars, while our financial results are reported in U.S. dollars; and
- terrorist attacks or civil unrests in some of the regions where we do business (e.g. the Middle East, Latin America, the Philippines, and in Europe), and the resulting need for enhanced security measures may impact our ability to deliver services, threaten the safety of our employees, and increase our costs of operations.

While we monitor and endeavor to mitigate timely the relevant regulatory, geopolitical, and other risks related to our operations outside of the United States, we cannot assess with certainty what impact such risks are likely to have over time on our business, and we can provide no assurance that we will always be able to mitigate these risks successfully and avoid adverse impact on our business and results of operations.

***Our profitability may be adversely affected if we are unable to expand and maintain our delivery centers in countries with stable wage rates and find new locations required by our clients.***

Our business is labor-intensive and therefore cost of wages, benefits and related taxes constitute a large component of our operating expenses. As a result, expansion of our business is dependent upon our ability to maintain and expand our operations in cost-effective locations, in and outside of the United States. Most of our customer engagement centers are located in jurisdictions subject to minimum wage regulations, which may result in increased wages in the future, thus impacting our profitability.

Our clients often dictate where they wish for us to locate the delivery centers that serve their customers, such as “near shore” jurisdictions located in close proximity to the United States or specific locations in Europe or Northern Africa. There is no assurance that we will be able to find and secure locations suitable for delivery center operations in jurisdictions which meet our cost-effectiveness and security standards. Our inability to expand our operations to such locations, however, may impact our ability to secure new and additional business from clients, and could adversely affect our growth and results of operations.

***Increases in the cost of communication and data services or significant interruptions in such services could adversely affect our business***

Our business is significantly dependent on telephone, internet and data service provided by various domestic and foreign communication companies. Any disruption of these services could adversely affect our business. We have taken steps to mitigate our exposure to service disruptions by investing in complex and multi-layered redundancies, and we can transition services among our different customer engagement centers around the world. Despite these efforts, there can be no assurance, that the redundancies we have in place would be sufficient to maintain operations without disruption.

Our inability to obtain communication and data services at favorable rates could negatively affect our results of operations. Where possible, we have entered into long-term contracts with various providers to mitigate short term rate increases and fluctuations. There is no obligation, however, for the vendors to renew their contracts with us, or to offer the same or lower rates in the future, and such contracts may be subject to termination or modification for various reasons outside of our control. A significant increase in the cost of communication services that is not recoverable through an increase in the price of our services could adversely affect our business.

***Defects or errors in software utilized in our service offerings could adversely affect our business.***

The third-party software and systems that we use to conduct our business and serve our clients are highly complex and may, from time to time, contain design defects, coding errors or other software errors that may be difficult to detect or correct, and which are outside of our control. Although our commercial agreements contain provisions designed to limit our exposure to potential claims and liabilities, these provisions may not always effectively protect us against claims in all jurisdictions. As a result, problems with software and systems that we use may result in damages to our clients for which we are held responsible, causing damage to our reputation, adversely affecting our business, our results of operations, and financial condition.

***Restrictions on mobility of people across borders may affect our ability to compete for and provide services to clients***

Our business depends on the ability of some of our employees to obtain the necessary visas and entry permits to do business in the countries where our clients and contact centers are located. In recent years, in response to terrorist attacks and global unrest, immigration authorities generally, and those in the United States in particular, have increased the level of scrutiny in granting such visas, and even imposed bans on immigration and commercial travel for citizens of certain countries. If further terrorist attacks occur or global unrest intensifies, these restrictions are likely to further increase. Furthermore, immigration laws in most countries where we do business are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions or other events unrelated to our operations. If we are unable to obtain the necessary visas for our personnel with need to travel to or from the United States in a timely manner, we may not be able to continue to provide services on a timely and cost-effective basis, receive revenues as early as expected or manage our customer engagement centers efficiently. Any of these developments could have a material adverse effect on our business, results of operations and financial condition.

***If the transfer pricing arrangements we have among our subsidiaries are determined to be inappropriate, our tax liability may increase***

We have transfer pricing arrangements among our subsidiaries in relation to various aspects of our business, including operations, marketing, sales, and delivery functions. The United States, Australia, Mexico, Philippines and other transfer pricing regulations in other countries where we operate, require that cross-border transactions between affiliates be on arm's-length terms. We carefully consider the pricing among our subsidiaries to assure that they are at arm's-length. If tax authorities were to determine that the transfer prices and terms we have applied are not appropriate, we may incur increased tax liability, including accrued interest and penalties, which would cause material increase in our tax liability, thereby impacting our profitability and cash flows, and potentially resulting in a material adverse effect on our operations, effective tax rate and financial condition.

***We routinely consider acquisitions, divestitures or other strategic transactions and may enter into such transactions at any time***

We are engaged in a regular review of our strategic opportunities, including acquisitions, divestitures or other strategic transactions that we believe would provide value for our stockholders. We routinely have merger, acquisition, and divestiture opportunities in various stages of active review, and we also routinely engage consultants and advisors to assist us in analyzing opportunities. While at this time we are not actively engaged in negotiations regarding a material merger, acquisition or divestiture transaction, we could do so at any time. If such transaction involves a sale of a part of the business, such a transaction would likely reduce the revenue and income of the remaining business and may impact the Company's stock price. While we consider these transactions to improve our business and financial results over time, there can be no assurance that our goals will be realized.

***Our strategy of growing through acquisitions may impact our business in unexpected ways***

Our growth strategy involves acquisitions that help us expand our service offerings and diversify our geographic footprint. We continuously evaluate acquisition opportunities, but there are no assurances that we will be able to identify acquisition targets that complement our strategy and are available at valuation levels accretive to our business.

Even if we are successful in making acquisitions, the acquired businesses may subject our business to risks that may impact our results of operation; including:

- inability to integrate acquired companies effectively and realize anticipated synergies and benefits from the acquisitions;
- diversion of management's attention to the integration of the acquired businesses at the expense of delivering results for the legacy business;
- inability to appropriately scale critical resources to support the business of the expanded enterprise and other unforeseen challenges of operating the acquired business as part of TTEC's operations;
- inability to retain key employees of the acquired businesses and/or inability of such key employees to be effective as part of TTEC operations;
- impact of liabilities or ethical issues of the acquired businesses undiscovered or underestimated as part of the acquisition due diligence;
- failure to realize anticipated growth opportunities from a combined business, because existing and potential clients may be unwilling to consolidate business with a single supplier or to stay with the acquirer post acquisition;
- impacts of cash on hand and debt incurred to finance acquisitions, thus reducing liquidity for other significant strategic objectives; and
- internal controls, disclosure controls, corruption prevention policies, human resources and other key policies and practices of the acquired companies may be inadequate or ineffective.

***We have incurred and may in the future incur impairments to goodwill, long-lived assets or strategic investments***

As a result of past acquisitions, as of September 30, 2019, we have approximately \$203.8 million of goodwill and \$72.1 million of intangible assets included on our Consolidated Balance Sheet. We review our goodwill and intangible assets for impairment at least once annually, and more often when events or changes in circumstances indicate the carrying value may not be recoverable. We perform an assessment of qualitative and quantitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the goodwill or intangible asset is less than its carrying amount. In the event that the book value of goodwill or intangible asset is impaired, such impairment would be charged to earnings in the period when such impairment is determined. We have recorded goodwill and intangible impairments in the past, and there can be no assurance that we will not incur impairment charges in the future that could have material adverse effects on our financial condition or results of operations.

***If we are unable to attract and retain talented and experienced executives for key positions in our business, our business and our strategy execution could be adversely impacted***

Our business success depends on contributions of senior management and key personnel. Our ability to attract, motivate and retain key senior management staff is conditioned on our ability to pay adequate compensation and incentives. We compete for top senior management candidates with other, often larger, companies that at times have access to greater resources. Our ability to attract qualified individuals for our senior management team is also impacted by our requirement that members of senior management sign non-compete agreements as a condition to joining TTEC. If we are not able to attract and retain talented and experienced executives, we would be unable to compete effectively, and our growth may be limited, which could have a material adverse effect on our business, results of operations, and prospects.

***Intellectual property infringement by us and by others may adversely impact our ability to innovate and compete***

*Our solutions could infringe intellectual property of others impacting our ability to deploy them with clients.* From time to time, we and members of our supply chain receive assertions that our service offerings or technologies infringe on the patents or other intellectual property rights of third parties. While to date we have been successful in defending such claims and many of these claims are without basis, the claims could require us to cease activities, incur expensive licensing costs, or engage in costly litigation, which could adversely affect our business and results of operation.

Our intellectual property may not always receive favorable treatment from the United States Patent and Trademark Office, the European Patent Office or similar foreign intellectual property adjudication and registration agencies; and our "patent pending" intellectual property may not receive a patent or may be subject to prior art limitations.

The lack of an effective legal system in certain countries where we do business or lack of commitment to protection of intellectual property rights, may prevent us from being able to defend our intellectual property and related technology against infringement by others, leading to a material adverse effect on our business, results of operations and financial condition.

***Our financial results may be adversely impacted by foreign currency exchange rate risk***

Many contracts that we service from customer engagement centers based outside of the United States are typically priced, invoiced, and paid in U.S. and Australian dollars or Euros, while the costs incurred to deliver the services and operate are incurred in the functional currencies of the applicable operating subsidiary. The fluctuations between the currencies of the contract and operating currencies present foreign currency exchange risks. Furthermore, because our financial statements are denominated in U.S. dollars, but approximately 22% of our revenue is derived from contracts denominated in other currencies, our results of operations could be adversely affected if the U.S. dollar strengthens significantly against foreign currencies.

While we hedge at various levels against the effect of exchange rate fluctuations, we can provide no assurance that we will be able to continue to successfully manage this foreign currency exchange risk and avoid adverse impacts on our business, financial condition, and results of operations.

***The current trend to outsource customer care may not continue and the prices that clients are willing to pay for the services may diminish, adversely affecting our business***

Our growth depends, in large part, on the willingness of our clients and potential clients to outsource customer care and management services to companies like TTEC. There can be no assurance that the customer care outsourcing trend will continue; and our clients and potential clients may elect to perform in-house customer care and management services that they currently outsource. Reduction in demand for our services and increased competition from other providers and in-house service alternatives would create pricing pressures and excess capacity that could have an adverse effect on our business, financial condition, and results of operations.

***Legislation discouraging offshoring of service by United States companies or making such offshoring difficult could significantly affect our business***

A perceived association between offshore service providers and the loss of jobs in the United States has been a focus of political debate in recent years. As a result, current and prospective clients may be reluctant to hire offshore service providers like TTEC to avoid negative perceptions and regulatory scrutiny. If they seek customer care and management capacity onshore that was previously available to them through outsourcers outside of the United States, they may elect to perform these services in-house instead of outsourcing the services onshore. Possible tax incentives for United States businesses to return offshored, including outsourced and offshored, services to the United States could also impact our clients' continuing interest in using our services.

Legislation aimed to expand protections for United States based customers from having their personal data accessible outside of the United States could also impact offshore outsourcing opportunities by requiring notice and consent as a condition for sharing personal identifiable information with service providers based outside of the United States. Any material changes in current trends among United States based clients to use services outsourced and delivered offshore would materially impact our business and results of operations.

***Health epidemics could disrupt our business and adversely affect our financial results***

Our customer engagement centers typically seat hundreds of employees in one location. Accordingly, an outbreak of a contagious infection in one or more of the locations in which we do business may result in significant worker absenteeism, lower capacity utilization rates, voluntary or mandatory closure of our customer engagement centers, travel restrictions on our employees, and other disruptions to our business. Any prolonged or widespread health epidemic could severely disrupt our business operations and have a material adverse effect on our business, its financial condition and results of operations.

***Our bylaws designate Delaware courts as the exclusive forum for most disputes with our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for their disputes.***

Our bylaws designate Delaware's state courts as the exclusive forum for most disputes between us and our stockholders, including federal claims and derivative actions. We believe that this provision may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, who are particularly experienced in resolving corporate disputes, efficient administration of cases relative to other forums, and protection against the burdens of multi-forum litigation. This choice of forum provision does not have the effect of causing our stockholders to waive our obligation to comply with the federal securities laws. This bylaw forum selection provision is not uncommon for companies incorporated in the State of Delaware, but it could limit our stockholders' ability to select a more favorable judicial forum for disputes with us, our directors, officers or other employees; and thus, may discourage litigation. It is important to note, however, that our choice of forum provision would (i) not be enforceable with respect to any suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, and (ii) have uncertain enforceability with respect to claims under the Securities Act of 1933, as amended.



***The volatility of our stock price may result in loss of investment***

Our share price has been and may continue to be subject to substantial fluctuation. We believe that market prices for securities of companies that provide outsourced customer care management services have experienced volatility in recent years and such volatility may affect our stock price as well. As we continue to diversify our service offerings to include growth, technology and strategic consulting, our stock price volatility may stabilize, or it may be further impacted by stock price fluctuations in these new industries. In addition to fluctuations specific to our industry and service offerings, we believe that various other factors such as general economic conditions, changes or volatility in the financial markets, changing market condition for our clients, and the relatively small size of our public float could impact the valuation of our stock. The quarterly variations in our financial results, acquisition and divestiture announcements by us or our competitors, strategic partnerships and new service offering, our failure to meet our growth objectives or exceed our targets, and securities analysts' perception about our performance could cause the market price of our shares to fluctuate substantially in the future.

***Our Chairman and Chief Executive Officer controls a majority of our stock and has control over all matters requiring action by our stockholders; and his interest may conflict with the interests of our other stockholders***

Kenneth D. Tuchman, our Chairman and Chief Executive Officer, directly and beneficially owns approximately 68% of TTEC's common stock. As a result, Mr. Tuchman could and does exercise significant influence and control over our business practices and strategy. As long as Mr. Tuchman continues to beneficially own more than 50% of our common stock he will be able to elect all of the members of our Board of Directors, effect stockholder actions by written consent in lieu of stockholder meetings, and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on our common stock.

The interest of Mr. Tuchman may not always coincide with the interest of our other stockholders, and Mr. Tuchman may seek to cause the Company to take actions that might involve risks to our business or adversely affect us or our other stockholders. For example, Mr. Tuchman's control of TTEC could delay or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely, Mr. Tuchman's control could result in the consummation of a transaction that our other stockholders do not support. As a controlling stockholder, Mr. Tuchman is entitled to vote his shares as he see fit, which may not always be in the interest of our other stockholders. This concentrated control could also discourage parties from acquiring our common stock or initiating potential mergers, takeovers or other change of control transactions, which could depress the trading price of our common stock.

***Our status as a "controlled company" could make our common stock less attractive to some investors or otherwise harm our stock price.***

Because we qualify as a "controlled company" under the listing rules of the NASDAQ Stock Market, we are not required to have a majority of our Board of Directors be independent, nor are we required to have an independent compensation committee or an independent nominating committee of the Board. While the Company has elected not to avail itself of these governance exceptions available to "controlled companies," in the future the Company may elect to do otherwise. Accordingly, because of our "controlled company" status, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for NASDAQ-listed companies. Our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchases of Equity Securities

Following is the detail of the issuer purchases made during the quarter ended September 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands) <sup>(1)</sup>
June 30, 2019				\$ 26,580
July 1, 2019 - July 31, 2019	—	\$ —	—	\$ 26,580
August 1, 2019 - August 31, 2019	—	\$ —	—	\$ 26,580
September 1, 2019 - September 30, 2019	—	\$ —	—	\$ 26,580
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

- (1) In November 2001, our Board of Directors (“Board”) authorized a stock repurchase program with the objective of increasing stockholder returns. The Board periodically authorizes additional increases to the program. The most recent Board authorization to purchase additional common stock occurred in February 2017, whereby the Board increased the program allowance by \$25.0 million. Since inception of the program through September 30, 2019, the Board has authorized the repurchase of shares up to a total value of \$762.3 million, of which we have purchased 46.1 million shares on the open market for \$735.8 million. As of September 30, 2019 the remaining amount authorized for repurchases under the program was approximately \$26.6 million. The stock repurchase program does not have an expiration date.

## ITEM 5. OTHER INFORMATION

None

## ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated Herein by Reference		
		Form	Exhibit	Filing Date
10.33*	<a href="#">Form of Indemnification Agreement with Directors</a>			
31.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)</a>			
31.2*	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)</a>			
32.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)</a>			
32.2*	<a href="#">Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)</a>			
101.INS**	XBRL Instance Document			
101.SCH**	XBRL Taxonomy Extension Schema Document			
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document			
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document			

[Table of Contents](#)

101.DEF\*\* XBRL Taxonomy Extension Definition Linkbase Document

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\* Filed or furnished herewith.

\*\* Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Notes to the Consolidated Financial Statements, (ii) Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018 (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2019 and 2018 (unaudited), (iv) Consolidated Statements of Stockholders' Equity as of and for the three and nine months ended September 30, 2019 and 2018 (unaudited), and (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and 2018 (unaudited).

## SIGNATURES

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

TTEC HOLDINGS, INC.  
(Registrant)

Date: November 5, 2019

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

Date: November 5, 2019

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

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## Exhibit 10.33

### INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “*Agreement*”), dated the \_\_\_ day of \_\_\_\_\_, 2019, is by and between TTEC Holdings, Inc., a Delaware corporation (the “*Corporation*”), and \_\_\_\_\_, an individual (“*Indemnitee*”).

#### RECITALS

A. Competent and experienced persons may be reluctant to serve, or to continue to serve, as directors of legal entities or in other capacities unless they are provided with adequate protection through insurance or indemnification (or both) against claims against them arising out of their service and activities on behalf of such entities.

B. The Board has determined that enhancing the ability of the Corporation to retain and attract as directors the most capable persons is in the best interests of the Corporation, and that the Corporation therefore should seek to assure such persons that indemnification and insurance coverage is available.

C. As a supplement to and in the furtherance of the Corporation’s Amended and Restated Certificate of Incorporation (as may be amended or restated from time to time, the “*Certificate of Incorporation*”), the Corporation’s Amended and Restated Bylaws (as may be amended or restated from time to time, the “*Bylaws*”), the organizational documents of any direct or indirect subsidiary of the Corporation (such organizational documents, together with the Certificate of Incorporation and the Bylaws, the “*Constituent Documents*”) and the coverage of Indemnitee under the Corporation’s directors’ and officers’ liability or similar insurance policies (“*D&O Insurance*”), it is reasonable, prudent, desirable and necessary for the Corporation contractually to obligate itself to indemnify, and to pay in advance expenses and losses on behalf of, directors and other persons serving in a Corporate Status (as defined below) to the fullest extent permitted by law so that they will serve or continue to serve the Corporation free from concern that they will not be so indemnified and that their expenses will not be so paid in advance. Further, this Agreement is intended to be enforceable irrespective of, among other things, any amendment to the Constituent Documents, any change in the composition of the Board or any Change in Control (as defined below), business combination or similar transaction relating to the Corporation.

D. This Agreement is not a substitute for, nor does it diminish or abrogate any rights of Indemnitee under, the Constituent Documents or any resolutions adopted pursuant thereto (including any contractual rights of Indemnitee that may exist) other than any Existing Agreement (as defined below) which shall be replaced in its entirety by this Agreement. In the event of conflict of any provision(s) of any Constituent Document and this Agreement, the provision(s) of the Constituent Document and this Agreement shall be interpreted together in the manner that is most favorable to the Indemnitee.

E. Indemnitee is or will be a director of the Corporation or one of its direct or indirect subsidiaries (and will have such other role as may be set forth in the definition of Corporate Status) and his or her willingness to serve or continue to serve in such capacity is predicated, in substantial part, upon the Corporation’s willingness to indemnify him or her to the fullest extent permitted by the laws of the State of Delaware and upon the other undertakings set forth in this Agreement.

F. Indemnitee may have certain rights to indemnification and/or insurance provided by the

Other Indemnitors (as defined below), which Indemnitee and the Other Indemnitors intend to be secondary to the primary obligation of the Corporation to indemnify Indemnitee as provided herein, with the Corporation's acknowledgement and agreement to the foregoing being a material condition to Indemnitee's willingness to serve on the Board.

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## AGREEMENT

NOW, THEREFORE, in consideration of the premises and covenants contained herein and the Indemnitee's agreement to provide services to the Corporation, the Corporation and Indemnitee hereby agree as follows:

### ARTICLE 1 Certain Definitions

Capitalized terms used but not otherwise defined in this Agreement have the meanings set forth below:

**"Applicable Proceeding"** means (i) any threatened, pending or completed action, suit, claim, demand, arbitration, alternate dispute resolution mechanism, request to toll the statute of limitations, investigation, inquiry, hearing or any other actual, threatened or completed proceeding, including any and all appeals, in each case, whether brought by or in the right of the Corporation (or any of its direct or indirect subsidiaries) or otherwise, whether civil, criminal, administrative, regulatory, arbitrate or investigative, whether formal or informal, whether made pursuant to federal, state, local, or foreign law or otherwise, and whether or not commenced prior to the date of this Agreement, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of or arising from Indemnitee's Corporate Status and by reason of or relating to either (a) any action or alleged action taken by Indemnitee (or failure or alleged failure to act) or any action or alleged action (or failure or alleged failure to act) on Indemnitee's part, while acting in his or her Corporate Status at any time or (b) the fact that Indemnitee is or was or will be serving at the request of the Corporation (or any of its direct or indirect subsidiaries) in an Enterprise Corporate Status, in each case, whether or not serving in such capacity at the time any Loss or Expense is paid or incurred for which indemnification or advancement of Expenses can be provided under this Agreement, or (ii) any inquiry, hearing or investigation that Indemnitee determines might reasonably lead to the institution of any such action, suit, proceeding or alternative dispute resolutions mechanism. For purposes of this Agreement, the term "threatened" will be deemed to include Indemnitee's good faith belief that a claim or other assertion might lead to institution of an Applicable Proceeding.

**"Board"** means the Board of Directors of the Corporation or any committee designated by the Board of Directors of the Corporation in respect hereof.

**"Change in Control"** means the occurrence of any of the following: (i) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions (including, without limitation, any merger, consolidation or liquidation whether by operation of law or otherwise), of all or substantially all of the properties or assets of the Corporation and its subsidiaries, taken as a whole, to a third party purchaser (or group of affiliated third party purchasers), (ii) the consummation of any transaction (including, without limitation, any merger or consolidation or whether by operation of law or otherwise), the result of which is that a third party purchaser (or group of affiliated third party purchasers) becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the then outstanding Shares or of the surviving entity of any such merger or consolidation, (iii) any change of more than fifty percent (50%) of the individuals who comprise the Board relative to the composition of the Board as of the date hereof or (iv) the commencement of, or filing for, any bankruptcy, insolvency proceeding or assignment for the benefit of creditors, or the appointment of any receiver, trustee or liquidator, whether voluntary or involuntary, in each case with respect to the Corporation.

**"Controlled Affiliate"** means any corporation, limited liability company, partnership, joint venture, trust or other Enterprise, whether or not for profit, that is, directly or indirectly, controlled by the Corporation. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of an Enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise.

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**“Corporate Status”** means the status of a person as a director, member or chairman of any committee or subcommittee, lead director or chairman of the Board of Directors of the Corporation (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate) or any of the Corporation’s direct or indirect subsidiaries or Controlled Affiliates, in each case subject to the following proviso, whether before or after the date hereof; provided that “Corporate Status” shall not include any status as chairman of the Board of Directors of the Corporation (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate other than a committee or subcommittee) prior to the date hereof. Notwithstanding anything in this Agreement to the contrary, for the purposes of this Agreement, the term “Corporate Status” shall not be deemed to include any other status a person may hold or may have held (other than such person’s status as set forth in the previous sentence) with the Corporation or any of the Corporation’s direct or indirect subsidiaries or Controlled Affiliates or otherwise, including, without limitation, a person’s status as chairman of the Board of Directors of the Corporation (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate other than a committee or subcommittee) prior to the date hereof, founder, manager (other than in a limited liability company), officer, employee, shareholder, lessor, lessee, agent, trustee or other unspecified fiduciary of or licensor to the Corporation or any of the Corporation’s direct or indirect subsidiaries or Controlled Affiliates or as a counterparty pursuant to any agreement or contract including, without limitation, any license, lease, sublease, founder, chairman or other contract or agreement.

**“Disinterested Director”** means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

**“Enterprise”** means the Corporation, any subsidiary of the Corporation or any other corporation, partnership, limited liability company, joint venture, employee benefit plan, trust or other entity or other enterprise.

**“Enterprise Corporate Status”** means the status of a person as a director, member or chairman of any committee or subcommittee, lead director and chairman of the board of directors (or a similar governing body) of any Enterprise or any of the Enterprise’s direct or indirect subsidiaries or controlled affiliates, in each case subject to the following proviso, whether before or after the date hereof; provided that “Enterprise Corporate Status” shall not include any status as chairman of the board of directors (or a similar governing body other than a committee or subcommittee) of any Enterprise prior to the date hereof. Notwithstanding anything in this Agreement to the contrary, for the purposes of this Agreement, the term “Enterprise Corporate Status” shall not be deemed to include any other status a person may hold or may have held (other than such person’s status as set forth in the previous sentence) with an Enterprise or any of the Enterprise’s direct or indirect subsidiaries or controlled affiliates or otherwise, including, without limitation, a person’s status as chairman of the board of directors (or a similar governing body other than a committee or subcommittee) of any Enterprise prior to the date hereof, founder, manager (other than in a limited liability company), officer, employee, shareholder, lessor, lessee, agent, trustee or other unspecified fiduciary of or licensor to any Enterprise or any of the Enterprise’s direct or indirect subsidiaries or controlled affiliates or as a counterparty pursuant to any agreement or contract including, without limitation, any license, lease, sublease, founder, chairman or other contract or agreement.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended, or any successor statute thereto, and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder.

**“Existing Agreement”** means any agreement primarily in respect of indemnification or reimbursement of expenses between Indemnitee and the Corporation existing prior to the date hereof. For the avoidance of doubt, “Existing Agreement” does not include any Constituent Documents or D&O Insurance.

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**“Expenses”** means any and all fees, expenses, and disbursements, including any and all attorney’s fees, disbursements and retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, arbitrator’s and mediator’s fees and expenses, duplicating costs, printing and binding costs, court costs, discovery fees and costs awards, including sanctions, filing fees, transcript costs, travel expenses, computer legal research costs telephone charges, postage, fax transmission charges, secretarial services, delivery service fees and all other fees, expenses or disbursements, paid or incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or in connection with seeking indemnification or other rights under this Agreement. Expenses will also include (a) Expenses paid or incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (b) Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement by Proceeding or otherwise and (c) all Expenses incurred by Indemnitee in connection with Article 5. Expenses, however, will not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

**“Independent Counsel”** means an attorney or firm of attorneys that is experienced in matters of corporation law and neither currently is, nor in the past five (5) years has been, retained to represent: (a) the Corporation, any subsidiary of the Corporation, or Indemnitee in any matter material to any such party (other than with respect to matters concerning the Indemnitee under this Agreement and/or the indemnification provisions of the Constituent Documents, or of other indemnitees under similar indemnification agreements) or (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing the Corporation, any subsidiary of the Corporation, or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

**“Losses”** means any and all (a) losses, liabilities, judgments, pre-judgment and post-judgment interest, damages, any amounts paid or payable in settlement, fines (including excise taxes and penalties assessed with respect to employee benefit plans and ERISA excise taxes), penalties (in each case, whether civil, criminal or otherwise), and Expenses, (b) interest, assessments, federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt thereof or hereunder, (c) other charges paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, by a witness or participate in, any Proceeding and (d) other charges paid or payable in connection with or in respect of any of the foregoing.

**“Other Indemnitors”** means (a) any former, current or future employer of Indemnitee; (b) any Enterprise in which an Indemnitee is, was or will be a partner, member or equity holder; (c) any Enterprise for whom Indemnitee is, was or will be serving in a Corporate Status at the request of such Enterprise; (d) any other source of indemnification to or any Person required to provide indemnification for the benefit of the Indemnitee; (e) any affiliate of any Person described in the foregoing clauses (a), (b), (c) or (d); and (f) any insurer of any Person described in the foregoing clauses (a), (b), (c), (d) or (e), in each such case, to the extent Indemnitee has rights to indemnification and/or insurance provided by such Enterprise, insurer or other Person in connection with his or her Corporate Status.

**“Person”** means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

**“Proceeding”** means (i) any threatened, pending or completed action, suit, claim, demand, arbitration, alternate dispute resolution mechanism, request to toll the statute of limitations, investigation, inquiry, hearing or any other actual, threatened or completed proceeding, including any and all appeals, in each case, whether brought by or in the right of the Corporation (or any of its direct or indirect subsidiaries)

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or otherwise, whether civil, criminal, administrative, regulatory, arbitral or investigative, whether formal or informal, whether made pursuant to federal, state, local, or foreign law or otherwise, and whether or not commenced prior to the date of this Agreement, or (ii) any inquiry, hearing or investigation that Indemnitee determines might reasonably lead to the institution of any such action, suit, proceeding or alternative dispute resolutions mechanism. For purposes of this definition, the term “threatened” will be deemed to include Indemnitee’s good faith belief that a claim or other assertion might lead to institution of a Proceeding.

References to “*servicing at the request of the Corporation*” include any service in a Corporate Status which imposes duties on, or involves services by, such person with respect to any employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in and not opposed to the best interests of the participants and beneficiaries of an employee benefit plan will be deemed to have acted in a manner “*not opposed to the best interests of the Corporation*” as referred to under applicable law or in this Agreement.

## ARTICLE 2 Indemnification

**2.1 Corporation Indemnification.** Subject to Section 2.4 and Article 5, the Corporation hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time to increase the scope of such permitted indemnification, against any and all Losses and Expenses if Indemnitee was, is, or becomes or was, is, or becomes threatened to be, made a party to or participant in, any Applicable Proceeding. For purposes of this Agreement, the meaning of the phrase “*to the fullest extent permitted by law*” will include to the fullest extent permitted by the General Corporation Law of the State of Delaware (as amended from time to time, the “*DGCL*”) or any statute that replaces or succeeds the relevant sections of the DGCL with respect to such matters. In the event of any change in the DGCL or any other applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a person serving in an Enterprise Corporate Status, such change, to the extent not otherwise prohibited by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties’ rights and obligations hereunder. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Corporation. Except as otherwise provided in this Article 2 (including pursuant to Section 2.4), Indemnitee shall be entitled to the rights of indemnification provided in this Section 2.1 if, the Indemnitee was, is, or becomes or was, is, or becomes threatened to be made, a party to or participant in any Applicable Proceeding other than an Applicable Proceeding by or in the right of the Corporation (which is covered by Section 2.1(b)). Pursuant to this Section 2.1(a), but subject to Section 2.4, Indemnitee shall be indemnified to the fullest extent permitted by law against all Losses and Expenses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, that are actually and reasonably paid or incurred by him, or on his behalf, in connection with such Applicable Proceeding.

(b) Proceedings by or in the Right of the Corporation. Except as otherwise provided in this Article 2 (including pursuant to Section 2.4), Indemnitee shall be entitled to the rights of indemnification provided in this Section 2.1 if, the Indemnitee was, is, or becomes or was, is, or becomes threatened to be made, a party to or participant in any Applicable Proceeding brought by or in the right of the Corporation. Pursuant to this Section 2.1(b), but subject to Section 2.4, Indemnitee shall be indemnified to the fullest extent permitted by law against all Losses and Expenses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, that are actually and reasonably paid or incurred by him or her, or on his or her behalf, in connection with such Applicable Proceeding.

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(c) **Additional Indemnity.** In addition to, and without regard to any limitations on, the indemnification otherwise provided for in this Section 2.1, but subject to Section 2.4 and Article 5, the Corporation shall and hereby does indemnify and hold harmless Indemnitee to the fullest extent permitted by law against all Expenses and Losses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement actually and reasonably paid or incurred by him or on his behalf if, he was, is, or becomes or was, is, or becomes threatened to be, made a party to or participant in any Applicable Proceeding (including an Applicable Proceeding by or in the right of the Corporation). Subject to Section 2.4, the only limitation that shall exist upon the Corporation's obligations pursuant to this Agreement shall be that the Corporation shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Articles 5 and Section 7.2 hereof) to be unlawful. For the avoidance of doubt, the indemnification rights and obligations contained herein shall also extend to any Applicable Proceeding in which the Indemnitee was, is or becomes a party to, was, is or becomes threatened to be made a party to or was or is otherwise involved in any capacity in by reason of Indemnitee's Corporate Status as a fiduciary with respect to an employee benefit plan. In connection therewith, if the Indemnitee has acted in good faith and in a manner which appeared to be consistent with the best interests of the participants and beneficiaries of an employee benefit plan and not opposed thereto, the Indemnitee shall be deemed to have acted in a manner not opposed to the best interests of the Corporation.

**2.2 Mandatory Indemnification if Indemnitee is Wholly or Partly Successful.** Notwithstanding any other provision of this Agreement (other than Section 5.9), but subject to Section 2.4, to the extent that Indemnitee has been successful, on the merits or otherwise, in defense of any Applicable Proceeding or any part thereof, the Corporation will indemnify Indemnitee to the fullest extent permitted by law against all Losses and Expenses that are actually and reasonably paid or incurred by Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Applicable Proceeding, but is successful, on the merits or otherwise, as to one or more but fewer than all claims, issues or matters in such Applicable Proceeding, the Corporation will indemnify and hold harmless Indemnitee against all Expenses paid or incurred by Indemnitee in connection with each successfully resolved claim, issue or matter on which Indemnitee was successful. For purposes of this Section 2.2, the termination of any Applicable Proceeding, or any claim, issue or matter in such Applicable Proceeding, by dismissal with or without prejudice will be deemed to be a successful result as to such Applicable Proceeding, claim, issue or matter.

**2.3 Indemnification for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, the Corporation will indemnify Indemnitee to the fullest extent permitted by law against all Losses and Expenses actually and reasonably paid or incurred by Indemnitee on his or her behalf in connection therewith.

**2.4 Exclusions.** Notwithstanding any other provision of this Agreement, the Corporation will not be obligated under this Agreement to provide indemnification in connection with the following:

(a) Any Proceeding (or part of any Proceeding) initiated or brought voluntarily by Indemnitee against the Corporation or its directors, officers, employees or other indemnities, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (iii) the Proceeding was initiated to establish or enforce a right to indemnification or advancement of expenses under this Agreement, any other agreement or insurance policy (other than an Existing Agreement), under the Constituent Documents or under any statutory authority, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification or advancement of expenses, or recovery from the Corporation's D&O Insurance, as the case may be, or (iv) such payment arises in connection with any mandatory

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counterclaim or cross claim brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding); *provided, however*, that nothing in this Section 2.4(a) shall limit the right of Indemnitee to be indemnified under Section 7.4.

(b) In respect of any claim, issue or matter if a final decision by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law.

(c) For an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Exchange Act or any similar successor statute.

### **ARTICLE 3** **Advancement of Expenses**

**3.1 Expense Advances.** Except in the circumstances set forth in Section 2.4 and subject to Article 5, the Corporation will, if requested by Indemnitee, advance, to the fullest extent permitted by law, to Indemnitee (hereinafter an “*Expense Advance*”) any and all Expenses actually and reasonably paid or incurred (even if unpaid) by or on behalf of Indemnitee in connection with any Applicable Proceeding (whether prior to or after its final disposition). Indemnitee’s right to each Expense Advance will not be subject to the satisfaction of any standard of conduct and will be made without regard to Indemnitee’s ultimate entitlement to indemnification under the other provisions of this Agreement, or under provisions of the Constituent Documents or otherwise. Each Expense Advance will be unsecured and interest free and will be made by the Corporation without regard to Indemnitee’s ability to repay the Expense Advance. An Expense eligible for an Expense Advance will include any and all reasonable Expenses incurred pursuing an action to enforce the right of advancement provided for in this Article 3, including Expenses incurred preparing and forwarding statements to the Corporation to support the Expense Advances claimed. Execution and delivery to the Corporation of this Agreement by Indemnitee constitutes an undertaking by the Indemnitee to repay any amounts paid, advanced or reimbursed by the Corporation pursuant to this Section 3 in respect of Expenses relating to, arising out of or resulting from any Proceeding in respect of which it shall be determined, pursuant to Article 7, following the final disposition of such Proceeding, that Indemnitee is not entitled to indemnification hereunder. No other form of undertaking shall be required other than the execution of this Agreement.

**3.2 Timing.** Without limiting the generality or effect of the foregoing and except in the circumstances set forth in Section 2.4, within five (5) business days after any request by Indemnitee, the Corporation shall, in accordance with such request, (a) pay such Expenses payable in accordance with this Article 3 on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses payable in accordance with this Article 3, or (c) reimburse Indemnitee for such Expenses payable in accordance with this Article 3. In connection with any request for an Expense Advance, Indemnitee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege.

### **ARTICLE 4**

#### **Contribution in the Event of Joint Liability**

##### **4.1 Contribution by Corporation.**

(a) Whether or not the indemnification or Expense Advance provided in Articles 2 or 3, respectively, is available (other than when not available as a result of the circumstances set forth in Section 2.4), in respect of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Corporation shall, to the fullest extent permitted by law, settle and/or pay, in the first instance, the entire amount of any Expenses or Losses of such Applicable Proceeding (including whether payment is sought by the judgment creditor, or his, her or its successor or assigns, to be collected against the Corporation or the

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Indemnitee alone, or together) without requiring Indemnitee to contribute to such settlement or payment and the Corporation hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Corporation shall not enter into any settlement of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Corporation set forth in the preceding Section 4.1(a), if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding), except in the circumstances set forth in Section 2.4, the Corporation shall, to the fullest extent permitted by law, pay to Indemnitee the entire amount of any judgment or settlement of such Applicable Proceeding without requiring Indemnitee to contribute to such payment and the Corporation hereby waives and relinquishes any right of contribution it may have against Indemnitee. Indemnitee shall not enter into any settlement of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against the Corporation.

(c) To the fullest extent permitted by law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever (including due to an election by Indemnitee), except in the circumstances set forth in Section 2.4, the Corporation, in lieu of indemnifying Indemnitee, will contribute to the amount of Expenses and Losses incurred or paid by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Applicable Proceeding in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Applicable Proceeding in order to reflect (i) the relative benefits received by the Corporation (and its officers, directors, employees and agents) and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Applicable Proceeding and/or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, both the relative benefits referred to in clause (i) and the relative fault of the Corporation (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s). In connection with the registration of the Corporation's securities, the relative benefits received by the Corporation and Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Corporation and Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Corporation and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Corporation or Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Corporation and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 4.1 were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 4.1. In connection with the registration of the Corporation's securities, in no event shall Indemnitee be required to contribute any amount under this Section 4.1 in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by Indemnitee or (ii) the proceeds received by Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the

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Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

**4.2 Indemnification for Contribution Claims by Others.** Except in the circumstances set forth in Section 2.4, to the fullest extent permitted by law, the Corporation will fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by other officers, directors or employees of the Corporation who may be jointly liable with Indemnitee for any Loss or Expense arising from an Applicable Proceeding.

**4.3 Partial Indemnity.** Except in the circumstances set forth in Section 2.4, if Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for a portion of any Losses in respect of an Applicable Proceeding but not for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

## **ARTICLE 5 Procedures and Presumptions for the**

### **Determination of Entitlement to Indemnification**

**5.1 Notification of Claims; Request for Indemnification.** Indemnitee agrees to notify promptly the Corporation in writing, which may include via electronic means, of any claim made against Indemnitee for which indemnification or Expense Advance will or could be sought under this Agreement, which shall include a description of the nature of the Applicable Proceeding and the facts underlying the Applicable Proceeding, in each case, to the extent available; *provided, however*, that a delay in giving such notice will not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, the Corporation did not otherwise learn of the Applicable Proceeding and such delay is materially prejudicial to the Corporation's ability to defend such Applicable Proceeding; and, *provided, further, however*, that notice will be deemed to have been given without any action on the part of Indemnitee in the event the Corporation is a party to the same Applicable Proceeding. The omission to notify the Corporation will not relieve the Corporation from any liability which it may have to Indemnitee otherwise than under this Agreement. Indemnitee may deliver to the Corporation a written request to have the Corporation indemnify and hold harmless Indemnitee in accordance with this Agreement. Subject to Section 5.9, such request may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written request for indemnification, Indemnitee's entitlement to indemnification shall be determined according to Section 5.2. The Secretary of the Corporation will, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. The Corporation will be entitled to participate in any Applicable Proceeding at its own expense. If at the time of the receipt of such notice, the Corporation has D&O Insurance or any other insurance in effect under which coverage for Applicable Proceedings is potentially available, the Corporation shall give prompt written notice to the applicable insurers in accordance with the procedures, provisions, and terms set forth in the applicable policies. The Corporation shall provide to Indemnitee a copy of such notice delivered to the applicable insurers, and copies of all subsequent correspondence between the Corporation and such insurers regarding such Applicable Proceeding, in each case substantially concurrently with the delivery or receipt thereof by the Corporation. The Corporation shall keep Indemnitee substantially concurrently advised of all communications, regardless of method, with such insurers. Indemnification shall be made insofar as the Corporation determines Indemnitee is entitled to indemnification in accordance with Section 5.2 below.

**5.2 Determination of Right to Indemnification.** Upon written request by Indemnitee for indemnification pursuant to Section 5.1 with respect to any Applicable Proceeding, a determination with respect to Indemnitee's entitlement thereto will be made by one of the following, at the election of Indemnitee: (a) so long as there are Disinterested Directors with respect to such Applicable Proceeding, a majority vote of the Disinterested Directors, even if less than a quorum of the Board, (b) so long as there are Disinterested Directors with respect to such Applicable Proceeding, a committee of such Disinterested

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Directors designated by a majority vote of such Disinterested Directors, even though less than a quorum of the Board or (c) Independent Counsel in a writing delivered to the Board, a copy of which will also be delivered to Indemnitee. The election by Indemnitee to use a particular person, persons or Enterprise to make such determination is to be included in the written request for indemnification submitted by Indemnitee (and if no election is made in the request it will be assumed that Indemnitee has elected the Independent Counsel to make such determination). The person, persons or Enterprise chosen to make a determination under this Agreement of the Indemnitee's entitlement to indemnification will act reasonably and in good faith in making such determination.

**5.3 Selection of Independent Counsel.** If the determination of entitlement to indemnification pursuant to Section 5.2 will be made by an Independent Counsel, the Independent Counsel will be selected as provided in this Section 5.3. The Independent Counsel will be selected by the Board within the later of fifteen (15) days of receipt from the Indemnitee of a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding. The Corporation will give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. The Indemnitee may, within ten (10) days after such written notice of selection is given, deliver to the Corporation a written objection, which may be made via electronic means, to such selection; *provided, however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in this Agreement, and the objection will set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within thirty (30) days after the later of the submission by Indemnitee of a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding, no Independent Counsel is selected, or an Independent Counsel for which an objection thereto has been properly made remains unresolved, either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection that has been made by Indemnitee to the Corporation's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court may designate, and the person with respect to whom all objections are so resolved or the person so appointed will act as Independent Counsel under Section 5.2. Except in the circumstances set forth in Section 2.4, the Corporation will pay any and all fees and expenses incurred by such Independent Counsel in connection with acting pursuant to Section 5.2, and the Corporation will pay all fees and expenses incident to the procedures of this Section 5.3, regardless of the manner in which such Independent Counsel was selected or appointed.

**5.4 Burden of Proof.** In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination will, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement, except in the circumstances set forth in Section 2.4. Anyone seeking to overcome this presumption will, to the fullest extent not prohibited by law, have the burden of proof and the burden of persuasion, by clear and convincing evidence. In making a determination with respect to entitlement to indemnification hereunder which under this Agreement, the Constituent Documents, the D&O Insurance or applicable law requires a determination of Indemnitee's good faith and/or whether Indemnitee acted in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and/or with respect to any criminal Proceeding, whether Indemnitee had reasonable cause to believe his or her conduct was unlawful, the person, persons or Enterprise making such determination will, to the fullest extent not prohibited by law, presume that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Anyone seeking to overcome this presumption will, to the fullest extent not prohibited by law, have the burden of proof and the burden

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of persuasion, by clear and convincing evidence. Indemnitee will be deemed to have acted in good faith if Indemnitee's action with respect to the Corporation or a particular Enterprise (that Indemnitee is or was serving in an Enterprise Corporate Status at the request of the Corporation) is based on the records or books of account of the Corporation or such other Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Corporation or such other Enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or such other Enterprise or on information or records given or reports made to the Corporation or such other Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Corporation or such other Enterprise; *provided, however*, that this sentence will not be deemed to limit in any way the other circumstances in which Indemnitee may be deemed to have met such standard of conduct. In addition, the knowledge and/or actions, or failure to act, of any other director, manager, officer, agent or employee of the Corporation or such other Enterprise will not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

**5.5 No Presumption in Absence of a Determination or As Result of an Adverse Determination; Presumption Regarding Success.** Neither the failure of any person, persons or Enterprise chosen to make a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief to make such determination, nor an actual determination by such person, persons or Enterprise that Indemnitee has not met such standard of conduct or did not have such belief, prior to or after the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under this Agreement under applicable law, will be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In addition, the termination of any Applicable Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere*, or its equivalent, will not create a presumption that Indemnitee did not meet any particular standard of conduct and with respect to any criminal Applicable Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful, or that Indemnitee had any particular belief or that a court has determined that indemnification is not permitted by this Agreement or applicable law. In the event that any Applicable Proceeding to which Indemnitee is a party is resolved in any manner other than by final adverse judgment (as to which all rights of appeal therefrom have been exhausted or lapsed) against Indemnitee (including, without limitation, settlement of such Applicable Proceeding with or without payment of money or other consideration) it will be presumed that Indemnitee has been successful on the merits or otherwise in such Applicable Proceeding.

**5.6 Timing of Determination.** The Corporation will use its reasonable best efforts to cause any determination required to be made pursuant to Section 5.2 to be made as promptly as practicable after Indemnitee has submitted a written request for indemnification pursuant to Section 5.1 and prior to the final disposition of the Applicable Proceeding. If the person, persons or Enterprise chosen to make a determination does not make such determination within fifteen (15) days after the later of the date (a) the Corporation receives Indemnitee's request for indemnification pursuant to Section 5.1, (b) the final disposition of the Applicable Proceeding and (c) on which an Independent Counsel is selected pursuant to Section 5.3, if applicable (and all objections to such person, if any, have been resolved), the requisite determination of entitlement to indemnification will be deemed to have been made and Indemnitee will be entitled to such indemnification, so long as (i) Indemnitee has fulfilled his or her obligations pursuant to Section 5.8 and (ii) such indemnification is not prohibited under applicable law; *provided, however*, that such fifteen (15) day period may be extended for a reasonable time, not to exceed an additional ten (10) days, if the person, persons or Enterprise making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining of or evaluating of documentation and/or information relating thereto. Notwithstanding anything herein to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Applicable Proceeding.

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**5.7 Timing of Payments.** All payments of Expenses, including any Expense Advance, and other amounts by the Corporation to the Indemnitee pursuant to this Agreement will be made as soon as practicable after a written request or demand therefor by Indemnitee is presented to the Corporation, but in no event later than fifteen (15) business days after (a) such demand is presented or (b) such later date as a determination of entitlement to indemnification is made in accordance with Section 5.6, if applicable; *provided, however*, that an Expense Advance will be made within the time provided in Section 3.2.

**5.8 Cooperation.** Indemnitee will cooperate with the person, persons or Enterprise making a determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or Enterprise, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses incurred by Indemnitee in so cooperating with the person, persons or Enterprise making such determination will be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Corporation will indemnify Indemnitee therefor and will hold Indemnitee harmless from any Losses arising therefrom.

**5.9 Time for Submission of Request.** Indemnitee will be required to submit any request for Indemnification pursuant to this Article 5 within a reasonable time, not to exceed two (2) years, after any judgment, order, settlement, dismissal, arbitration award, conviction, acceptance of a plea of *nolo contendere* (or its equivalent) or other full or partial final determination or disposition of the Applicable Proceeding (with the latest date of the occurrence of any such event to be considered the commencement of the two (2) year period).

## ARTICLE 6

### Liability Insurance

**6.1 Corporation Insurance.** The Corporation will obtain and maintain D&O Insurance with one or more reputable insurance companies providing Indemnitee with coverage in such amount as is customary in the market for Losses and Expenses paid or incurred by Indemnitee as a result of acts or omissions of Indemnitee in his or her Corporate Status, and to ensure the Corporation's performance of its indemnification obligations under this Agreement; *provided, however*, that in all policies of D&O Insurance obtained by the Corporation, Indemnitee will be named as an insured party; *provided, further*, for the duration of Indemnitee's service in a Corporate Status, and thereafter for so long as Indemnitee may be subject to any possible Applicable Proceeding, the Corporation shall use reasonable efforts to continue to maintain in effect policies of D&O Insurance providing coverage that is substantially comparable in scope and amount to that provided by the Corporation to other Indemnitees. Upon request, the Corporation will provide to Indemnitee copies of all D&O Insurance applications, binders, policies, declarations, endorsements and other related materials.

**6.2 Notice to Insurers.** If, at the time of receipt by the Corporation of a notice from any source of a Applicable Proceeding as to which Indemnitee is a party or participant, the Corporation will give prompt notice of such Applicable Proceeding to the insurers in accordance with the procedures set forth in the respective D&O Insurance, and the Corporation will provide Indemnitee with a copy of such notice and copies of all subsequent correspondence between the Corporation and such insurers related thereto. The Corporation will thereafter take all necessary or desirable actions to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Applicable Proceeding in accordance with the terms of such D&O Insurance.

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**ARTICLE 7**  
**Remedies of Indemnitee**

**7.1 Action by Indemnitee.** In the event that (a) a determination is made pursuant to Article 5 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (b) an Expense Advance is not timely made pursuant to Section 3.2 of this Agreement, (c) no determination of entitlement to indemnification is made within the applicable time periods specified in Section 5.6, (d) payment of indemnified amounts is not made within the applicable time periods specified in Section 5.7 or (e) the Corporation or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, Indemnitee will be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his or her entitlement to such indemnification or payment of an Expense Advance. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The provisions of Delaware law (without regard to its conflict of laws rules) will apply to any such arbitration. The Corporation will not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

**7.2 De Novo Review if Prior Adverse Determination.** Except in the circumstances set forth in Section 2.4 (a), in the event that a determination is made pursuant to Article 5 that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Article 7 will be conducted in all respects as a *de novo* trial or arbitration, as applicable, on the merits and Indemnitee will not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article 7, Indemnitee will be presumed to be entitled to indemnification under this Agreement, the Corporation will have the burden of proving Indemnitee is not entitled to indemnification and the Corporation may not refer to or introduce evidence of any determination pursuant to Article 5 adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Article 7, Indemnitee will not be required to reimburse the Corporation for any Expense Advance made pursuant to Article 3 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

**7.3 Corporation Bound by Favorable Determination by Reviewing Party.** If a determination is made that Indemnitee is entitled to indemnification pursuant to Article 5, the Corporation will be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Article 7, absent (a) a misstatement by Indemnitee of a material fact or an omission of a material fact necessary to make Indemnitee's statements in connection with the request for indemnification not materially misleading or (b) a prohibition of such indemnification under law.

**7.4 Corporation Bears Expenses if Indemnitee Seeks Adjudication.** Notwithstanding anything to the contrary in this Agreement, in the event that (i) Indemnitee, pursuant to this Article 7 and except in the circumstances set forth in Section 2.4(a), seeks a Proceeding, judicial adjudication or arbitration of his or her rights under (or the interpretation thereof), or to recover damages for breach of, this Agreement, any other agreement for indemnification, the indemnification or advancement of expenses provisions in the Constituent Documents, payment of Expenses in advance or contribution hereunder or to recover under any director and officer liability insurance policies (including the D&O Insurance) maintained by the Corporation or (ii) the Corporation seeks a Proceeding against the Indemnitee seeking (1) to recover amounts previously advanced to Indemnitee, (2) to enforce the Corporation's rights under or to interpret the terms of this Agreement or (3) to recover damages for breach of this Agreement, the Corporation will, to the fullest extent permitted by law, indemnify and hold harmless Indemnitee against any and all Expenses which are paid or incurred by Indemnitee in connection with such judicial adjudication or arbitration, regardless of whether Indemnitee ultimately is determined to be entitled to such

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indemnification, payment of Expenses in advance or contribution or insurance recovery. In addition, if requested by Indemnitee, the Corporation will (within five (5) days after receipt by the Corporation of the written request therefor), pay as an Expense Advance such Expenses, to the fullest extent permitted by law. Indemnitee shall be required to reimburse the Corporation for such Expense Advance in the event that a final judicial determination is made that any action brought by Indemnitee was frivolous or not made in good faith.

**7.5 Corporation Bound by Provisions of this Agreement.** The Corporation will be precluded from asserting in any judicial or arbitration proceeding commenced pursuant to this Article 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and will stipulate in any such judicial or arbitration proceeding that the Corporation is bound by all the provisions of this Agreement.

## ARTICLE 8

### Non-Exclusivity, Subrogation; No Duplicative Payments

**8.1 Non-Exclusivity.** The rights of indemnification and to receive Expense Advances as provided by this Agreement will not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Constituent Documents, any D&O Insurance, any other agreement (other than any Existing Agreement), a vote of equityholders, a resolution of the directors or otherwise. To the extent Indemnitee otherwise would have any greater right to indemnification or payment of any advancement of Expenses under any other provisions under applicable law, the Constituent Documents, any insurance policy, including the D&O Insurance, any agreement (other than any Existing Agreement), vote of equityholders, a resolution of the directors or otherwise, except in the circumstances set forth in Section 2.4, Indemnitee will be entitled under this Agreement to such greater right. No amendment, alteration or repeal of this Agreement or of any provision hereof limits or restricts any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Constituent Documents, the D&O Insurance and this Agreement, it is the intent of the parties hereto that Indemnitee enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy will be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or employment of any other right or remedy. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action or other covered Applicable Proceeding.

**8.2 Subrogation.** Except as provided in Section 8.3, in the event of any payment by the Corporation under this Agreement, the Corporation will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect thereto and Indemnitee will execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights (it being understood that all of Indemnitee's reasonable Expenses related thereto will be borne by the Corporation).

**8.3 No Duplicative Payments.** The Corporation will not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or any Expense for which advancement is provided) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, except as provided in this Section 8.3. The Corporation's obligation to indemnify or advance Expenses hereunder to Indemnitee in respect of Applicable Proceedings relating to Indemnitee's service at the request of the Corporation in an Enterprise Corporate Status of any other Enterprise will be reduced by any amount Indemnitee has actually received

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as indemnification or advancement of Expenses from such other Enterprise, except as provided in this Section 8.3. The Corporation hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of Expenses and/or insurance provided by Other Indemnitors. The Corporation hereby agrees, to the extent it is determined pursuant to the terms and conditions of this Agreement that the Corporation has an indemnification or Expense Advance obligation to Indemnitee for a particular matter, (a) that it is the indemnitor of first resort (*i.e.*, its obligations to Indemnitee are primary and any obligation of any Other Indemnitor to advance expenses or to provide indemnification for the same Expenses or liabilities incurred by Indemnitee are secondary), (b) that it shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of this Agreement, the D&O Insurance, the Constituent Documents (or any other agreement between the Corporation and Indemnitee (other than any Existing Agreement)), without regard to any rights Indemnitee may have against the Other Indemnitors and (c) that it irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Corporation further agrees that no advancement or payment by the Other Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Corporation shall affect the foregoing and the Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Corporation. The Corporation and Indemnitee agree that the Other Indemnitors are express third party beneficiaries of the terms of this Section 8.3.

## ARTICLE 9

### Defense of PROCEEDINGS

**9.1 Corporation Assuming the Defense.** Subject to Section 9.3 below, in the event the Corporation is obligated pursuant to Article 3 to pay in advance the Expenses of any Applicable Proceeding, the Corporation will be entitled, by written notice to Indemnitee, to assume the defense of such Applicable Proceeding, with counsel approved by Indemnitee, which approval will not be unreasonably withheld. The Corporation will identify the counsel it proposes to employ in connection with such defense as part of the written notice sent to Indemnitee notifying Indemnitee of the Corporation's election to assume such defense, and Indemnitee will be required, within ten (10) days following Indemnitee's receipt of such notice, to inform the Corporation of its approval of such counsel or, if it has objections, the reasons therefor. If such objections cannot be resolved by the parties, the Corporation will identify alternative counsel, which counsel will also be subject to approval by Indemnitee in accordance with the procedure described in the prior sentence.

**9.2 Right of Indemnitee to Employ Counsel.** Following approval of counsel by Indemnitee pursuant to Section 9.1 and retention of such counsel by the Corporation, the Corporation will not be liable to Indemnitee under this Agreement for any fees and expenses of counsel subsequently incurred by Indemnitee with respect to the same Applicable Proceeding; *provided, however*, that (a) Indemnitee has the right to employ counsel in any such Applicable Proceeding at Indemnitee's expense and (b) the Corporation will be required to pay the fees and expenses of Indemnitee's counsel if (i) the employment of counsel by Indemnitee has been previously authorized by the Corporation, (ii) Indemnitee reasonably concludes that there is an actual or potential conflict between the Corporation (or any other person or persons included in a joint defense) and Indemnitee in the conduct of such defense or representation by such counsel retained by the Corporation or (iii) the Corporation does not continue to retain the counsel approved by Indemnitee.

**9.3 Corporation Not Entitled to Assume Defense.** Notwithstanding Section 9.1, the Corporation will not be entitled to assume the defense of any Applicable Proceeding brought by or on behalf of the Corporation or any Applicable Proceeding as to which Indemnitee has reasonably made the conclusion provided for in Section 9.2(b)(ii).

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## ARTICLE 10

### Settlement

**10.1 Corporation Bound by Provisions of this Agreement.** Notwithstanding anything in this Agreement to the contrary, the Corporation will have no obligation to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Applicable Proceeding effected without the Corporation's prior written consent, which consent shall not be unreasonably withheld or delayed.

**10.2 When Indemnitee's Prior Consent Required.** The Corporation will not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise in respect to an indemnifiable Applicable Proceeding hereunder which (a) includes an assignment of any claim or potential claim the Corporation may have against Indemnitee, any admission of fault of Indemnitee, any non-monetary remedy imposed on Indemnitee or a Loss for which Indemnitee is not wholly indemnified hereunder or (b) with respect to any Applicable Proceeding with respect to which Indemnitee may be or is made a party or a participant or may be or is otherwise entitled to seek indemnification hereunder, does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release will be in form and substance reasonably satisfactory to Indemnitee. Notwithstanding anything to the contrary, neither the Corporation nor Indemnitee will unreasonably withhold its consent to any proposed settlement; *provided, however*, that Indemnitee may withhold consent to any settlement that does not provide a full and unconditional release of Indemnitee from all liability in respect of such Proceeding.

## ARTICLE 11

### Duration of Agreement; other activities

#### 11.1 Duration of Agreement.

(a) This Agreement will continue until and terminate upon the latest of (a) the statute of limitations applicable to any claim that could be asserted against an Indemnitee with respect to which Indemnitee may be entitled to indemnification and/or an Expense Advance under this Agreement, (b) ten (10) years after the date that Indemnitee has ceased to serve as in a Corporate Status of the Corporation or its direct or indirect subsidiaries or in an Enterprise Corporate Status in any other Enterprise which Indemnitee served at the request of the Corporation or (c) if, at the later of the dates referred to in (a) and (b) above, there is pending Applicable Proceeding in respect of which Indemnitee is granted rights of indemnification or the right to an Expense Advance under this Agreement or a Proceeding commenced by Indemnitee pursuant to Article 7 of this Agreement, one (1) year after the final termination of such Applicable Proceeding, including any and all appeals. This Agreement and the indemnification and contribution provisions set forth herein are of a continuing nature and will remain in full force and effect regardless of any investigation made by or on behalf of Indemnitee or any officer, director, employee, agent or controlling person of Indemnitee.

(b) No legal action shall be brought and no cause of action shall be asserted by or in the right of the Corporation or any affiliate of the Corporation against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Corporation shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; *provided, however*, that if any shorter period of limitations is otherwise applicable to any such cause of actions, such shorter period shall govern.

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## ARTICLE 12

### Miscellaneous

**12.1 Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties in respect of the subject matter hereof and supersedes all prior understandings, agreements or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof; *provided, however,* that it is agreed that the provisions contained in this Agreement are a supplement to, and not a substitute for, any provisions regarding the same subject matter contained in the Constituent Documents, any D&O Insurance policy and any employment or similar agreement between the parties (other than any Existing Agreement).

**12.2 Assignment; Binding Effect; Third Party Beneficiaries.** No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other party and any such assignment by a party without prior written approval of the other parties will be deemed void *ab initio* and not binding on such other parties. All of the terms, agreements, covenants, representations, warranties and conditions of this Agreement are binding upon, and inure to the benefit of and are enforceable by, the parties and their respective successors, permitted assigns, heirs, executors and personal and legal representatives. Except as set forth in Section 8.3, there are no third party beneficiaries having rights under or with respect to this Agreement. The Corporation shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Corporation, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve in a Corporate Status, any of its direct or indirect subsidiaries or in an Enterprise Corporate Status in any other Enterprise at the Corporation's request.

**12.3 Notices.** All notices, requests and other communications provided for or permitted to be given under this Agreement must be in writing and be given by personal delivery, by certified or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, by facsimile transmission or by electronic mail (with receipt acknowledged by the recipient other than by automatic means), as follows (or to such other address as any party may give in a notice given in accordance with the provisions hereof):

- (a) If to the Indemnitee, to the address set forth on the signature page hereto.
- (b) If to the Corporation, to:  
TTEC Holdings, Inc.  
9197 S. Peoria St.  
Englewood, CO 80112  
*Attention: General Counsel*

All notices, requests or other communications will be effective and deemed given in accordance with this Section 12.3 and shall be deemed received as follows: (a) if given by personal delivery, upon such personal delivery, (b) if sent by certified or registered mail, on the fifth (5th) business day after being deposited in the United States mail, (c) if sent for next day delivery by overnight delivery service, on the date of delivery as confirmed by written confirmation of delivery, or (d) if sent by facsimile or electronic mail, upon confirmation of receipt of such facsimile transmission or electronic mail, except that if such confirmation is received after 5:00 p.m. (in the recipient's time zone) on a business day, or is received on a day that is

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not a business day, then such notice, request or communication will not be deemed effective or given until the next succeeding business day. Notices, requests and other communications sent in any other manner, including by electronic mail, will not be effective.

**12.4 Specific Performance; Remedies.** Each party acknowledges and agrees that the other party would be damaged irreparably if any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, the parties will be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its provisions in any action or proceeding instituted in any state or federal court sitting in the State of Delaware having jurisdiction over the parties and the matter, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided herein, nothing herein will be considered an election of remedies.

**12.5 Submission to Jurisdiction.** Any Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement may be brought in any state or federal court sitting in the State of Delaware having jurisdiction over the parties and the matter, and each party consents to the non-exclusive jurisdiction and venue of such court (and of the appropriate appellate courts therefrom) in any such Proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such Proceeding in any such court or that any such Proceeding brought in any such court has been brought in an inconvenient forum. Process in any such action, suit or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court, and each party hereto hereby agrees that notice in accordance with [Section 12.3](#) shall constitute effective service of process in any such Proceeding.

**12.6 Headings.** The article and section headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement.

**12.7 Governing Law.** This Agreement and the legal relations among the parties hereto will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law principles.

**12.8 Amendment.** This Agreement may not be amended or modified except by a writing signed by all of the parties.

**12.9 Extensions; Waivers.** Any party may, for itself only, (a) extend the time for the performance of any of the obligations of any other party under this Agreement, (b) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any such extension or waiver will be valid only if set forth in a writing signed by the party to be bound thereby. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, may be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising because of any prior or subsequent such occurrence. Neither the failure nor any delay on the part of any party to exercise any right or remedy under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise of the same or of any other right or remedy.

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**12.10 Severability.** The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof; *provided, however*, that if any provision of this Agreement, as applied to any party or to any circumstance, is judicially determined not to be enforceable in accordance with its terms, the parties agree that the court judicially making such determination may modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its modified form, such provision will then be enforceable and will be enforced.

**12.11 Counterparts; Effectiveness.** This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, which delivery may be made by exchange of copies of the signature page by facsimile, portable document format (.pdf), or other electronic transmission.

**12.12 Construction.** This Agreement has been freely and fairly negotiated among the parties. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any law will be deemed also to refer to such law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “include,” “includes,” and “including” will be deemed to be followed by “without limitation.” Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words “this Agreement,” “herein,” “hereof,” “hereby,” “hereunder,” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties intend that each representation, warranty, and covenant contained herein will have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached will not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant. Time is of the essence in the performance of this Agreement.

**12.13 Enforcement.**

(a) The Corporation expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve in a Corporate Status, and the Corporation acknowledges that Indemnitee is relying upon this Agreement in serving in a Corporate Status.

(b) The Corporation shall not seek from a court, or agree to, a “bar order” which would have the effect of prohibiting or limiting the Indemnitee’s rights to receive advancement of Expenses under this Agreement.

*[Signature pages follow]*

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

**TTEC HOLDINGS, INC.**

By:  
Name: Regina M. Paolillo  
Title: CFO and CAO

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## INDEMNITEE

Signature

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

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**Exhibit 31.1**

## CERTIFICATIONS

I, Kenneth D. Tuchman, certify that:

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

Date: November 5, 2019

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

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**CERTIFICATIONS**

I, Regina M. Paolillo, certify that:

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

Date: November 5, 2019

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

**Exhibit 32.1**

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

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

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2019 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 5, 2019

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

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

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2019 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 5, 2019

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